

FIELD NOTES

Weekly news update from the KPMG Agribusiness network



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

11 November 2015

Organisations referenced in this week's Field Notes include:

| | |
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| AgResearch | NZ Veterinary Association |
| Agribusiness Training | OnCard International |
| ASB Bank | Olives New Zealand |
| Commerce Commission | Overseas Investment Office |
| Dairy NZ | Primary ITO |
| Federated Farmers | Rimanui Farms |
| Federation of Maori Authorities | Shanghai Pengxin |
| Fish and Game | Silver Fern Farms |
| Fonterra Co-operative Group | Stevenson Group |
| Forest Owners Association | Southern Institute of Technology |
| Foundation for Arable Research | Tegel |
| Grain and Legumes Nutrition Council | Tenon |
| Greenpeace | Tru-Test Group |
| Hastings District Council | Ubco |
| Immigration New Zealand | US Department of Agriculture |
| Land and Water Forum | Van Diemens Land Company |
| Ministry for Business, Innovation and Employment | Village Press |
| Ministry for Primary Industries | Waikato Milking Systems |
| Ngai Tahu Seafoods | Yashili New Zealand |
| New Zealand Institute of Economic Research | Yum Brands |
| New Zealand Winegrowers | Zespri Group |

This week's headlines

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| Agribusiness Strategy | Greg Muir: Farming and future of food [6 November/ NZ Herald] |
| Biosecurity | Forest owners sign biosecurity agreement with government [6 November/ Business Day: NZ Farmer] |
| Viticulture | Wine industry toasts new law [4 November/ Radio NZ Rural] |
| Poultry | Tegel moves towards share offer [6 November/ NZ Herald] |
| Research and development | Adding value to pastoral sector [9 November/ NZ Farmers Weekly] |

Horticulture

Pineapple shows cultivar value [9 November/ NZ Farmers Weekly] Zespri's inaugural Kiwifruit Innovation Symposium heard that pineapples provide the kiwifruit industry with a compelling example of plant variety rights being matched to consumer requirements. Zespri's new head of cultivar development, Bryan Parkes, showed the meeting evidence of how quickly market share can shift towards companies that invest in commercially successful varieties. The release of a sweeter Pineapple that appealed more to consumers as well as storing better and having more vitamin C, grew the pineapple trade five times in an 11 year period after years of static sales. Mr Parkes said that only outstanding cultivars will shape the market, but it highlighted the importance of the kiwifruit industry's \$20 million a year investment into cultivars. He noted that Zespri has 50 hectares planted with 100,000 potential cultivars in the programme, adding that numbers are important in finding a good cultivar. He said the NZ programme had a head start and was five generations ahead of competitors and the aim was sustain the lead through using new technologies including gene sequencing and genomics to predict likely high value cultivars quickly.

Agribusiness Strategy

Greg Muir: Farming and future of food [6 November/ NZ Herald] In an opinion piece, Greg Muir Managing Director of Tru-Test Group, reflects on the need to plan for a vastly different farming future. He suggests that disruptions in other industries present a solid lead to how change may impact the primary sector, as technology and business model disruptors change traditional businesses into something fundamentally different. Threats may include alternative protein sources such as synthetic milk and cultured meats, the first international symposium on which was held last month at the University of Maastricht. It is likely that there will be such products available commercially within 10 years. We are not immune from these trends in New Zealand but we have the opportunity to move quickly and take advantage of the potential to capture and create value from using these technologies or taking a polarised position, enabling consumers to make choices between technologies. Mr Muir notes that New Zealand has successfully disrupted the primary sector in the past, including transforming the meat sector by introducing refrigeration and making the Chinese gooseberry into the kiwifruit, even recognising that Tru-Test was founded on disrupted technology in the milk sector. Seeds of disruption are planted years, even decades, of benefits being reached making it critical we seek out, understand and discuss the emerging disruptive trends. Tru-Test has recently partnered with Callaghan Innovation and NZTE to invite some of the world's leading futurists to Auckland on 10 November to discuss what is beyond the line of sight in the primary sector and ensure we are debating some of challenges and opportunities lying beyond the horizon. KPMG was pleased to support Beyond the Line of Sight and will provide reports on the events in next week's Field Notes.

