

FIELD NOTES

Weekly news update from the KPMG Agribusiness network



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

4 November 2015

Organisations referenced in this week's Field Notes include:

Beef & Lamb New Zealand	SunRice
Bega Cheese	Te Hono Bootcamp
Central Plains Water	The New Zealand Merino Company
Chartered Accountants Australia & New Zealand	Waikato University
Dairy Women's Network	Zespri
Environment Canterbury	
European Union	
Fonterra Co-operative Group	
Glerups	
Greenfleet International	
Green Sense Farms	
Hawkes Bay Regional Investment Company	
Horticulture New Zealand	
Ministry of the Environment	
Meat Industry Association	
Meat Industry Excellence	
Ministry for Primary Industry	
PGG Wrightson	
Overseas Investment Office	
Selwyn District Council	
Silver Ferns Farms	

This week's headlines

Agribusiness Strategy	NZ needs to lift its international branding [27 October/ Dairy News]
Red Meat	NZ meat export prices soar on the back of high beef demand [30 October/ Business Day]
Agribusiness Education	Wrong message and Wrong messengers [3 November/ Rural News Group]
International	Coca-Cola enters the dairy market with 'Milka-Cola' [29 October/ The Guardian]
Research and Development	AgResearch confirms major job cuts [29 October/ Otago Daily Times]

New Report from Chartered Accountants Australia and New Zealand (CAANZ)

Future Inc: Food, Farming and our Future written in association with KPMG

It's not just crickets – 3D food trend farming future [30 October/ The Australian] Rockhampton beef farmer, Tory Acton, has no doubts her family will still be farming in Queensland in three to four decades but recognises it will be a very different business, with changes likely in the ownership structure, technology, consumer engagement, regulation, capital and marketing activities of the business. Ms Acton believes her family will still be producing beef but notes that many experts suggest farmers will be growing crops or food we haven't seen or heard of yet by 2050 and as a consequence farmers need to change now to prepare for the future. A new report written by KPMG for CAANZ "Food, farming and our future" explores the future for farmers in Australia and New Zealand and notes it is time for the traditional image of the farm to evolve. The report believes that farming will be at the centre of Australia and New Zealand's future economic prosperity but tomorrow sector will not be the one we know today. The report recognises that disruption to how food is produced and consumed will come in many forms; alternative proteins, manufactured or synthetic foods, application of wide technology and deep consumer connection. Ms Acton, noted that a recent change in her family's ownership of their 80,000 head operation has opened up new market opportunities for the family delivering new benefit to the business.

The report can be accessed by clicking the following link: <http://www.charteredaccountants.com.au/futureinc/Publications>

Horticulture

Sir Brian Elwood recognised [30 October/ Rural News] Sir Brian Elwood has been awarded the prestigious Hayward Medal for services to the kiwifruit industry. At the conclusion of Zespri's inaugural Kiwifruit Innovation Symposium in Tauranga, John Malyon awarded Sir Brian with the Hayward Medal in recognition of his contribution as chairman of Kiwifruit New Zealand. Sir Brian recently stepped down after 10 years' service in this role. As a lawyer having served in many public roles, he was described by Mr Malyon as a "fine legal mind which had served the industry well".

Hort NZ appoints new CEO [3 November/ Rural News Group] Horticulture NZ has appointed the current CEO of NZ Kiwifruit Growers Inc (NZKGI), Mike Chapman, as its new CEO. Mr Chapman has been with NZKGI since June 2005 and he also serves on a number of kiwifruit industry committees. Mr Chapman will start with Hort NZ on 18 January.

