

# FIELD NOTES

Weekly news update from the KPMG Agribusiness network

21 October 2015

**Organisations referenced in this week's Field Notes include:**

Alliance Group	Real Estate Institute of New Zealand
Australian Food and Grocery Council	Scales Corporation
Carrfields Primary Wool	Sealord
Clearwater Mussels	Shanghai Maling
Dongfang Modern Agricultural	Shanghai Pengxin
Employment Relations Authority	Silver Fern Farms
Fergus Rural	Simplot
Deer Industry New Zealand	Standard and Poor's
Fonterra Co-operative Group	Stock NZ
Food and Grocery Council	StockX
Horticulture Export Authority	Talley's Group
International Federation of Agricultural Journalists	Taranaki Investment Management Limited
KPMG New Zealand	Taxpayers' Union
Massey University	The New Zealand Merino Company
Ministry for Primary Industries	UMF Honey Association
National Geographic	US Department of Agriculture
New Zealand Fishing Industry Guild	Van Diemen Land Company
New Zealand International Business Forum	Victorian Federated Farmers
NIWA	Watts Farm Group
Organisation for Economic Co-operation and Development	Zespri
Queensland University	

**This week's headlines**

Agricultural communications	<b>NZ Farmer editor wins international award</b> [15 October/ Business Day: NZ Farmer]
Red Meat	<b>'Turmoil ends'</b> [19 October/ NZ Farmer Weekly]
Public Health	<b>NZ Food &amp; Grocery Council, Taxpayers' Union cheer obesity package</b> [20 October/ National Business Review]
Economics and trade	<b>EU says closer economic ties with NZ 'a priority', boosting trade deal hopes</b> [15 October/ Business Day]
Farmers and producers	<b>Shanghai Pengxin going to High Court over Lochinver decision</b> [15 October/ Business Day: NZ Farmer]



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KPMG AGRIBUSINESS  
AGENDA 2015 VOLUME 1**

## Horticulture

**The TPP deal gives growers \$6,000 each** [19 October/ NZ Farmer Weekly] Lower Japanese kiwifruit tariffs are expected to be the greatest benefit the horticulture industry receives from the Trans-Pacific Partnership. Last year Zespri paid more than \$14 million in Japanese tariffs, equivalent to \$6,000 per grower and accounting for 20 percent of sales. Next seasons Japanese kiwifruit tariff is to be 33 percent lower, with the tariff being reduced to zero over the next five years. Meanwhile, the industry is expecting 10 percent growth in volume every year for the tariff reduction period. Zespri External Relations Manager, Nick Kirton said a high quality and comprehensive agreement would allow the company to further increase Japanese sales, as well as increasing returns for growers. Horticulture Export Authority Chief Executive, Simon Hegarty said the inclusion of Japan in the TPP was significant as around \$28 million in tariffs per year was paid on New Zealand produce. Mr Hegarty said the elimination of tariffs in key export markets was crucial in maintaining the competitiveness of New Zealand products. Scales Corporation Managing Director, Andy Borland said the Australian market remains tough to crack for apple exporters regardless of the TPP.

## Agriculture communications

**NZ Farmer editor wins international award** [15 October/ Business Day: NZ Farmer] NZ Farmer Editor, Jon Morgan has won the International Federation of Agricultural Journalists Star Prize for writing at the organisation's congress in Hamilton. Mr Morgan won the award for his story on his story on South Wairarapa Romney Breeder, Holmes Warren, which was published in 2014. Mr Morgan is the first New Zealander to win the award, and said it came as a shock. **KPMG was proud to support the International Federation of Agricultural Journalists Congress 2015 held in Hamilton last week.**

## Apiculture

**Detector to identify fake Manuka honey launched** [15 October/ Business Day] The UMF Honey Association has funded the development of a manuka honey indicator device, which will allow a user to test whether a sample of manuka honey is genuine. The device is to be distributed both domestically and abroad to make it easier for retailers, wholesalers and food regulators to test honey's. UMF Honey Association General Manager, John Rawcliffe said the device, which uses a fluorescent light to detect unique substances in manuka honey, would be sold for a few hundred dollars rather than thousands to encourage widespread use. Mr Rawcliffe added that the aim of the device is to increase consumer confidence that manuka honey bought is genuine.