Maori agriculture steps up [9 November/ NZ Farmers Weekly] A new programme intended to improve productivity on Maori owned sheep and beef stations has been initiated by the Federation of Maori Authorities (FOMA). The programme is modelled on a seven year economic pilot done on the East Coast by Tairāwhiti Land Development Trust, which saw participating farms achieve an average 26% lift in productivity even with the impact of droughts. The programme has been rolled out to 20 farms (in four regional clusters) in the North Island with funding from Beef+Lamb New Zealand, Te Puni Kokiri and the Ministry for Primary Industries. The goal of the programme is to add value to Maori farming businesses by improving performance. FOMA acting COO, Anaru Smiler, said the cluster approach of the programme highlighted the importance of sharing the skills and knowledge gained and supported the key goal of lifting people capability (at both governance and operational levels).

Arable

Diet fad hits grain consumption mainly by women [6 November/ Business Day: NZ Farmer] Consumer focus on healthy eating is reducing the amount of grain being eaten and threatens to block farmers plans to grow more crops for human consumption. A survey by the Grain and Legumes Nutritional Council has found that New Zealanders aged between 2 and 70 years old have reduced grain consumption since 2011. The survey found men are eating twice as many servings of grains and legumes (beans, peas, soy products etc) than women but 95% of New Zealanders continue to eat these foods. Many women are avoiding gluten and grain foods on the basis that they expect it to help reduce their weight and maintain energy throughout the day. The greatest drop off in consumption was in women aged 19 to 30, although many of them noted that they had reduced consumption on the basis of a self-diagnosis. It was also highlighted that new dietary fads (such as the low carb and high fat diet or the Paleo diet) appear to support a desire for lower grain consumption. Foundation for Arable Research CEO, Nick Pyke, said that there was plenty of evidence that grains and legumes were good for a diet, presenting an opportunity for the industry by helping people to better understand the components of a balance diet and the role grain products can play in a balanced diet. He suggested the industry may need to consider a similar approach to the '5+ a Day campaign' the fresh produce campaign had run.

Animal Health

Get ready for the big dry! [8 November/ Rural News Group] The NZ Veterinary Association says that forecasters are predicting that the strong El Nino conditions recorded this spring will continue over summer and is advising farmers to 'hope for the best and plan for the worst'. With very dry conditions expected in the North and the East and more rain in the west with higher likelihood of extreme weather events, the NZVA is encouraging farmers to look after their animals and regularly monitor their condition. The responsibility for ensuring the health and welfare of animals rests with the person in charge and they are obligated to ensure that there is adequate feed and water as well as access to shade and shelter, particularly in adverse weather. The NZVA stresses that farmers need to be more alert to seasonal problems and encourages them to use vets, as well as the information available on the NZVA website, if they require advice or assistance. Farmers are also advised to make decisions early, including planning for feed and using water, taking animal welfare into account.

Biosecurity

Forest owners sign biosecurity agreement with government [6 November/ Business Day: NZ Farmer] The Forest Owners Association has become the latest organisation to sign a Government Industry Agreement (GIA) to co-manage the response to a biosecurity incursion in the industry. The Association's CEO, David Rhodes, said potentially devastating diseases like pine pitch canker or pests like the brown marmorated stink bug could devastate radiate forests and fruit trees. The industry, which is the third largest exporter after dairy and meat, hopes the GIA will help safeguard the nation's forests. The agreement with the Ministry for Primary Industries defines how responsibilities and costs will fall in the event of an incursion, although Mr Rhodes noted that the statement was high level and the details would be determined on a case by case basis in the event of an incursion. He added the industry did not want to rely on Government for protection and has a long history funding and driving its own biosecurity initiatives. The forestry industry became the sixth industry group to enter into a biosecurity partnership following the Kiwifruit, Pipfruit, Pork, Equine and Onion sectors.

Forestry

Tenon likely to follow its exports [9 November/ NZ Farmers Weekly] Tenon, the forest product's company, has announced that it is undertaking a strategic review to work out ways of closing the value gap between the company's share price on the NZX and what the Directors believe the company is worth. The review has attracted interest from potential purchasers and as a consequence the Directors said they have instructed Deutsche Bank to investigate further. Tenon, whose share price on the NZX has increased 54% this year, has also recently announced its first dividend since 1998 (when it was Fletcher Challenge Forests under the Fletcher Challenge letter stock system). The company currently has a market capitalisation of \$181 million making any offer likely to have to come from offshore, although the company is largely controlled offshore with 60% majority shareholder, Rubicon, being largely controlled by US based investors. Tenon is no longer a forest owner, buying pruned logs and making them into knot free boards for housing predominately in the US from a processing plant in Taupo. Earnings for the year to June 2015 amounted to USD6 million with a further increase to more than USD20 million forecast for the 2016 year (with earnings being aided by the fall in the NZ dollar against the US dollar).

