AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

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HOT OFF THE PRESS:
KPMG AGRIBUSINESS AGENDA 2015 VOLUME 2

18 November 2015

Organisations referenced in this week's Field Notes include:	
Alliance Group	Marlborough Recreational Fishers Association
ANZ	Meat Industry Excellence
ASB	Ministry for Primary Industries
BNZ	Ministry of Business, Innovation and Employment
Bord Bia	MyFarm
Brownrigg Agriculture	New Carolina Research Campus
Cavalier Wool Holdings'	New Zealand Deer Farmers Association
Commerce Commission	North Carolina Plants for Human Health Institute
Comvita	NZ Wool Services International
Constellation Brands	OSPRI
Dairy NZ	Plant & Food Research
Deer Industry New Zealand	Plum Creek Timber
Fonterra Co-operative Group	Rabobank
Godfrey Hirst	Red Meat Profit Partnership
Grand Farm	Reserve Bank of New Zealand
Hawkes Bay Regional Investment Company	Silver Fern Farms
Institute for the Future	Tractor and Machinery Association
Institute of Directors	Tru-Test Group
Keogh's	UCD Michael Smurfit Graduate Business School
Kono New Zealand	University of Auckland
KPMG New Zealand	Westpac New Zealand
Maastricht University	Weyerhaeuser

This week's headlines	
Agribusiness Agenda	**A national brand for all needed** [16 November/ NZ Farmers Weekly]
Beyond the Line of Sight	**KPMG Perspective: A clear need to accelerate into the future**
Water	**Deadline reached for Ruataniwha Dam plan** [13 November/ Radio NZ Rural]
Rural Infrastructure	**Five biggest rural lenders to conduct 'stress test'** [11 November/ NZ Herald
Wool	**Cavalier approved to buy WSI wool scouring business** [13 November/ Rural News]

KPMG Agribusiness Agenda – Volume 2: The Emerging Leaders Edition

KPMG report predicts agricultural future [13 November/ Radio NZ Rural] KPMG has released the second volume of its annual Agribusiness Agenda report. KPMG Farm Enterprise Specialist, Julia Jones said the report focused on what the agriculture will look like in 2035 through the eyes of more than 50 emerging leaders in the sector. The key findings of the report included the frustration at a lack of collaboration between industry players, the need for consensus on genetic modification and greater forward thinking about consumers. Ms Jones said another idea was the need for farmers to become certified, incorporating strong environmental practices, strong business acumen, effective communication in the market place and scientific farming. Ms Jones said the emerging leaders believed the practices we currently observe from the country's best farmers should become business-as-usual by 2035, with those that are not prepared to adopt best practice being exited from the industry.

A national brand for all needed [16 November/ NZ Farmers Weekly] The leading recommendation by more than 50 emerging agribusiness leaders is that the New Zealand primary sector is in need of a cohesive NZ Inc. brand for all products meeting its accreditation criteria. As part of the latest KPMG Agribusiness Agenda, the leading recommendation also came with a suggestion for closer interaction between consumers and farmers. Closer links between food production and tourism was also suggested. The group of emerging leaders also believed that New Zealand needed to reach a consensus on the use of genetic modification, and while opinions were divided, all agreed a decision was needed urgently. Brand Strategist, Brian Richards, who presented to group, believed farmers should develop a French-like appreciation for their produce, as it would help New Zealand sell its all-important provenance story. Other concerns included biosecurity, clear market signals and high quality trade agreements. KPMG Agribusiness Agenda Authors, Julia Jones and Justine Fitzmaurice said the emerging leaders saw a future that in 2035 had the sector producing more, wasting less, ensuring sustainability and integrating commercial benefit with social gain. The emerging leaders also called for the primary sector to focus more on insights than market research, engage in meaningful collaborations, invest more into research and development and attract stronger capabilities to the sector.

The KPMG Agribusiness Agenda –
Voulme 2:The Emerging Leaders Edition
is available to be downloaded for free from
our website and can be accessed by clicking
this link.