## Aquaculture

**Marlborough mussels used in fight against arthritis** [15 October/ Business Day] According to a Queensland University study, mussel powder is more effective in treating joint pain than glucosamine. The study, funded by Christchurch-based manufacturer Aroma New Zealand, sourced 95 percent of its mussels from the Marlborough Sounds. Five to 10 percent of mussels in the region are used to make the powder. Around 160 tonnes of freeze dried mussel powder, with an expected value of \$7.2 million, is to be exported this year. Clearwater Mussels Owner, John Young said the use of the mussels for arthritis treatment was a cause his company would be able to contribute to.

**Mussel farmers enjoying a great harvest** [20 October/ Business Day: NZ Farmer] Clearwater Mussels Managing Director, John Young said the current harvest is shaping up to be one of the best in many years. Mr Young said mussel farms in the Marlborough Sounds are now producing more than 40 tonnes per hectare of water space, up from a 30 tonne average. Meat-to-shell ratios and mussel spat quantities have also increased in the region. Talley's Group Mussel Procurement Manager, Raymond Taylor said excellent mussel crops were also being reported by growers in the Banks Peninsula and Coromandel areas as well as across the top of the South Island. Mr Young said current El Nino conditions was producing quality sunlight needed to generate growth.

## Fishing

**Challenge to Sealord on catch changes fails** [19 October/ Business Day] The New Zealand Fishing Industry Guild has failed in its challenge against Sealord over catch changes that reduced bonus payments to fishermen and skippers. Sealord was alleged to of failed to consult meaningfully with skippers about the increasing of catch plans. Employment Relations Authority Member, David Appleton said Sealord did not breach its Fishers' Agreement or statutory duties in the way that it increased the catch plans for some of its boats. Mr Appleton said Sealord had proper grounds to increase catch tonnage to more accurately reflect what the vessel had been catching. Sealord Fishing General Manager, Doug Paulin said the catch plan changes had been necessary to ensure vessels were financially sustainable in business terms, as well as providing bonus opportunities. Mr Appleton also found that skippers are not crew under the definition in the 2012/13 Fishers' Agreement.

## Dairy

**Fonterra credit rating downgraded** [14 October/ Otago Daily Times] Standard and Poor's has downgraded Fonterra's credit rating from A to A-minus, after concerns of the co-operatives debt levels. Standard and Poor's believed Fonterra's risk profile has weakened over the past two years due to the company's sizeable capital expenditure and debt-acquisition of Beingmate coinciding with high volatility in the global dairy market. The downgrading will result in higher borrowing costs for the co-operative. Standard and Poor's Analyst, Brenda Wardlaw said Fonterra's high financial flexibility in being able to set milk price forecasts, kept the co-operative in the A-rating category. Fonterra CFO, Lukas Paravicini said the co-operatives underlying financial strength and credit quality remained strong, recognised by the A-category rating. Mr Paravicini added that the revised rating would not have an effect on Fonterra's strategy or payout. Ms Wardlaw said increasing dairy prices combined with reducing capital expenditure, better working capital flows, and transformation benefits will improve the co-operatives risk profile in the next one to two years.

**Fonterra board battle escalates** [15 October/ National Business Review] Former Fonterra Directors, Greg Gent and Colin Armer said they are disappointed with the response of Fonterra Chairman, John Wilson, to their proposal to reduce the co-operatives board from 13 to nine members. Mr Wilson said the proposal was not the co-operative way. Mr Wilson added that the board had begun a review with the Shareholders Council which would go to a special vote mid next year. Mr Armer said it was the constitutional right of farmers to bring resolutions to the annual meeting, and believed farmers would be sceptical of the review as previous efforts delivered little. Mr Gent said he had been shocked by the strength of farmer support for the proposed 9 member board. The resolution will require support from at least 50 percent of the Shareholders Council, and then if approved, a further 75 percent of shareholder support.