Aquaculture

Aquaculture report confirms value to Marlborough [10 November/ Radio NZ Rural] A new report from the New Zealand Institute of Economic Research (NZIER) highlights that aquaculture generates close to 6% of Marlborough's \$2.8 billion annual GDP and employs 4% of the district's total labour force. The industry generated \$276 million in export sales value (around 62% of New Zealand's total aquaculture export earnings), the highest of any region. Key products in the region are mussels and salmon with marine farming permitted over about 20% of the Sounds, although consents only cover 2.1% of the sea area. The report highlighted the uncertainty about the future cost and security of aquaculture as 56% of farms face consent renewals by 2025. In the four years to June 2015, nine new sites (including three salmon farms) were consented in the Sounds and 31 extensions to consents were granted, increasing the consented area by 131 hectares or 0.09% of the total area of the Sounds. One industry participant noted that under the current RMA act it appears that every feature in the Sounds was being considered, rather glibly, as an outstanding natural landscape feature which could preclude the industry from carrying on.

Fishing

Ngai Tahu Seafoods investigating live Blue Cod exports [8 November/ Business Day] Ngai Tahu Seafoods chair, Craig Ellison, has confirmed that the company is undertaking a project to investigate selling live blue cod into export markets. He said the project was at the research stage and was predominately focused on assessing whether live export is feasible from the company's Bluff base. He added it was too early in the project to speculate on potential benefits or consider the impact it would have on pricing in New Zealand. Poor weather and higher prices for the fish species in the North Island had seen scarce supply in the South Island at times over the recent winter; the fish retailed at an average of \$37.58 a kilo according to Statistics NZ data, making it the second most expensive commonly available fresh fish in the country. Ngai Tahu Marine Biologist, Thomas Hildebrand, said he was excited to be working on the project, noting the live export would be a significant development for the Bluff community if you look at the impact that shifting from frozen and tailed to live export had on the value created by the Crayfish sector.

Apiculture

New definition to prevent false honey labelling [5 November/ Radio NZ Rural] The Ministry for Primary Industries is hoping to be able to precisely define manuka honey within the next year to 18 months to reduce the risk of false labelling as demand and prices for the product boom. Some honey producers have suggested that the lack of real standards and regulations to assess the product is a significant risk to the industry. The Primary Production Select Committee received an update from MPI Deputy Director General, Scott Gallacher, on what the Ministry is doing as regulator to ensure consumers here and overseas can have confidence that the honey is authentic and true to label. Mr Gallacher explained a science progress is underway to have ensure national consistency on manuka honey and develop a precise definition of the honey and the characteristics associated with it and the supportable claims.

Viticulture

Wine industry toasts new law [4 November/ Radio NZ Rural] A new law proposed by the government to introduce a geographical indications registration system for wine and spirits has been welcomed by the wine sector. Such rules are common internationally and guarantee consumers that a product comes from a specific area and therefore possesses particular qualities. New Zealand Winegrowers Chair, Steve Green, said specific regions such as Marlborough, Hawkes Bay and Wairarapa were used in the marketing of wine but there has never been any legal recognition of those areas, adding that giving them legal recognition will enable the industry to protect the use of the terms both locally and around the world. The industry has noted that from time to time wine companies internationally try to capitalise on a name from New Zealand to add value to non-New Zealand produced products.

Dairy

Returns for dairy expected to hold [5 November/ Otago Daily Times] Economists are still predicting dairy prices to rise for the 2015/16 season despite the second consecutive fall in price being recorded on the GlobalDairyTrade auction. Prices fell at last week's auction by 7.4% with both whole and skimmed milk powder prices falling. ASB Bank Rural Economist, Nathan Perry, said prices were expected to hold at current levels or increase in coming months, suggesting that current falls reflected buyer belief that other suppliers would pick up the expected shortfalls in NZ supply this season. Westpac economist, Michael Gordon, said that the bank's \$5.30 per kgms forecast was looking on the high side after two consecutive declines, however the bank was reluctant to drop its forecast with the uncertainty surrounding the impact that El Nino would have on weather patterns.