Blueberry prices leave buyers blue in the face [3 November/ Business Day] Consumers across the country have been staggered by the cost of a 125 gram punnet of blueberries in their local supermarket with prices ranging between \$15 and \$20. Customers have taken to Facebook to express their surprise at the prices, suggesting the fruit will probably rot on the shelf at the current price levels. General Manager of organic blueberry grower, Monavale Blueberries, Marco de Groot, said his company had only started selling fruit last week at \$8 a punnet as supply was running a week later than usual, meaning there is currently a limited supply of fruit. Supply has been limited due to the colder weather, which has slowed growth but aided pollination. Mr de Groot said he expected prices to have normalised by Christmas. A spokesperson for Foodstuffs said that the retail price is driven by the wholesale price charged by the grower, which reflects the supply available.

Agribusiness Strategy

NZ needs to lift its international branding [27 October/ Dairy News] John Keogh, an international brand expert and adviser to companies and governments, told the Ministry for Primary Industries PGP expo that New Zealand has a lot of work to do on its international branding. Commenting on the Origin Green brand developed in Ireland he suggested the industry has got its act together and is now recognised as a top brand worldwide. In contrast he suggested the NZ brand was at best aspirational. He said Bord Bia (the Irish Food Board) exists to accelerate the marketing and branding of Irish food, whereas MPI has both a regulatory and promotion role which can at times be inconsistent. He added he believed NZ companies were failing to leverage NZ's powerful brand story as much as they should, given how important story is becoming to consumers in the decisions they make about the products they purchase. Mr Keogh highlighted that consumers not only vary between countries but within countries, highlighting that consumers in California are more discerning than those in other US states. He said that major investments are being made in Asian countries to address food safety concerns, noting the World Bank has just given Vietnam \$50 million to work on food safety. Digital solutions that enable consumers to trace products and source information are becoming a must have for consumers in an uncertain world.

Aquaculture

Mussel farm game changer for BOP - Joyce [30 October/ Radio NZ Rural] Plans to build a 3800ha mussel farm off the Eastern Bay of Plenty could be a "game-changer" says Economic Development Minister Steven Joyce. The government has committed up to \$3 million to investigate the validity of the project and potentially could invest up to \$20million. In return, the marine farm could create a few hundred jobs and draw millions of dollars into the local economy. Key to its success is the Opotiki Harbour Development Project which is to develop the harbour entrance and build a commercial wharf, which will support processing facilities for the marine farm. Minister Joyce said the funding would enable the validation of the technical aspects of Opotiki Harbour project to be completed at the same time as the commercial partners are doing their proof of concept work on the marine farm. He added the project will be a significant boost to the economic fortunes of the eastern Bay of Plenty, which is "why the government is probably going a bit further forward on this one than we'd go on many other local infrastructure projects."

Dairy

Fonterra appoints BHP exec to replace Sir Ralph Norris [30 October/ National Business Review] Clinton Dines, has been appointed to replace Sir Ralph Norris as an independent director on the Fonterra Co-operative Group Board. Mr Dines is a Former BHP Billiton executive and will join the co-operative next month, after Sir Ralph steps down who has spent much of his career working in Asian markets. John Wilson, Chairman of Fonterra noted that Mr Dines is well-versed in managing the impacts of global commodity price fluctuations, adding that fourteen years of his time at BHP were in a buyers' market where the prices were low, while the last seven years were in a boom market."

Dairy Women's Network hits 8,000 members [30 October/ Dairy News] The Dairy Women's Network announced an official membership figure of 7186, being based on financial year-end figures at May 31 2015, with 79% of these being on farm dairy women. Chair, Justine Kidd, told the Annual General Meeting the network has grown to over 8000 members as it has piloted new programmes, actively used social media to support and respond to our members' needs and welcomed new support partners. Five new groups and a Northland "hub" have been developed in the last year. Alongside DairyNZ, DWN created and trialled a dairy module concept. Two new modules will also be launched at the end of this month. "United to Success", next year's annual conference, will take place in Hamilton in May and include a two day workshop from Gemma Chuck, a well-known Australian dairy vet.