**'Health' foods grow wealth** [15 October/ Dairy News] Massey University Food Scientist, Paul Moughan said the development of 10 to 20 health orientated products, such as Fonterra's Anlene milk, will create significant wealth for New Zealand. Mr Moughan said Asian markets are welcoming health orientated products, exemplified by \$800 million worth of sales of Anlene. Mr Moughan said the high profit margins associated to health products will allow New Zealand to rise up the OECD economic rankings, to levels seen in the 1950's. Mr Moughan added that an increase in wealth would be achieved by the country's ability to produce great foods as well as the scientific developments in agriculture, food and related disciplines.

**Hopes Fonterra Studholme consent will be notified by weekend** [19 October/ The Timaru Herald] The Waimate District Council has hoped to notify the public of the resource consents for Fonterra's Studholme plant upgrade, this weekend. Fonterra had been asked to provide further information on its resource consent applications, with the council putting the application on hold until this information was received. Waimate Council Resource Planner, Kevin Tiffen said the council had received the additional information, and was currently processing it. Coal Action Network Aotearoa Spokeswoman, Cindy Baxter said the organisation opposed Fonterra fuelling its proposed new dryers with coal. Ms Baxter said the group wants Fonterra to use wood to fuel the dryers, which are expected to increase capacity from 900,000 litres a day to about 10 million litres. Fonterra Global Operations Managing Director, Robert Spurway said the largest wood burners currently used were 50 times smaller than those needed to run the new dryers. Mr Spurway added that the use of wood burners would be challenging and costly.

#### Red meat

**SFF result today; Alliance 'rowing own boat'** [16 October/ Otago Daily Times] Alliance Group Chairman, Murray Taggart believed the proposed merger between Silver Fern Farms and Shanghai Mailing would provide opportunities for Alliance, as it would potentially free up some markets. Mr Taggart confirmed the co-operative submitted a bid for Silver Fern Farms before the capital-raising process got under way, but for legal reasons could not comment on its involvement in the process. Alliance Group Chief Executive, David Surveyor said that while Silver Fern Farm shareholders would make their own decisions on the future of their company, Alliance Group was not uncomfortable if they voted in favour of the joint venture. Mr Surveyor added that the co-operative will focus on its own strategy and believed it has a proposition that was robust. Mr Surveyor believed the joint venture would not result in much of a change to its shareholder base. West Otago Farmer, Allan Richardson said the joint venture should be seen as a warning to all farmer co-operatives about their vulnerability to a takeover.

**'Turmoil ends'** [19 October/ NZ Farmer Weekly] Silver Fern Farms Chairman, Rob Hewett said the turmoil in the red meat industry has ended after the co-operatives shareholders endorsed its proposed partnership with Shanghai Maling. Mr Hewett said the company would not start a procurement war, nor will it acquire competing companies but will invest heavily in its Plate to Pasture value-add strategy. Mr Hewett said the company intended to make more money from the stock it attracted, rather than increasing throughput. Mr Hewett hoped the deal would help lift restrictions on chilled meat exports to China and added that the deals success would be based on better returns, growing volumes of premium-earning meat as well as increasing the number of New Zealand meat brands in the market. The proposed partnership will be voted on by Shanghai Maling shareholders on October 30 and then will require regulatory approval in both New Zealand and China. Of the 67 percent of eligible shareholders who voted, 82 percent voted in favour of the deal.

#### Health and safety

**New data on agriculture ACC claims** [16 October/ Radio NZ Rural] According to Statistics New Zealand, agriculture, forestry and fisheries workers had the highest rate of work related claims by occupation in 2014. The three industries had a combined 32,500 claims accepted by ACC, equivalent to 242 injuries for every 1000 full time employees. The three also had the highest rate of serious injuries, at 30 per 1000 workers.

#### Public health

**NZ Food & Grocery Council, Taxpayers' Union cheer obesity package** [20 October/ National Business Review] The Food and Grocery Council and the Taxpayers' Union have welcomed the government's decision to introduce 22 initiatives aimed at tackling obesity in young people, rather than taxing unhealthy foods. The food industry has helped develop a health star rating system, similar to the energy efficient rating, on foods as well as introducing voluntary codes for targeting children in advertising. Other voluntary measures included the reduction of sugar, fat and salt in some products, changing of package sizes, and corporate sponsorship of healthy eating and physical activity campaigns. Health Minister, Jonathan Coleman said child obesity is being added to the government's health target programme starting in July 2016. As part of the initiatives, sugary drinks will be restricted in public health facilities.