Beyond the Line of Sight

KPMG Perspective: A clear need to accelerate into the future: Reflections on Beyond the Line of Sight

It has been suggested that the best forecasters are allergic to certainty, thriving on a plethora of knowledge and perspective to arrive at their predictions of the future. If this is the case, Beyond the Line of Sight (BTLOS) organised by Tru-Test Group to mark the company's 50th Anniversary, in association with presenting partners Callaghan Innovation and NZTE, provided sufficient fuel to send our primary sector forecasters back to the drawing board for months to reassess their projections for the future.

Having been invited to provide a New Zealand perspective on the primary sector's future during the day, I was incredibly lucky to spend some time with the group of international futurists that were brought to Auckland to speak at BTLOS. The conversation over dinner together with the event presentations themselves have challenged my thinking about the what the future could hold for New Zealand, but cemented a belief that revolution rather than evolution is required if we are going to create the future our children's children and generations beyond them deserve.

As with all such forums, BTLOS provided more insight than it is possible to cope with in a single day (even though I had to listen to one fewer speakers than the other attendees) but reflecting now, a few days later, there were a number of game changers for my thinking that are reshaping my perspectives on the future.

The first point, came early in the day from Thomas Frey, who told the audience that the future does not exist but is envisaged and created in our minds. Our perspectives of what the future holds will shape the actions we take today and the future that they contribute to. As a consequence, the future will be changed, if we change what we are doing today because we see the world through a different lens. To me, this reinforces the absolutely critical need for a big picture vision of how New Zealand will fit into a radically different global food system, so that our actions today can help to shape the future we aspire to.

The second key takeaway was how radically different the world could be. Whether it be technologies that enable us to harvest water from the most arid and inhospitable atmospheres around the world, or create robots and self-driving vehicles (on land, in the air or underwater) with the intellect to observe, analyse and react to novel knowledge, or organise the almost infinite volume of data that we are creating into relevant ecosystems and insights through augmented intelligence (the effective weaving of computer and human intelligence to solve the world's most complex problems); the potential to do what was considered impossible will astound us, just as innovation has astounded the generations that came before us.

One example of how technology could challenge our conventional wisdom is the cultured meat story we heard from Mark Post of Maastricht University. Mark and his team created the first culture grown beef burger a couple of years ago (at a cost he noted to be excess of EUR250,000) but they have been working hard to reduce the cost, simplify the growing process and more accurately replicate the eating experience of beef (by simulating fat as well as muscle). This all sounded nice and niche until Professor Post suggested that he expects to be able to replace the total global demand for beef with cultured beef, reducing the global requirements for beef cattle to only 30,000 stock units.

Cultured beef is a natural product, has no animal welfare issues associated with it, a much reduced environmental footprint and could consequently be very appealing to consumers looking for an ethical product. Given the team expect to be able to do the same with pork, chicken, fish and other proteins, this is a burning platform for New Zealand. Unless we work out how our naturally produced products fit into a market dominated with cheap, consistent, environmentally friendly cultured meat, it is not difficult to create a scenario were we no longer grow meat in 30 years' time. At the same time you can equally draw a scenario were our naturally grown, grass fed, hormone free beef delivers a unique, luxury experience and beef becomes are largest export category. The future will depend on what we as a nation, chose as our vision of the future.

Another game changer for me, was a comment by Brad Kriet, a futurist with the Institute of the Future in Palo Alto, that convenience is no longer a strategically defensible position in its own right, but merely a ticket to play. He suggested that we are shifting towards an experience economy were opportunities for growth and profit lie with organisations that are able to consistently deliver innovative, fulfilling consumer experiences.

Brad highlighted that consumers are looking for experiences that integrate into their daily lives and make things easier; reinforcing the need for real consumer intimacy if we are to solve the problems that will make us relevant to premium consumers. He also talked about the increased interest of consumers in where their food comes from, growing the focus on the sustainability of food in its widest sense; making the honesty of the food producer one of the most significant determinants of the value their produce will realise.

The presentations throughout the day gave clues as to technologies that could overhaul how we grow, process, distribute and consume food. It was noted that we tend to overestimate the impact the technology in the short term but dramatically under estimate its impact in the medium to long term. Consequently, the only certainty coming out of the day is that the future ultimately created will bear little resemblance to the visions articulated by the speakers. However, the companies that will prosper are those that are open to the possibilities and prepare themselves for whatever eventuates.