Milk powder price dip picked [2 November/ NZ Herald] Analysts are forecasting a drop of up to 5% in the price for whole milk powder at this week's GlobalDairyTrade (GDT) auction. Futures have recently traded at a discount to the USD2,740 per tonne price achieved at the last auction amid what is described as lacklustre demand. Given that whole milk powder makes up the majority of product sold through the GDT platform, the expected decline in the price is expected to pull down the average GDT auction price. If the auction falls, it will be the second consecutive fall following four auctions that reported gains. One analyst suggested that a decline in the GDT index would likely cement a cut in the OCR by the Reserve Bank when it releases its next monetary policy statement, however noted that at current price levels dairy products would appear to be a buy given the uncertainties that are hanging over supply given the expected El Nino weather system.

Fonterra sells Australian Bega stake [2 November/ NZ Herald] Fonterra has sold its 9 percent share in Bega Cheese for AUD74million. Bega Cheese is an Australian company in which Fonterra has held a stake since 2013. Fonterra will maintain a long-standing relationship with Bega regardless of the sale of shares, including a license to the brand and a supply contract for the cheese. In a statement to the ASX Fonterra's CFO Lukas Paravicini stated, "We are focused on investing in higher value add dairy products that deliver the best returns for our shareholders".

Convincing chefs the key to sales [2 November/ NZ Farmers Weekly] For many restaurants, getting the portion size right is the difference between profit and failure, an issue that Fonterra's food service business well understands and works extensively with executive chefs to assist them with. Fonterra's global category and innovation manager, Keith McDonald, said that many chefs in China receive no formal training and consequently the company has to work with chefs to teach them to cook dishes, such as pizzas. Mr McDonald was demonstrating the company's individually quick frozen shredded mozzarella cheese, which has been designed to deliver the right amount of stretch, is fresh and very evenly grated to make portion control easy. The product eliminates inconsistency and can improve the look of a pizza served to a customer, compared to a pizza produced free handed. Other innovations introduced by Fonterra in the food service space recently include an extra yielding cooking cream (that has been pre thickened with a corn starch to reduce cooking time and save labour costs) and an extra whip whipping cream for use in deserts.

Red meat

Low dairy prices behind surge in Wagyu interest [29 October/ Radio NZ Rural] A Wagyu cattle primary growth partnership between the Government and two Hawkes Bay companies (Firstlight Foods and Brownrigg Agriculture Group) is gaining traction by looking to grow better beef genetics into their herds, through bobby calves. Matt Crowther, programme manager, said they are at a half-way point for the seven-year programme and that there's been increasing interest in the last year. He noted the mating numbers from last year were approximately 11,000 and we're now clicked over 26,000 matings this year, so the number of calves we're going to have is basically doubling". With the milk pay-out dip, consequently there has been a surge of interest.

MIE has issues with SFF deal [30 October/ Rural News Group] Questions have been raised over the role of the Meat Industry Excellence (MIE) endorsed directors on the board of Silver Fern Farms as the company has cemented its recent deal with Shanghai Maling. Speaking on behalf of MIE, John McCarthy and Ross Hyland, said they understand the position the directors found themselves in; with the option facing the company being receivership without a deal they legally had to act in its best interest. They stressed that MIE remains strongly and fundamentally opposed to the loss of New Zealand control the deal represents, but consider that the reality of the situation was the bank driven sales process, led by Goldman Sachs, was the only real game in town. They suggested that despite the headline figure of 82.2% support for the deal to progress, with 66% of shareholders voting, only 55% of shareholders voted in favour of the deal, insufficient to have passed a special resolution under the co-operatives constitution should the board have chosen to have sought such a resolution for the deal (something Mr McCarthy and Mr Hyland believe should have been done). They consider there are still windows of opportunity to secure an NZ owned solution, as Overseas Investment Office approval is still required and a NZ First sponsored private members bill remains in the Parliamentary ballot (the Red Meat Industry Restructuring Bill which is loosely based on MIE's Newco proposal which would make around \$300 million available from the future fund to the industry).