#### Rural infrastructure

**Stock sales options open up** [19 October/ NZ Farmer Weekly] The options for farmers wanting to sell stock has increased after the establishment of two new stock selling entities. Six independent stock agencies have formed an umbrella brand, StockNZ which is to cover the North Island, while StockX will allow farmers to sell stock through the internet on a livestock exchange platform. StockX Managing Director, Jason Roebuck said the platform has been designed to allow farmers to trade directly with others. Mr Roebuck believed the data collected by the platform will give farmers greater transparency on the true price of livestock. Mr Roebuck added that the platform will be offered as an alternative rather than a replacement to the traditional agent-farmer relationship. Fergus Rural Owner, Rob Fergus, whose company is one of six under the StockNZ brand, said the brand aimed to formalise a strong network that existed between the six independent companies, with each company bringing their own expertise to the relationship. The five other companies include Central Livestock, CR Nelson, WR Dyer, Stephen Harris Livestock and Bradley Livestock. Mr Fergus said the traditional agent-farmer relationship was still popular due to the expertise and knowledge of livestock agents.

## Deer

**Many lessons from Cervena in Europe trial** [20 October/ Deer Industry New Zealand Release] According to Deer Industry New Zealand, a trial promotion of Cervena venison in the Netherlands has gone down well with many chefs and their customers. Deer Industry New Zealand Passion2Profit Manager, Innes Moffat said the venison was sold as a spring-summer grilling item to around 1,200 Dutch restaurants, and was clearly branded to differentiate it from wild game which normally only appears on menus in late autumn and winter. Mr Moffat said DINZ and exporters are attempting to grow year-round demand for venison in new markets and new segments of existing markets. Mr Moffat said the venison sold well when part of a fixed menu rather than when sold with game meat associations. Mr Moffat added that the trial was a success as it demonstrated chefs would buy Cervena venison out of season, and when they did, chefs would return with repeat orders. A bigger trial involving more distributors and restaurants is likely to occur during 2016.

## Wool

**Price shakers are making money** [19 October/ NZ Farmer Weekly] By focusing on value rather than volumes, The New Zealand Merino Company has provided a total value premium of more than \$9 million to wool growers over the past year. While the company's strategy resulted in lower revenues, down to \$109 million from \$117 million, its net profit after tax increased by 21 percent to \$2.29 million. Around \$1.15 million, or 32 cents per share, is to be paid to shareholders in dividends. The New Zealand Merino Company Managing Director, John Brakenridge said the company's strategy has enabled it to combat price volatility by becoming market shakers rather than price takers. Mr Brakenridge said multi-year forward contracts have guaranteed more stable prices, allowing the company to generate more than \$30 million of extra income for growers compared to traditional commodity returns. The New Zealand Merino Company Chairwoman, Ruth Richardson said the company's substantial investment in research and market insight has placed it in a fantastic position.

## Drought

**Intense El Nino underway** [19 October/ Radio NZ Rural] National Institute of Water and Atmospheric (NIWA) Research Forecaster, Chris Brandilino said most parts of the country has been drying out over the past two weeks, with El Nino conditions predicted to be the second most intense since 1950. Mr Brandilino said heavy rain and flooding in parts of the country, such as Hawkes Bay and Gisborne, meant soil moisture levels were not unusually dry, but added that they would become much drier as El Nino conditions develop. Mr Brandilino said it is too soon to be certain that the country is on track for a very severe El Nino, but added that early signs indicated that severity of current conditions were second only to the 1997/98 event.

## Wool

**Just Shorn carpet finally launched in NZ** [16 October/ Business Day: NZ Farmer] The Carrfields Primary Wool owned Just Shorn carpet range has been launched in New Zealand, five years after it was launched in the United States. Just Shorn uses New Zealand second shear crossbred wool in the 35-38 micron range. CP Wool Chairman, Howie Gardner said farmers would be pleased to see the carpet sold domestically after efforts had been concentrated on export trading. Mr Gardner said Australian sales had been strong because Australian's understood wool, while initial New Zealand sales were showing encouraging signs. Mr Gardner added that the United States market was more price-sensitive and less well educated about wool. Mr Gardner said crossbred wool prices were at record levels, and added that farmers were receiving a good premium and a reasonably quick payment schedule for Just Shorn contracts. Farmers with the Primary Wool Co-operative received a rebate on profits made by the joint venture.