The day highlighted the need for New Zealand companies to be fully connected to the emerging innovation around the world and have early access to the game changers.

This requires higher risk investment in the most promising initiatives and I believe this provides the perfect opportunity for the industry to create a collaborative fund to identify and take ownership positions in the most transformational technologies for the NZ industry. An NZ Agri-Innovation Capital Fund could pool the resources of companies, private individuals and the government to provide the scale necessary to undertake research into investment opportunities, take ownership positions and gain preferential access to technology, enabling early adoption. It could be a collaborative accelerator into the future of our agri-food industry.

Change is certain, and as the only developed country that relies on farming activities to support our lifestyle, we need to remain ahead of the field; this needs bold initiatives like the capital fund but it also relies on leaders prepared to take brave steps into the future. BTLOS made it clear that our leaders already have a lot to think about.

Ian Proudfoot, Global Head of Agribusiness, KPMG New Zealand

To view video content from the event, visit http://group.tru-test.com/en/media/BTLOS

NZ agricultural exports to reach $100 bln in 20 years, KPMG expert says [10 November/ National Business Review] KPMG's Ian Proudfoot, speaking at the Beyond the Line of Sight, predicted that New Zealand's agricultural exports will grow to $100 billion a year in the next 20 years, but only with a cultural shift towards more value-add products. Mr Proudfoot believed New Zealand companies needed to take more risks, and that the right leadership is critical to take advantage of the available opportunities. Mr Proudfoot said that future growth will come from new products that can attract a premium, and believed that the beef sector will become New Zealand's biggest agricultural export, with growing middle-class demand for products such as hormone free, grass-fed steak. Mr Proudfoot also predicted that a move towards dairy liquids rather than powder products will become increasingly significant to the dairy sector due to the lack of water in developing markets, while demand for high-end nutritional ingredients from milk will increase. Kiwifruit, apples, and pears are expected to continue to grow with the boutique craft cider market expected to grow from a small base to around $1 billion. Mr Proudfoot also believed that medicinal plants, including cannabis, could have potential for export and pointed to moves in the USA and by new Canadian Prime Minister, Justin Trudeau, to legalise marijuana for recreational and medicinal use as driving rapid growth in the medicinal plants category globally.

Lab-grown burgers tipped to replace farm-grown in 25 years [11 November/ NZ Herald] Maastricht University Professor, Mark Post said that lab-grown meat could be on sale within the next five years, and could eventually replace traditionally-farmed beef. Mr Post said that when the two products become essentially the same, both animal welfare and environmental concerns will cause a gradual phase out of traditionally grown meat. Lab-grown beef is estimated to currently cost EUR 65 a kilogram, but Mr Post said he expects the price to decrease over time as demand increases and as technology allows the meat to be grown at scale. Mr Post estimated that the total number of cattle worldwide could be reduced from 1.5 billion to about 30,000, which are needed to provide the stem cells for the process, reducing the amount of greenhouse gases and also freeing up a huge amount of arable land which could be used to grow more crops and feed more people.

Nanogirl: Would you eat a burger grown in a lab? [13 November/ NZ Herald] At the recent Beyond the Line of Sight event in Auckland, lab-grown meat products have been tipped to become the future of food. Commenting on the event in an opinion piece, Auckland University Nanotechnologist Dr Michelle Dickinson, believed that lab-grown meat could become an environmentally friendly and cruelty-free alternative to livestock. According to an Oxford University study, lab-grown meat uses up to 45 percent less energy, produced 96 percent less greenhouse gas emissions and used 99 percent less land than traditional beef production. Dr Dickinson said lab-grown meat could also provide a solution to the world's growing food shortage, due to the fewer resources it uses. However, due to the use of genetically modified yeast in many of the synthesised products, Dr Dickinson believed it would be difficult for New Zealand to become a world leader in the industry unless GM legislation is changed.

Technology changing food's future [16 November/ NZ Farmers Weekly] Institute for the Future in California Research Director, Bradley Kreit, told the Beyond the Line of Sight event that technology is rapidly changing the future of food production, distribution, retailing and eating. Mr Kreit said changes can already be noticed in food production, with resource-intensive agriculture being re-organised into low impact alternatives such as growing crops without soil or water and the use of plant proteins to replicate animal ones. Mr Kreit added that distribution was also changing from traditional large-scale efficiencies to distributed resilience, such as internet connections between farmers and consumers. Mr Kreit said that barriers to entry and scaling are declining, with technology reshaping the landscape of food.