NZ meat export prices soar on the back of high beef demand [30 October/ Business Day] Red meat exports have increased by over \$1 billion in the last year driven by higher beef prices and strong demand from the United States and China. Total red meat exports rose to \$7.66 billion according to figures from the Meat Industry Association (MIA). The US took around 52% of our beef exports in the year to 30 September 2015, with value up 63% on the prior year at \$1.65 billion. China beef exports increased 94% to \$426 million and it is the largest market for NZ sheepmeat (at \$676 million, or 23% of total sheepmeat exports). The UK remains the second largest sheepmeat market at \$567 million followed by the US at \$278 million. MIA CEO, Tim Ritchie, noted that while volumes of beef exports to China had increased 50% the value had almost doubled. He also highlighted the opportunity inherent in trade agreements, noting volumes and value of our supply to Japan had fallen as we have to compete with suppliers from countries that have preferential access arrangements to that market (also noting a similar story in Korea where Australia secured a trade agreement before NZ). The largest fall in beef exports was to Indonesia, as the country declared it wanted to become self-sufficient in beef).

Wool

Glerups extends wool contract with NZ Merino through 2017 [30 October/ National Business Review] Glerups has announced that it has extended its contract with The New Zealand Merino Company through 2017 to meet growing demand for its product. The Danish woollen slipper maker has a contract to acquire 120 tonnes of wool for about \$1.5 million during a recent visit to New Zealand and expects to return next year to secure a 2018 contract. Glerups started in 1993 as a hobby business and is now exporting 150,000 pairs of the slippers to 20 countries each year (with a unit price of \$189). Supply Chain Manager, Jesper Glerup Kristensen, said the company expects to produce between 180,000 and 190,000 pairs of the slippers in 2016 and it has consequently also extended its 2016 by 20 tonnes. Glerups started buying wool under longer term contracts from New Zealand farmers this year rather than sourcing wool on the open market to enable it to build deeper relationships with its suppliers. NZ Merino was able to secure the deal after signing a contract in December last year to manage the wool clip of Landcorp Farming, which was looking to reduce volatility by securing agreements with end use customers.

Agribusiness education

Prestigious Nuffield scholars for 2016 named [30 October/ Business Day: NZ Farmer] Four recipients of the 2016 Nuffield Scholarships were announced at a reception at Parliament last week. The scholars will have the opportunity to travel overseas for at least four months during their scholarship year and participate in the contemporary scholar's conference with 60 Nuffield scholars from around the world. The scholars are Jessica Bensemann (a Wellington based government agricultural development manager working for the Ministry of Foreign Affairs and Trade), Richard Fowler (a Te Puke dairy farmer), Samuel Lang (an environmental management adviser turned Central Hawke's Bay shepherd) and Tom Skerman (an orchard and sheep and beef farmer from Hasting). Research topics were likely to include the internationalisation of New Zealand agribusiness and exploration of the opportunities to grow by partnership, the opportunities for New Zealand to use foreign capital, the skills gap between owner-operators and corporate farm management and the production of synthetic milk and the learnings from previous and current attempts to respond to complex, long-term challenges in the industry.

Rural Business Network spreads [2 November/ NZ Farmers Weekly] A programme to create forums for rural professionals to network, developed as a result of investment from Beef+Lamb New Zealand as part of the Red Meat Profit Partnership, is proving successful and has been extended. The initial pilot in the lower North Island has been extended to eight hubs operating across the country and is being managed by NZ Young Farmers. The hubs have heard from a wide variety of speakers and rather than focusing on immediate topical issues, the events tended to take a broader approach focused on more strategic issues that would ultimately benefit the participants business. The meetings are open to people of all ages, having initially been focused on younger people, the benefits of having a wider range of perspectives has become apparent. Beef+Lamb NZ CEO, Scott Champion, said the programme has filled a critical gap in building networks in the sheep and beef industry, particularly in connecting farmers and advisers through focusing on improving businesses rather than technical topics which are often the focus of conversations. The programme is providing people with the skills and knowledge to grow a profitable farming business.