## Biosecurity

**Palm kernel use hits record levels** [15 October/ Radio NZ Rural] In the year ending June 2015, New Zealand imported a record 1.95 million tonnes of palm kernel expeller. The use of the product has grown phenomenally in the last fifteen years when 4,000 tonnes was imported. Greenpeace said the use of palm kernel by the New Zealand dairy industry increases its carbon footprint as well as causing ecological destruction and biodiversity loss in South East Asia. Fonterra has asked its farmers to restrict the usage of the product.

**Threatening wallabies spreading** [19 October/ Radio NZ Rural] Bay of Plenty Regional Council Land Management Officer, Dale Williams said the spread of wallabies in the region is a threat to pasture and native forests. Mr Williams said the public could help limit the spread of wallabies by notifying the council if they see wallabies anywhere east of Kawerau, west of Rotorua or south of Rainbow Mountain. Mr Williams believed one cause of the spread of wallabies could be people keeping the pest as pets.

## International

**Fight Against Bird Flu Intensifies in U.S.** [14 October/ The Wall Street Journal] United States poultry companies and regulators are taking steps to combat the potential return of the H2N2 avian flu virus which resulted in the death of more than 48 million birds earlier this year. The US Department of Agriculture (USDA) is to hire hundreds of veterinarians and workers to respond to the threat. It is also evaluating how and when to deploy a vaccine for the virus, with the poultry industry divided on its use as some are concerned that it could result in import bans from countries who prohibit vaccine programmes. Poultry companies are also redoubling safeguards such as banning outside visitors to barns and farms. Animal-health companies and farm-equipment makers are increasing production of tools to quickly euthanize flocks and decontaminate barns. The USDA said it was better prepared to meet the goals of exterminating birds within 24 hours of a diagnosis to prevent further spread of the virus. The agency said it may allow farmers to shut down ventilation in their barns to cull poultry if other methods cannot be done quick enough to meet the 24 hour goal. The virus has already led to the doubling of egg prices as well as causing turkey prices to reach record highs. It is estimated to cost around USD 1 billion in cleanup, preparation costs and indemnity payouts to farmers.

**Kiwi owners deny sale of Aust farming business** [14 October/ Radio NZ Rural] Taranaki Investment Management Limited Chairman, Keith Sutton has denied the Van Diemen Land Company has been sold to Chinese buyers, Ryoden Development and Waratah Corporation for \$270 million. Mr Sutton said the company was talking to a number of parties who were completing due diligence and funding plans. Mr Sutton added that all parties are under strict non-disclosure and confidentiality requirements.

**In 2050 there will be 9 billion people on earth? How will we feed them?** [14 October/ The Guardian] National Geographic Journalist, Joel Bourne has suggested that the world is approaching the point where it will be unable to feed its entire population. Mr Bourne believed the current western diet, consisting of high amounts of meat and dairy products, was unsustainable and needed to change if the global population, expected to be 9 billion by 2050, is to have enough food. As well as a growing population, climate change is expected to half global farmland. Mr Bourne said farmers would be able to produce enough calories to feed nine billion people a healthy mostly vegetarian diet, if western countries reduced their meat and dairy intake. Mr Bourne said it takes five times more grain to get the equivalent amount of calories from pork as it does from eating the grain itself. In the United Kingdom alone, halving meat and dairy consumption and replacing it with more grain, fruit and vegetables would save up to 43,600 lives from diet-related diseases each year.

**OECD warns on fishing capacity as Asia share grows** [15 October/ Agence France Presse] According to an Organisation for Economic Co-operation and Development report, OECD fisheries production has fallen by around 40 percent since 1988 due to overfishing cutting productive capacity. The report added that Chinese consumption growth has shifted production focus to Asia, with both China and Indonesia accounting for around 25 percent of global fish harvests. The report also added that for the first time, aquaculture production became a bigger source of fish products for consumers than capture fisheries. OECD Fisheries Analyst said the solution to restarting growth in OECD fisheries is improved management.