Horticulture

MyFarm struggles to find orchards [11 November/ NZ Herald] MyFarm Sales Manager, Grant Payton said the current kiwifruit boom in the Bay of Plenty is making it difficult for the company to find suitable properties to invest in. Mr Payton said the company is now looking at the possibility of investing into existing orchards rather than seeking outright ownership. MyFarm has made available between $1.5 million and $2million in capital for its syndicate, Bay Kiwifruit Limited Partnership. Mr Payton said there has been growing demand from investors for the company to invest in the New Zealand kiwifruit industry, with calculations showing that when compared on a per unit production basis, top kiwifruit orchards were more profitable than traditional land uses such as dairy and sheep and beef farms. NZ Kiwifruit Growers Inc. President, Neil Trebilco said agents were finding it difficult to source orchards, and added that few other horticultural options offered kiwifruit's current growth prospects.

Scientists want berries as "go to" food [15 November/ Rural News] Scientists from the New Carolina Research Campus and Plant & Food Research have joined forces to build scientific evidence to convince consumers that berries are natures go to food. Both institutes said the existing dossier of scientifically-validated health claims needed expanded if berries are to be positioned in such a way. North Carolina Plants for Human Health Institute Director, Mary Ann Lila said she was astounded at the complementary research approaches and unique synergies that could come out the research partnership. Plant & Food Research Food Innovation Operations Manager, TC Chadderton said the goal of the collaboration is to bring leading research groups together to align research programs and share approaches that will help the berry industry in both countries. Plans for a follow-on workshop in 2016 are underway in New Zealand.

Apiculture

Comvita shares surge on good result [11 November/ Otago Daily Times] Comvita has reported an operating profit of $10.2 million for the six months ending September, an increase of $201,000 on the same period last year. It reported a profit of $3 million, up from a loss of $3.3 million last year. Revenue increased by around 53 percent to $91.1 million. Comvita upgraded its full year guidance for sales to between $190million and $200million and operating earnings to between $32million and $35million. The company is to pay a 6 cent dividend on November 27. Comvita Chief Executive, Scott Coulter said sales had been a result of strong growth in all markets as a result of strategic investments in supply security, better channel management and growth in sales in both Winter Wellness and fresh Olive Leaf categories.

Water

Councillors vote to buy water from Ruataniwha dam [13 November/ Radio NZ Rural] Central Hawkes Bay Mayor, Peter Butler said the use of stored water from the Ruataniwha dam, to supplement urban supply for Waipukurau and Waipawa, will have significant environmental benefits because the towns would no longer source water from rivers at times of low flow. Mr Butler said the scheme would cost the districts ratepayers around $50 per year each, but did not reveal the price the council has been offered for the water as it was commercially sensitive. Mr Butler added that more information will be made available by the time the council consults the public on the matter. Labour Water Spokesperson, Meka Whaitiri labelled the decision as a disgrace as it meant ratepayers subsidised the scheme, and added that the damn will have huge environmental impacts on the Tukituki catchment area.

Deadline reached for Ruataniwha Dam plan [13 November/ Radio NZ Rural] Labour Water Spokesperson, Meka Whaitiri said the deadline for the Ruataniwha Damn has been reached. Ms Whaitiri said the Hawke's Bay Regional Investment Company has fallen short in selling enough water to make the project viable and added that she would be disappointed, but not surprised if the deadline was extended again. Hawke's Bay Regional Investment Company announced that only 55 percent of its 45 million cubic metres target, has been sold. Ms Whaitiri said the council has already spent around $15 million on the project, and are putting ratepayers through a drawn out process.

Aquaculture

Fishermen question marine park proposal [12 November/ Business Day: NZ Farmer] Environmental Minister, Nick Smith said a discussion paper is to be released within the next week outlining a proposal for recreational marine parks in the Marlborough Sounds and Hauraki Gulf. The plan would exclude commercial fin fishing from the areas, however commercial fishers could continue to have marine farms. The government said it would put aside around $20 million to compensate commercial fishers' lost quota. Marlborough Recreational Fishers Association President, Peter Watson said the group is yet to have a firm stance on the proposal but was concerned that if stocks do decline recreational fishing groups would be criticised. Marlborough Marine Futures Chairman, Eric Jorgensen said a marine park may not be the best solution for conserving fish species.