Wrong message and Wrong messengers [3 November/ Rural News Group] John Breckenridge, CEO of The New Zealand Merino Company (NZM) and initiator of the Te Hono Bootcamp initiative, believes the messaging intended to attract young people into the agri sector is unappealing and being delivered by the wrong people. He told Rural News, that New Zealand seems to be stuck in a traditional paradigm of education and approaches and needs to bring different thinking to the table. For a start he suggested that it should be young people, currently building their careers in the sector, that should be supported to be out in schools and universities to tell their stories and inform students about what the sector has to offer. It has to be clear that you don't need an agriculture related degree to work in the sector, in fact he often finds the most passionate employees come from a completely different background, with backgrounds in social science and anthropology for example. He also said the connections that NZM has built with Stanford University means they are able to work with students from that university and provide opportunities for them to set up and pilot innovative projects. We also need to recognise the industry is sexy to many young people who are concerned about the environment, where products come from and what attributes and benefits they have. It is however critical, that businesses come to terms with the type of language that young people expect them to be using, around digital for example, and connect with them in different ways.

Water

Council falling short of signed Ruataniwha Dam contracts [2 November/ Radio NZ Rural] Hawkes Bay Regional Investment Company says that the number of farmers that have signed contracts to source water from the proposed Ruataniwha project has increased by around 25% over the past six weeks, meaning they have now sold about 25 million cubic metres of water. The Commercial Manager for the project, Duncan McLeod, said that there was a minimum sales requirement of 45 million cubic metres to make construction viable with a deadline having been set of 11 November, to enable the board to work towards financial close on development by the end of the year. Mr McLeod said that contracts had been requested for another 13 million cubic metres of water and also noted that 175 properties have currently decided they will not contract for water at this stage (often because the current owner does not intend on being on the land for much longer, when water will not be delivered until October 2019). Mr McLeod said with commitments and expressions of interest meant they were not too far away from the target of 45 million.

Irrigation scheme costs probed at Selwyn Council loan meeting [2 November/ Business Day] Central Plains Water has approached Selwyn District Council for a loan of \$8 million to enable it to progress the design works on stage two of the its \$375 million water storage and irrigation network. The Council has had the loan it made for the first stage of the development repaid, however now cannot use the resource consents as security for a future loan as these have been pledged as security to CPW's bankers for project financing. One farmer from Hororata addressed a meeting of the Council to consider the loan, arguing that a loan should not be provided, given that farmers had failed to subscribe for all the shares in stage one at a time when milk prices were higher (it was noted that Fonterra had in the end subscribed for the unsold shares). The farmer also produced a 2010 Treasury report, obtained in 2013 by the Green Party under the Official Information Act, that suggested most of the benefits of the scheme would come from their construction. CPW Chair, Doug Catherwood, also addressed the meeting and said the scheme was a regional development opportunity that would encourage agricultural production rather than lifestyle subdivision. He added that the Council should invest in the scheme to help create a thriving rural community and sustainable economy.

Environment and emissions

Emissions tax touted for farmers [28 October/ NZ Herald] A briefing paper from the Ministry of Environment has suggested that the government should review farmers non-inclusion in the Emissions Trading Scheme (ETS) under a proposed revision of the scheme. A Ministry spokesperson said that the briefing did not amount to a recommendation to the government but was a comment on the possible terms of reference that cabinet could determine for the review. The paper notes that agriculture accounts for about half of New Zealand's greenhouse gas emissions, adding there were few options for reducing these emissions apart from cutting stock numbers. The paper also noted the ETS was not having a significant impact on emissions making change necessary. The original ETS, developed by the last Labour government, proposed that agriculture would be included but National later postponed agriculture's entry into the scheme indefinitely.