**Kerry: Climate change, food security key to global stability** [18 October/ NZ Herald] United States Secretary of State, John Kerry said the stability of the world is directly linked to climate change and its impact on the food security of billions of people. Mr Kerry argued that unrest which is a result of agricultural failure would pose an international threat. Mr Kerry said drought in Syria increased urban migration, which in turn exacerbated political tensions before the start of the civil war. Mr Kerry urged world governments to act against climate change to avoid mass migrations resulting from droughts, sea level rises and other climate change consequences.

**Hope for food manufacturing revival as exports jump** [19 October/ ABC Rural] According to an Australian Food and Grocery Council report, food and beverage exports increased by 30 percent last year from AUD 20 billion to AUD 26 billion. Australian Food and Grocery Council Chief Executive, Gary Dawson said a favourable exchange rate had been an enormous help to exporters. Mr Dawson added that the opening of new markets through free agreements had encouraged more overseas buyers to invest. Simplot Managing Director, Terry O'Brien said the company's fortunes had changed since it threatened to close factories as it was unable to compete with cheap imports. Many believed the closure of Simplot's factories indicated the demise of food manufacturing in Australia. Mr O'Brien said the company now has long term contracts with both Coles and Woolworths.

**British farmers crack the sweet potato** [19 October/ The Guardian] British-grown sweet potatoes are to go on sale in supermarkets for the first time next week, after the first successful results of a crop innovation which has taken three years to develop. The sweet potato typically relies on warm and dry growing conditions and has until now only been sourced from overseas. Watts Farms Group Director, Joe Cottingham said around three tonnes of sweet potatoes have been lifted from polythene-covered outdoor beds in Kent this week. New-found enthusiasm for sweet potatoes has triggered record supermarket sales, with Asda, Marks & Spencer and Waitrose reporting sale increases of 50, 112 and 30 percent respectively. Waitrose Vegetable Buyer, Gemma Hodgson said sweet potatoes are now considered a staple of the British diet, as they are more versatile, have lower calories and have a higher fibre content than regular potatoes.

**Modi Demands Tolerance From B.J.P. Leaders on Beef Issue** [19 October/ The New York Times] Indian Prime Minister, Narendra Modi has ordered party leaders to refrain from making statements that could be seen as condoning bigotry or violence against people who eat beef. In the past month three people have died after being attacked by Hindus enraged at reports of cows being slaughtered, smuggled or consumed. Mr Modi's Political Enforcer, Amit Shah has reprimanded several high profile Bharatiya Janata Party leaders who have recently made provocative statements interpreted as justifying assaults on those who slaughter or consume cows. Mr Modi expressed displeasure about such statements and believed they were damaging to the party as it is trying to win elections. Many Indian writers have returned the literary awards they have received in protest of what they believe is rising intolerance under Mr Modi's government.

**Dairy farmers milked dry as water price crisis bites** [19 October/ The Australian] Soaring irrigation water prices and water shortages in northern Victoria are forcing many farmers to sell cows and cut milk production despite ever-increasing Chinese demand for Australian products. Irrigation water prices have increased by around 400 percent, from AUD 80 per megalitre last year, to more than AUD 300. Prices are predicted to rise to AUD 500 per megalitre by the end of the year. The increase in prices has been blamed on speculation of El Nino conditions from foreign superannuation funds and city investors, who own much of the water in the Goulburn Valley. The loss or sale of more than 600,000 megalitres of farm irrigation rights from the Murray and Goulburn irrigation systems in the past nine years has also been blamed as contributing to water shortages in the region. Some of Australia's biggest food companies, including Fonterra and Murray Goulburn, have asked the federal government to address regulations impacting food production and threatening manufacturing in the Goulburn Murray irrigation district. The Victorian Federated Farmers has also asked the government to relax water trading rules, and said it wants excess environmental water to be released for sale to farmers.