Dairy

Fonterra doubles capacity to produce lactoferrin [13 November/ Radio NZ Rural] Fonterra has completed an $11 million upgrade of its Hautapu lactoferrin plant, doubling its capacity to produce the high-value ingredient. Fonterra Managing Director of Global Operations, Robert Spurway said the product is in high demand, particularly from Asia, and is used in a wide range of nutritional products. Mr Spurway added that only a few dairy manufacturers can extract the specialised protein due to high levels of capital and research and development needed.

Fonterra lifts dividend forecast by 5c [16 November/ Dairy News] Fonterra has lifted its forecasted dividend by 5 cents per share, to a range of 45 to 55 cents. With a forecast farmgate milk price of $4.60, the total available for payout is now between $5.05-5.15 per kilogram of milksolids, equating to a total forecast cash payout of between $4.95-5.00 after retentions. Fonterra is to also increase the rate at which farmers are paid the Cooperative Support loan of 50 cents per kilogram of milksolids, with the total amount paid up to December increasing from 18 cents to 25 cents. Fonterra Chairman, John Wilson said performance since August added to the strong performance in the second half of the 2015 financial year. Mr Wilson added that co-operative was hitting its gross margin, operating and capital expenses targets, while the acceleration of business transformation initiatives were generating significant cash savings.

NZ's dairy cow population hits 5m [16 November/ NZ Herald] According to Dairy NZ, the New Zealand dairy cow population increased by 1.9 percent in 2014/15, to be more than 5 million for the first time. The total number of herds also increased for the seventh consecutive time, up 43 to 11,970 herds, while the average herd size increased by 6 cows to 419 per herd. In the 2014/15 season, dairy companies processed 21.3 billion litres of milk containing 1.89 billion kilograms of milksolids, an increase of 3.6 percent. Dairy NZ also said that the total effective hectares in dairy had increased by around 30,000 hectares to 1.75 million hectares.

Unity rather than reduction needed [16 November/ NZ Farmers Weekly] Fonterra Director, John Waller said Fonterra's 13-person board has worked well and its size is not an issue. Mr Waller said that there are significant risks with electing a smaller board, as proposed by former Fonterra Directors, Greg Gent and Colin Armers, and added that having a smaller board will not automatically resolve problems. Mr Waller said the Fonterra board has recently started a thorough review of its governance and representation. Mr Gent and Mr Armer encouraged farmer shareholders who do not normally vote to do so this time, to be able to make a positive change by telling the board to get on with the job.

Red meat

Alliance profit takes $4.28m hit [13 November/ Otago Daily Times] Alliance Group has reported an operating profit of $9.19 million, a fall of around $4.28 million. Revenue increased slightly from $1.45 billion to $1.49 billion, while reported profit also fell from $6.21 million to $4.62 million. Alliance Group Chairman, Murray Taggart said the results underlined a difficult year for both the co-operative and its shareholders, with some being affected by drought and others by flooding. Mr Taggart said there was a considerable slowdown in key sheep markets, such as China and the United Kingdom, which had an effect on the company's profit. Mr Taggart added that the company's beef business had a strong year due to high demand and prices, but it was not enough to offset the sheepmeat decline. Alliance Group Chief Executive, David Surveyor said the company has begun implemented its new strategy to deliver improved returns to shareholders over the next three years.

Alliance partnership with Grand Farm to go to the next level [13 November/ Business Day: NZ Farmer] Alliance Group is to strengthen its partnership with Chinese lamb giant, Grand Farm by entering into a co-branding agreement. Grand Farm Owner, Xibin Chen said the company wants to take the relationship to the next level for brand building in China, which will benefit both companies. Mr Chen said that the traditional relationship between suppliers and buyers needed to move beyond a trading model to a stronger strategy to create more value for both companies. Grand Farm currently imports around 30 percent of all sheepmeat imported to China, mainly from New Zealand and Alliance. Mr Chen said the company had invested heavily in modern equipment, food safety processes and safe processing plants and worked closely with Alliance because it also had a strong food quality and safety reputation.