Hundreds of dairy farmers caught breaking rules [31 October/ Business Day: NZ Farmer] A report from Environment Canterbury (ECan) has found that more than a third of dairy farms were breaking effluent discharge rules in the last 12 months, with more than half the farms in the Orari-Opihi-Parora zone found to be breaking the rules. Inspectors monitored 976 farms over a 12 month period and found widespread issues around effluent discharge, with only 64% of farms found to be complying with their resource consent conditions, with the primary issue found being ponding (the over application of effluent on dairy paddocks, leading to ponds of waste accumulating on the surface which into the ground). The report said the outcomes were considered a great result, much of the non-compliance was minor and incidents of significant compliance had continued to reduce. A spokesperson for ECan noted that it was the second year in a row that the Council did not prosecute anyone for non-compliance with their resource consent.

Tree planter to put roots down in Kiwi soil [2 November/ NZ Farmers Weekly] An Australian based not for profit organisation, Greenfleet International, has announced it has started operating in New Zealand. The company has planted more than 8.5 million native trees in Australia creating more than 400 biodiverse forests across Australia and CEO, Wayne Westcott, said there are lots of opportunities to assist New Zealanders in offsetting their emissions. Speaking at the Australia-New Zealand Climate Change and Business Conference in Auckland, Mr Westcott noted that more AUD20 million had been invested by thousands of companies and individuals to offset their emissions in Australia which he estimated had absorbed more than 2 million tonnes of gases. The organisation has appointed Ron Small as its NZ General Manager and it wanted to work with farmers to produce native plants for planting riparian strips and had started discussions with farmers and councils about planting on their land. Mr Small said that donations in NZ were already sufficient to plant 50 hectares of trees and he saw that becoming 200 hectares very soon. He predicted that Greenfleet would become a very strong player in biodiversity recovery in New Zealand.

International

Pacific's Palau creates huge ocean sanctuary [28 October/ Agence France Presse] Palau, the tiny Pacific island nation, has announced that it is creating a marine sanctuary the size of Spain, and will ban fishing across the bulk of its waters to preserve ocean resources for future generations. The reserve will cover 500,000 square kilometres and incorporates 1,300 species of fish and 700 types of coral. The sanctuary will cover 80% of the nation's maritime territory and President, Tommy Remengesau, said it would allow the ocean to heal after decades of industrialised fishing. The sanctuary will be phased in over the next five years and will leave a relatively small area of water open for the 18,000 locals to fish but not the foreign trawlers that dominate the Pacific fishing sector. The plan prioritises the tourism benefits of a healthy ocean over fishing; given that tourism contributes around 50% of GDP annually.

Farm alert after cow dies from anthrax [28 October/ Times of London] A cow on a farm in Wiltshire in England has been identified as having died from anthrax, the first case detected in nearly a decade. The cow has been incinerated and restrictions placed around the farm to prevent the disease from spreading, as it can be deadly to humans when its spores are inhaled. Anthrax occurs naturally at low levels in animals such as cattle and sheep and all unexplained deaths of cattle are investigated for anthrax. An expert said that human infection is very rare and almost all human cases occur in individuals involved in processing animal products, either for food or in the animal wool/ skins industry. He added that proper cooking of meat will destroy anthrax spores.

SunRice plans to float fund on ASX [29 October/ The Australian] Australian's rice grower co-operative, SunRice, looks set to follow Murray Gouldburn down a path of partial listing on the ASX, following an announcement that the board had decided to put a capital restructure to shareholder vote in March next year. The co-op which sold rice worth AUD\$1.3 billion to 60 countries is proposing to float a separate investor fund, the SunRice Fund, on the ASX to introduce outside capital. Chair of the co-op, Laurie Arthur, said SunRice did not have a specific capital need but the restructuring was pivotal to funding SunRice's future growth and building an Australian controlled food company that could more effectively compete in global markets. He added the proposed structure had been designed to ensure it would not be possible for the company to be taken over or for growers to lose control the co-operative.