**Citrus harvester lists on ASX** [20 October/ The Australian] Chinese citrus harvester, Dongfang Modern Agricultural has been listed on the ASX, the biggest listing of a Chinese company in 20 years. The company's shares rose 25 percent, following the listing, valuing the company at \$488 million. The company was the second-largest harvester in Australia last year, producing around 200,000 tonnes of fruit and nuts, with revenues of AUD 133 million and net profit of AUD 67 million.

## Research and development

**Government reduces its share of agriculture research funding** [15 October/ Business Day: NZ Farmer] The government is to lower its investment share in the Primary Growth Partnership programme from 50 to 40 percent from December 1. It has currently spent around \$130 million on 18 programmes, with a total commitment of \$322 million over the life of the programmes. Primary Industries Minister, Nathan Guy said the amount of funding for the programmes will remain the same, with private enterprises taking over a greater share, as the commercial benefits are greater than the public benefits. Current programmes will not be affected by the change. The minimum amount an industry must co-invest in the programmes will also remain at \$500,000 over the lifetime of the programme, or \$71,500 per year for a seven-year programme.

## Economics and trade

**EU says closer economic ties with NZ 'a priority', boosting trade deal hopes** [15 October/ Business Day] The European Commission's new trade and investment strategy has confirmed that it is to request a mandate authorisation to negotiate deals with both New Zealand and Australia. The Commission said stronger economic ties with Australia and New Zealand will provide a solid platform for deeper integration with wider Asia-Pacific value chains, and that strengthening such ties should be a priority. The Commission added that a deal would take into account Europe's agricultural sensitivities. New Zealand International Business Forum Executive Director, Stephen Jacobi was delighted at the wording of the statement. Mr Jacobi added that a free trade deal with Europe would unlock huge potential for both New Zealand exporters to Europe and for new partnerships between New Zealand and European businesses into other markets such as Asia.

## Farmers and producers

**Shanghai Pengxin going to High Court over Lochinver decision** [15 October/ Business Day: NZ Farmer] Shanghai Pengxin is to seek a judicial review in the High Court over the government's decision to reject its bid to buy Lochinver Station. Shanghai Pengxin subsidiary, Pure 100 Farm did not believe the correct argument was used when its application was assessed. Prime Minister, John Key said the government would honour the law if the Overseas Investment Office got it wrong. Shanghai Pengxin Spokesman, Terry Lee said the company was to invest a further \$20 million above the property's asking price, but added that the net benefit of the application was calculated to be an addition \$3 million of capital investment. Mr Lee said the aim of the review was to get clarity on the alternative argument the government uses when assessing sales of non-urban land of more than five hectares to overseas investors.

**Americans outdo Chinese in NZ dairy land buying** [16 October/ Business Day: NZ Herald] According to new research from KPMG, American investors bought the most New Zealand dairy land in 2013 and 2014. American investors bought a combined 15,404 hectares for \$78.9 million, while Chinese investors spent \$63 million. The amount sold to all investors over the two years was 28,312 hectares at a cost of \$297 million. KPMG Partner, Justin Ensor said the findings showed there was a good spread of countries in the market, with buyers from 12 different countries. Mr Ensor said the findings dismissed the perception that buyers are comprised of only Asian investors. By land area, the biggest investors after the United States and China were Sweden, New Zealand companies with foreign partners, the United Kingdom, Canada, Switzerland and Italy.

The report can be accessed from the KPMG website <http://www.kpmg.com/nz/en/issuesandinsights/articlespublications/press-releases/pages/americans-biggest-investors-in-nz-dairy-land%20.aspx>

**Numbers of farm sales falls for year** [19 October/ Business Day: NZ Farmer] The number of farms sold in the year ending September 2015 has fallen by 10 percent, to 1,762 farms. The median price per hectare for a farm has increased from \$24,291 to \$28,126. According to the Real Estate Institute of New Zealand, the all farm index price for the year fell by 6.5 percent, while the dairy farm price index fell by 17.6 percent. REINZ Rural Spokesman, Brian Peacocke said morale was lifting in the rural sector with good prospects for beef and lamb, and a slow turnaround in the dairy industry.

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## Field Notes

Weekly news update from the KPMG Agribusiness Network – 21 October 2015

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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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