No dairy deregulation needed, says Commission [5 November/ Radio NZ Rural] Having been requested by the Minister for Primary Industries to review the regulatory structure surrounding the dairy industry, the Commerce Commission has released its draft findings which note that there remains insufficient competition in the dairy industry to warrant deregulation but does recommend some changes are made to the regulations. The review was required under the Dairy Industry Restructuring Act which facilitated the creation of Fonterra, once independent processors collected more than 20% of the milk solids in the South Island. Commission Deputy Chair, Sue Begg, said while competition was growing it had not reached the point that regulations could be removed, particularly given Fonterra's dominant position in selling milk 'in the factory gate' (that is selling milk to other dairy processors). Ms Begg said that if the regulations were removed Fonterra would have the ability to raise prices to other processors and this could be reflected downstream in higher prices for dairy products. She noted that the Commission was recommending to government that the threshold for independent processors collecting milk solids be increased to 30% as a more appropriate threshold, and once this level is passed a further review would be triggered.

Yashili opens \$220m Pokeno formula plant [6 November/ NZ Herald] Yashili New Zealand, a joint venture between Yashili International Holdings and Mengniu Dairy Company, has officially opened its new \$220 million infant formula manufacturing plant in Pokeno, South of Auckland, at an event attended by Prime Minister, John Key. The plant, which employs 85 staff, has annual production capacity of around 52,000 tonnes of formula which will be shipped to China. The opening was also attended by Chinese government officials, including China's Ambassador to New Zealand and the Consul General of China in Auckland, and senior executives of the partner companies. The plant has been designed to operate under strict quality controls and was built by a consortium of New Zealand based companies. Yashili has bought milk powder from New Zealand for more than 10 years and has used NZ powder exclusively in its infant milk formula since August 2010, making the development of a controlled plant the logical step for the company.

Spaans to chair Dairy NZ Board [9 November/ Dairy News] Dairy NZ has announced that the board has elected Michael Spaans as its new chairperson, following the retirement from the company of longstanding chair, John Luxton. Mr Spaans noted that his appointment comes at a challenging time for farmers, with the long milk price, pressure growing around compliance and the constant community scrutiny of dairy farming, meaning the industry has to be managed with the wellbeing of everybody in mind, including farmers and rural communities. He added as a farmer funded organisation Dairy NZ exists to help farmers succeed in their quest to farm competitively and responsibly. Mr Spaans farms in the Waikato and has interests in the South Island and overseas as well as sitting on the boards of Fonterra and the ASB Bank.

Red meat

SFF profit up [9 November/ Rural News Group] Silver Fern Farms has announced its financial results for the year to September 2015 and reported an increase in EBITDA of 28% to \$87 million. Chairman Rob Hewitt said he believes shareholders will be happy with the result but noted that progress still needs to be made to achieve a return that reflects the amount of capital invested in the business over the course of a season. Mr Hewitt said that the aim for 2015 was to put the company on a sustainable financial footing by reducing debt (both through operating actions and the introduction of new equity) and it was pleasing that the company had cut debt by \$168 million through its own initiatives in the last year, including profitable trading, inventory reductions, sales of non-core assets and winding down the investment in the company's dairy bull beef scheme. CEO, Dean Hamilton, said the company remained profitable across all three species (Beef, sheep and venison) and noted that the big focus on turning around the sheepmeat business is starting to achieve results, with clear opportunities available for further improvement available across all three species.

Poultry

Tegel moves towards share offer [6 November/ NZ Herald] Tegel, the poultry company, is expected to undertake a Trans Tasman IPO early next year. Current owner, Affinity Equity Partners, had original planned a trade sale of the business but has now changed course and indicated that it is looking to launch marketing for an offer and dual NZX/ ASX listing in the first quarter of 2016 according to an Australian media report. Sources suggest that the IPO could value Tegel at up to \$1 billion, representing a significant premium of the \$605 million purchase price that Affinity paid in 2011. Tegel is New Zealand's largest poultry producer and its holding company reported a \$14 million profit on revenue of \$517 million in the year to April 2014. The company has been successful in growing export markets to Asia and the Middle East.

Agribusiness education

Former Agribusiness Training Ltd students left with few options [9 November/ Business Day] Students of Agribusiness Training, which went into liquidation in October with debts of more than \$10 million, appears to have few options to continue their training in the South. The liquidation followed the Tertiary Education Commission instructing the institution to repay \$6.2 million in overpaid tuition fees following an independent investigation. NZQA has indicated that Primary ITO, the Southern Institute of Technology (SIT) and Telford would recognise credits that students had earned from Agribusiness Training. Primary ITO noted that Agribusiness Training delivered some of the classroom components of its courses and a new provider had not yet been appointed while SIT said it had no relationship with the organisation.