Coca-Cola enters the dairy market with 'Milka-Cola' [29 October/ The Guardian] Coca-Cola is launching its own brand of milk, which Sandy Douglas (Coke's global chief customer officer), says could become so popular that it will 'rain money' for the company. The product will cost twice as much as regular milk and contain 30% less sugar and 50% more protein. Fairlife will launch in the US next month and the product is described as a 'milk that's premiumised and tastes better' than the milk we are used to buying. Mr Douglas said that Coca Cola will be investing in the milk business for a while to build the brand so it will take a couple of years for the money to rain down, but when you do it right it will ultimately rain (referring to the journey Coke took in building its premium juice brand, Simply). He added that Fairlife, which is joint venture with US dairy farmers, used a proprietary filtering process that allows you to increase protein by 50%, take sugar down 30% and have no lactose. A spokesperson for Fairlife said that there are currently no plans to launch the product (nick named milka-cola on Twitter) outside the US at the current time.

Indigenous from Amazon see Brazil nut as forest's future [1 November/ NZ Herald] The creation story of the Cinta Larga people holds that they were born out of the fruit of the Brazil nut tree and they are now betting the tree will be the basis of their future in the Amazon. A project is assisting the indigenous people of the Amazon to monetising the trees, turning their nuts into cash rather than letting them rot on the forest floor. The Sentinels of the Forest program, has boosted the tribes income by 50% during its first year giving the community renewed incentives to protect their roughly 80,000 hectares of ancestral forest from loggers, ranchers and poachers. A Brazil nut co-operative has been established in the Cinta Larga region which has built 18 storage facilities throughout the forest to keep the nuts fresh and dry while they awaiting processing, as historically the nuts have been susceptible to fungus, bacteria and insects when they fall from the trees. The project has also invested in machinery to dry the nuts and extract the oil, which can be used for beauty products (the oil is purchased by Brazilian cosmetics firm Natura). The dried meal left over after the nuts and oil have been extracted is used to produce cookies, noodles and granola bars that the government distributes through its zero hunger social programmes.

Urban agriculture: Introducing the office farm [1 November/ The Guardian] New LED lighting technologies create opportunities to embed farming systems into surplus office space, increasing the ability to grow food closer to the ultimate consumers of the produce. By 2050, some 70% of the world's population will live in cities and as cities grow the land available to grow food will progressively reduce, despite more food being needed. It is estimated that between 30 and 50% of all food grown is wasted, due to poor practices in harvesting, storage, transportation, marketing and consumption. As demand grows, consumers become more aware of the food they are eating, many farmers are looking to introduce innovation into their farming systems, including technologies that enable plants to be grown indoors without sunlight. Urban farming is a rapidly emerging trend that helps to counter city decay and reduce the distance from farm to fork. Utilising old office buildings for farming takes advantage of the growing stock of vacant office buildings as more organisations adopt remote and flexible working principles. It is suggested that converting only 20 office buildings into farms utilising LED growing technologies could be sufficient to provide New York City with fresh fruit and vegetables. One organisation, Green Sense Farms, is using LED technologies in Chicago and is harvesting 20 to 25 times a year, with improved yields and lower operating costs, while securing a premium for locally grown, fresh vegetables.

Research and development

AgResearch confirms major job cuts [29 October/ Otago Daily Times] AgResearch has confirmed details of its restructure which will result in the loss of nearly 80 staff and 51 roles among its science and technology workforce. Chief Executive, Tom Richardson, confirmed that there would be a net reduction of 14 scientist and 37 technician roles in the next financial, five fewer positions than initially proposed. It is understood that the biggest reductions in science capability would come in the areas of greenhouse gas study and field work. The restructure will see 38 positions go from the Palmerston North based Grasslands Research Centre (half of them scientists), 15 positions will go from the Ruakura campus with cuts also being made at Lincoln and Invermay campuses. Mr Richardson noted that nearly 100 submissions had been received on the proposal and said the final changes were consistent with AgResearch's science strategy and shifts in the sector needs and R&D investment levels. He added he was confident that the organisation had focused on the areas of growth and demand to meet the needs of the sector. Mr Richardson said that now the decisions had been finalised supporting the affected staff was the organisation's key priority. Waikato University professor, Jacqueline Rowarth, noted concern that cuts had come in the greenhouse gas and field work areas, pointing out that a recent OECD report had given New Zealand a poor rating for greenhouse gas emissions.

Health and safety

Forestry contractor ordered to pay \$75,000 to crushed worker's family [30 October/ NZ Herald] Paul Burr, the forestry contractor acquitted last month for manslaughter of Lincoln Kidd, a 20 year old worker, has been ordered to pay a \$75,000 in reparations to the Mr Kidd's family after admitting a health and safety charge relating to the death. Mr Kidd died in an accident on a Horowhenua forestry block in December 2013. The High Court at Palmerston North heard victim impact statements from Mr Kidd's family. Justice Brown, said that although Burr's financial position was dire, the fine imposed would denounce and deter similar conduct. The judge said that Mr Burr had failed to take steps to ensure his colleague's safety, including failing to check where his worker was and failing to provide efficient communications on site.

Economics and trade

Fonterra positive on European trade talks [30 October/ Radio NZ Rural] Fonterra Group Director of Co-operative Affairs, Miles Hurrell, says that Fonterra welcomes the news that the European Union is willing to start free trade negotiations with New Zealand. The announcement came in a joint statement from European Commission President, Jean-Claude Juncker, and European Council President, Donald Tusk, following meetings with Prime Minister, John Key, in Brussels. Mr Key said New Zealand had taken a significant step towards expanding trade and economic links with the EU. The discussions will focus on the steps required to formally launch negotiations. Mr Hurrell noted that the discussions are likely to take some time, but Fonterra were certain that there would be a positive outcome in the long term. He noted that Europe is not a significant market for New Zealand dairy at the current time, but it is the one major market that NZ does not have an FTA with or negotiations in play at the moment. Two way trade between New Zealand and EU amounts to \$19 billion as well as being our second largest source of Foreign Direct Investment.

Rural infrastructure

Weaker dairy prompts PGW earnings downgrade [29 October/ Otago Daily Times] PGG Wrightson (PGW), the Rural Services company, has issued an earnings downgrade on the back of weaker than expected sales to dairy farmers. PGW said it expected EBITDA to be in a range of \$61 million to \$67 million, the lower end of the range being 12.3% lower than the reported earnings of \$69.6 million for the year to June 2015. Mark Dewdney, PGW Chief Executive, said the initial low dairy payout forecast by Fonterra had seen farmers reduce their budgets and cut spending in the current season. He noted the recent bounce in prices, while welcome, has probably come a little late for farmers to materially increase their spending in the current season. Mr Dewdney added that the company was tracking slightly ahead of expectations at the end of the first quarter with the seeds division having booked a strong start the year. He also noted that while dairy is having a tough time, a wider view sees confidence remaining high in beef, horticulture and viticulture, all sectors were PGW was very strongly represented.

Farmers and producers

Foreigners pile into farm assets [30 October/ National Business Review] The majority of decisions issued by the Overseas Investment Office over the last month have related to agriculture assets. The US based Erdman family, have spent \$12.5 million acquiring the Big Ben Station in the Rakaia Gorge to add to the properties they already own in central Canterbury. The OIO said that the integration of the properties together with the applicant’s capital investment plan is expected to enhance the performance of all properties. The Erdman’s also propose to protect 1,500 hectares of land through registering a QEII open space covenant or conservation covenant. Other transactions saw Emerald Dairy Farm in Oxford, North Canterbury being acquired by a Canadian Government pension fund while Craigmere Farming NZ obtained permission to acquire a 43 hectare kiwifruit orchard in Te Puke.

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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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