Environment and emissions

Federated Farmers challenges Hastings Council's bid to go GM-Free [4 November/ Radio NZ Rural] Federated Farmers is challenging the move by Hastings District Council to become the first territorial authority to ban genetically modified crops and animals in its district. Some growers welcomed the move when it was announced in September, saying it created an economic opportunity for the region, but Federated Farmers noted 'it was putting a handbrake on science' and is appealing the move in the Environment Court. Federated Farmers President, William Rolleston, said that a ban in single district was impractical and there is a lack of evidence to back claims of a substantial economic boost. In May, the Environment Court ruled that regional councils had the power under the RMA to make provisions for the use and control of GM organisms through their regional policy statements and plans and Hastings Mayor, Lawrence Yule, said the council had taken comprehensive legal advice before approving its plan change.

Fish and Game quits Land and Water Forum [4 November/ Radio NZ Rural] Fish and Game has announced that it is leaving the Land and Water Forum, a body set up to advise the government on collaborative management of water and land assets. Fish and Game CEO, Bryce Johnson, said that being inside the forum had stopped the organisation from speaking to the media about its concerns, given the participation protocols in place. Mr Johnson said that to do their job in the way they think they need to, the organisation had no choice but to leave the Forum, a decision they had deliberated over taking since February. The Forum has provided the government with more than 150 recommendations with more due to be made soon and in Fish and Game's view this is pointless as the 'government has done virtually nothing with the vast majority of the recommendations it has received to date'. The Forum is based on a Scandinavian model where stakeholders work collaboratively with the government to come up with solutions to complex problems, through understanding each other perspectives and seek consensus. Fish and Game say the government needs to start implementing the recommendations that it already has to make the environment a better place. Environment Minister, Nick Smith, said he was not surprised by Fish and Game's departure but he was disappointed, adding that a good number of the recommendations had been acted on and the forum had contributed to shaping many aspects of policy. He noted that the members of the forum are not in governance roles, this lies with the government, and suggested claims members are muzzled by being a member of the forum are a fabrication, given rules around participation had been place since 2010.

Indonesian forest fires fuel row over palm kernel purchases [9 November/ Business Day] Greenpeace has rebuked Fonterra for continuing to sell palm kernel expeller (PKE) despite the massive forest fires raging across Indonesia. PKE is used by farmers as a supplemental feed for dairy cattle. New Executive Director of Greenpeace, Russell Norman, said that the fires in Indonesia were the result of attempts to clear land for palm oil plantations and had in three weeks released more carbon dioxide into the environment than the entire annual emissions of Germany. Mr Norman said that New Zealand was the single largest importer of PKE and accounted for a third of the global trade in the product and claimed that Fonterra statements relating to sustainable sourcing were 'simply not credible'. Fonterra has stated that it only buys PKE from sources that had been certified as sustainable and it released a letter sent to Mr Norman last week that said the company shared Greenpeace's concerns about the Indonesian fires. It said the company encourages use of alternatives whenever an effective and affordable alternative is available and highlighted that all PKE feed by Fonterra is imported by Wilmar International who have a 'no-deforestation, no exploitation' policy.

Agri-Tech

Sparks fly over new kiwi farm bike [4 November/ NZ Herald] Strong international interest in a New Zealand designed and manufactured electric farm bike, the Ubco 22, will see the bike in production by Christmas and on sale in New Zealand and Australia. Plans are already being developed to launch the bike in North America following it being featured on international gear site, Uncrate. The bike was designed by Anthony Clyde and Daryl Neal (from Whakatane and Wellington respectively), two of New Zealand's leading e-bike industry experts with co-investment from Tauranga based Locus Research. The prototype bike won two innovation awards at Fieldays in 2014 and an improved design was launched at this year's Fieldays. Sales enquiries have not just been exploring the use of the bike on farm with tourism operators and city dwellers also interested in the quiet, emission-free, off road bike with the capacity to carry tools. It was noted the company would be moving quickly to get road legal certification in Australia and New Zealand in response to the expected uses of the bike. Key components are made in China, including the motor and battery components (which are sourced from Panasonic).

International

Ugly veg is no longer left on the shelf [3 November/ The Times of London] Trials by UK supermarket chain, Asda, on introducing misshapen fruit and vegetables has not prompted any complaints from customers and it is now planning to relax its specifications for other categories of produce in an initiative aimed at reducing waste on farms. Under current size, shape and colour criteria upto 40% of produce ends up as a stock feed despite being perfectly edible by humans, so Asda trialled a relaxation in its specifications for carrots and sweet potatoes four months ago, labelling the products 'wonky' and 'beautiful on the inside'. Surveys have shown that two thirds of customers are willing to buy misshapen produce and a spokesperson for Asda acknowledged the company had underestimated shopper's tolerance for these products, adding it has been buy an eye opener for the company and as a consequence it would now focus more on taste and shelf life than appearance. The approach would also help to make fruit and vegetables cheaper. The benefits to farmers are also significant with a tonne of class 1 carrots earning around GBP350 compared to GBP5 for a tonne sent for animal feed.

Multi-million dollar offer signed for Tasmanian farms [6 November/ Business Day: NZ Farmer] It has been announced that Australian Company, OnCard International has entered into an agreement to buy the Van Diemen's Land Company from Taranaki Investment Management, a subsidiary of the New Plymouth District Council. The price for the company, Australia's biggest dairy farming operation, is believed to be AUD250 million with OnCard buying the land and farming assets in return, predominately, for cash. OnCard announced that it will be funding the deal through an issue of 976 million shares for 25 cents each as well as issuing 184 million shares to the vendor as satisfaction for AUD 46 million of the purchase price. A spokesperson for Taranaki Investment Management confirmed a sale and purchase contract had been signed with OnCard, which will seek shareholder approval for the deal in December, and has other usual pre settlement conditions to fulfil. OnCard chair, Rob Woolley, was quoted last month as saying the company was looking to build a premium Tasmanian foods business.

Most chicken, turkey farms affected by bird flu can restock [7 November/ NZ Herald] US Department of Agriculture (USDA) officials have cleared the majority of commercial chicken and turkey farms infected by the recent bird flu epidemic to restock, however scientific monitoring of migrating birds will remain. No new cases of the flu had been reported since June 17, however the migration of birds south have been delayed by the warm fall weather so the USDA it still needed a month to assure farmers that there have been no recurrences. The US government has paid out USD200 million to farmers for lost birds and nearly USD0.5 billion to farmers and contractors who helped euthanize birds and disinfect farms. Of the 219 infected farms across 15 states, all but five have completed disinfecting and are being allowed to restock. Industry sources noted that the impact on Thanksgiving turkeys would be minimal and it was noted that egg prices have now reduced from peaks report in August at the height of the crisis.

British cucumbers on brink of extinction, say growers [7 November/ The Guardian] Cucumber production in the UK has plummeted to a 100 year low as full service supermarkets use it as a core item in their battle against the discount retailers, Aldi and Lidl. The price has fallen in the last 18 months from around 90p per cucumber stick to only 30p in some stores forcing farmers to switch to more lucrative crops (such as strawberries and bedding plants), according to the Cucumber Growers Association (CGA). In a report the CGA said nobody is making any money at the current price points and if it continues the industry won't be endangered it will be extinct. The retail price falls have reduced the price paid to growers leaving very little profit margin and definitely insufficient to enable farmers to invest in modernising or expanding their business and growers expressed concern that prices continue to fall. The lower prices have driven increased demand putting further pressure on the industry.

Labour gearing up for agribusiness battle [7 November/ The Australian] The Labour opposition in Australia are gearing up for a trade fight with the Australian government, announcing it will block the Australian government's tougher foreign investment treatment of agribusiness and ease farm purchase rules. Labour's trade spokesperson, Penny Wong, said they would seek to amend Senate legislation to impose tougher screening requirements on lower value agribusiness purchases, arguing that there is no reason to treat the sector any differently from other non-sensitive sectors of the economy. She added that they would also seek to increase the threshold for screening land purchases from AUD15 million to AUD50 million, a level she suggested was required under free trade agreements that the Howard Government had signed. Ms Wong also suggested that Labour's proposed changes would decrease the discriminatory treatment of Australia's trade with North Asian countries, including China, Korea and Japan, adding Labour remains to be convinced that there is a sound policy basis for separate treatment of agricultural land in Australia's foreign investment regime.

Parent of Taco Bell refuses to change how it sources food [7 November/ Washington Post] As quick service restaurant chains across the US announce commitments to utilise cage free eggs and meat proteins sourced from suppliers that don't use antibiotics or confinement practices, analysts are noting that there is one standout, Yum Brands which operates the Taco Bell, KFC and Pizza Hut chains, that has not yet made any commitments to change its sourcing practices. The reality is that animal welfare is increasingly becoming something that consumers are concerned about and companies have moved to honour, to be seen to be doing something to attract consumers. Yum Brands was recently given an F rating in a report by a consortium of six consumer organisations on industry sourcing practices and as yet has made no clear promises to change its sourcing practices. The closest the group has come is when Greg Creed, then CEO of Taco Bell but now Group CEO, told the Wall Street Journal he would like to move using hormone and antibiotic free meat but that it was not currently possible. A key issue for Yum maybe the challenge that the supply chain is facing keeping up for demand for products with better welfare attributes making it difficult to secure sufficient supply to meet a wide supply pledge across the company's three brands. Other companies including McDonalds, Starbucks and Panera are giving themselves significant timeframes to make good on their pledges reflecting the supply difficulties sourcing ethical produce.

Olives

Rising olive oil prices could push consumers towards local product [9 November/ Business Day] With significant price increases expected on imported olive oil after a poor growing season in Europe, local growers are encouraging consumers to buy homegrown product. A drought in Spain and bacteria strain that has impacted Italian olive have reduced supply from 3.3 million tonnes to 2.4 tonnes this year and increased the likelihood of a price increase of between \$1 and \$1.50 per litre according to an importer. Executive Officer of Olives New Zealand, Gayle Sheridan, said she expected this would benefit local produce which is generally more expensive, but produced without subsidies unlikely European production. Ms Sheridan said that local oil is fresh and been through a certification process but currently accounts for only 10% of local sales (with much NZ production being exported). CEO of New Zealand's largest oil producer, Village Press, said the company had put a lot of effort into its supply chain to improve the consistency of fruit quality, this included working with growers on pruning to manage yields and soil enhancement. It was also noted that Village Press had recently moved to larger premises to support its growth.

Research and development

Adding value to pastoral sector [9 November/ NZ Farmers Weekly] In an opinion piece, AgResearch Chair, Sam Robinson, responded to the commentary on the rebalancing of the science staff within AgResearch. Mr Robinson notes the decision to reduce the science staff at AgResearch did not sit easily with the Board and Senior Management of the company but it was a response to the stark reality of declining investment in R&D in some areas while demand is increasing in other areas. AgResearch's ability to add value to the NZ economy depends on the extent to which new knowledge and technology are developed, taken up and deployed on NZ farms. This means that AgResearch needs to do the right science which is seen to be valuable, often in collaboration with partners whose funding indicates the value they perceive to be inherent in the research. Mr Robinson highlights a number of recent pastoral sector R&D successes (rapid response to flight clover root weevil and the Pastoral 21 programme to boost farm productivity for example) and notes that the board has earmarked \$1 million annual investment in research areas with the potential to step change NZ's agricultural industry (including food safety, added value foods and future farm systems). He notes while the decisions made are not easy they are necessary so the organisation can continue to meet its commitment to focus on research that has greatest impact for the pastoral sector.

Economics and trade

Full TPP text released [5 November/ Otago Daily Times] Trade Minister, Tim Groser, has welcomed the release of the full text of the Trans Pacific Partnership trade agreement between 12 countries, in its role as Depository of the agreement. Minister Groser said that New Zealand had supported the release of the text as soon as the technical work to finalise the agreement was completed and welcome the opportunity that the public had to review the agreement before it is signed by governments. He noted it was a complex agreement, comprising 30 chapters, 6000 pages of text and numerous annexes and added that legal verification of the text will continue in coming weeks. The agreement also has to be translated into French and Spanish before it can be signed by governments and its application will only occur when governments complete their domestic parliamentary processes. Auckland University law professor, Jane Kelsey, said the release was ‘too little, too late’ and said the release ends a situation where governments were touting benefits for their countries with no prospect of any independent assessment being made to contradict them.

Rural infrastructure

PM tours Waikato Milking Systems global headquarters [6 November/ Business Day: NZ Farmer] Prime Minister, John Key, was on hand to open the new \$13 million global headquarters of Waikato Milking Systems in Hamilton. Waikato Milking Systems CEO, Dean Bell, said it was the first time that the company had all operations on a single site and the building (‘a tin shed’) had been designed with the intention of unlocking the potential of every employee who works for the company. Mr Key said that the production and productivity achieved by the New Zealand dairy industry relies on the technology companies like Waikato Milking Systems are delivering to the industry. He highlighted the benefits that free trade have brought to the dairy industry and noted changes in China’s one-child policy and the TPP would bring better conditions to the industry after a ‘tumultuous’ period for the industry. Waikato Milking Systems employs 110 people in Hamilton with the platforms, Centrus composite, stainless steel and electrical components divisions all now in the same place.

Farmers and producers

Farmers welcome Filipino workers’ reprieve [4 November/ Radio NZ Rural] Immigration New Zealand has announced that Filipino dairy sector workers who admit to providing false information about their work experience to gain a visa, but are otherwise compliant, will be eligible for a further work visa. The announcement follows charges being brought against a person identified as having processed work visa requests for Filipino workers who falsified qualifications and work experience. Federated Farmers have highlighted the logistical problems that would face the industry if the 600 Filipino workers who are due to renew their Visa’s this year were made to leave and Dairy Chair, Andrew Hoggard, said the government had taken a pragmatic approach. He said if all workers were asked to leave it would have led to poor economic outcomes for the businesses and the country but also potentially poor animal welfare and health and safety issues. A spokesman for Filipino workers said he was concerned by one vague rule in particular, which could see a worker that admits that they were aware their information had been falsified on their original application be granted an extension at the current renewal, but see them fail the character test in three years’ time and subsequently be sent home. He said the government should invest more on training of the immigration personnel in the Philippines to ensure that unscrupulous immigration are not able to take advantage of people.

Farmers told to keep employment records [5 November/ Radio NZ Rural] The Ministry for Business, Innovation and Employment has been targeting the agriculture, forestry and fisheries industries to crack down on poor employment record keeping and has said employers that fail to keep records will face fines. MBIE Labour Inspectorate General Manager, George Mason, said they had identified 130 breaches in the primary industries last year, some of which had resulted in farmers being fined across a range of sectors including dairy, horticulture and viticulture. He said that the Inspectorate is finding major problems everywhere and they believe it the industry faces real challenges in bringing record keeping up to standard. Resources are available but are often not being used by farmers, Mr Mason suggesting that it does not appear that some farmers understand their obligations or appreciate the value of keeping records. Penalties for individuals can be up to \$10,000 and for companies up to \$20,000.

Lochinver Station sold to New Zealand company Rimani Farms [5 November/ Business Day] Stevenson Group has announced that it has sold Lochinver Station, one of New Zealand’s largest farms, to New Zealand farming group, Rimani Farms, for an undisclosed amount with settlement due in March 2016. The farm was subject to a conditional sale contract to a Shanghai Pengxin subsidiary company, however the contract was unable to settle when the Overseas Investment Office rejected the purchase application in September. A local real estate agent said the price of prime sheep and beef stations had risen considerably since the property was first offered to the market on the back of strong beef prices, which meant that New Zealand interest was at a higher price point than was the case early last year when the property was first marketed. Rimani Farms, formed in the 1980s, was experienced in pastoral farming, operating other large farms including Erewhon Station also located in the central North Island.

Woman’s passion for health and safety leads to award [9 November/ Radio NZ Rural] West Coast dairy farmer and Federated Farmers Board Member, Katie Milne, was awarded the first Women of Influence Award for the rural sector at the annual Westpac/ Fairfax Women of Influence Awards last week. The judges noted Ms Milne’s passion for improving health and safety on New Zealand farms and work with the Rural Health Alliance as factors in awarding her the prize. Ms Milne said that the human toll and the toll on animals and farms is pretty high when a farmer starts to slip into depression and said her work was about trying to make people better at how to pick it, so they can get the right help.

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| Auckland/ Audit Ian Proudfoot 09 367 5882 021 656 815 iproudfoot@kpmg.co.nz | Taxation Greg Knowles 09 367 5989 021 307 332 gknowles@kpmg.co.nz | Tauranga Robert Lee 07 571 1773 027 451 1035 relee@kpmg.co.nz | Wellington Graeme Edwards 04 816 4522 027 296 5050 gdedwards@kpmg.co.nz |
| Christchurch Andrew Hawkes 03 353 0093 027 508 0135 ahawkes@kpmg.co.nz | Financial Advisory Services Gary Ivory 09 367 5943 021 932 890 givory@kpmg.co.nz | Management Consulting Simon Hunter 09 367 5881 027489 9737 simonhunter@kpmg.co.nz | Hamilton/ Private Enterprise Hamish McDonald 07 858 6519 021 586 519 hamishmcdonald@kpmg.co.nz |
| Farm Enterprise North Island Roger Wilson 07 858 6520 027 281 9575 rogerwilson@kpmg.co.nz | Julia Jones 07 858 6553 027 524 8901 juliajones1@kpmg.co.nz | South Island Brent Love 03 683 1871 027 528 1537 blove@kpmg.co.nz | Maurice Myers 03 307 6355 027 208 3405 mauricemyers@kpmg.co.nz |

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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