Silver Fern Farms-Alliance Group merger seems unlikely now [16 November/ Business Day: NZ Farmer] Former Meat Industry Excellence Chairman, Peter McDonald believed that a merger between Alliance Group and Silver Fern Farms will almost certainly not happen now the latter has formed a partnership with Chinese company, Shanghai Maling. Mr McDonald said that while he is disappointed with the outcome of the Silver Fern Farm deal, he did not blame the farmers or directors who supported the deal. Mr McDonald added that farmers were tired of the current industry structure and needed something different. Meat Industry Excellence Advisor, Ross Hyland said the group will reflect carefully on what its next steps should be and hold farmers best interests at their core. Mr Hyland added that while the Shanghai Maling deal was good for the immediate future of Silver Fern farms, it had done nothing to fix the overarching structural problems the industry faced such as overcapacity.

Rural infrastructure

Five biggest rural lenders to conduct 'stress test' [11 November/ NZ Herald] The Reserve Bank has asked New Zealand's top five rural lenders, ANZ, ASB, BNZ, Rabobank and Westpac, to conduct stress tests of their exposure to dairy farm debt. The central bank has also encouraged the five banks to set aside provisions to reflect a likely increase in problem loans to the sector if dairy prices remain low. Reserve Bank Governor, Graeme Wheeler said the New Zealand financial system continued to perform well, despite a deterioration in the outlook for global financial stability and increased risks related to the dairy and housing sectors. Mr Wheeler said that while prices have recovered since August, many indebted farms are under increased pressure which would be exacerbated by a further fall in prices or a significant fall in dairy farm prices.

Flagging dairy industry bogs down tractor sales [13 November/ Business Day: NZ Farmer] Tractor and Machinery Association President, Mark Hamilton-Manns said tractor sales have fallen by around 14 percent as a result of low dairy prices. Sales in the dairy strongholds of Waikato, Taranaki and Southland were impacted significantly, with falls of 19, 36 and 31 percent respectively. Mr Hamilton-Manns said farmers were buying tractors with less-expensive options to ensure that plant replacement continued. Mr Hamilton-Manns believed the growth in the viticulture industry should lead to more tractor sales.

Environment and emissions

Auckland farm land use drops 25 per cent [11 November/ NZ Herald] According to the Ministry of Business, Innovation and Employment, the amount of farmland in New Zealand has fallen by 9.3 percent since 2002, to 14.1 million hectares. The area of farmland in Auckland fell the most, falling by 25 percent to 223,000 hectares. Canterbury, Waikato and Otago also fell by 14 percent, 6.8 percent and 3.7 percent respectively. ASB Rural Economist, Nathan Penny believed the biggest contributor to the nationwide decline was urbanisation. Mr Penny added that land was needed outside Christchurch after the earthquakes, and would have contributed to Canterbury's decline.

Compliance serious issue for meat sector too [17 November/ Otago Daily Times] Rabobank has urged sheep and beef farms to adapt to increased environmental regulation, including the national freshwater management policy. Rabobank Country Banking General Manager, Hayley Moynihan said sheep and beef farmers faced considerable challenges in achieving compliance, with the sector a large contributor to the total contaminant load entering waterways. Rabobank Sustainable Farming Systems Manager, Blake Holgate said rules that regulate the loss of contaminates via run-off will have direct implications for sheep and beef farmers. Mr Holgate expected regional authorities to look closely at land management practices that could assist in reducing contaminant losses to waterways, but believed that it was important for regulators to give farmers flexibility to meet new rules in a way that is cost-efficient, practical and in a way that was tailored for a specific operation. Rabobank also urged sheep and beef farmers to pay close attention to the regulation of nitrogen leaching in their region.

Wool

Cavalier approved to buy WSI wool scouring business [13 November/ Rural News] The Commerce Commission has approved Cavalier Wool Holdings' application to acquire NZ Wool Services International's wool scouring business and assets. Commerce Commission Chairman, Dr Mark Berry said the commission considered all submissions and evidence presented since the application was lodged, and was satisfied that the application should be permitted. Dr Berry said that while Cavalier will essentially have a monopoly position, analysis has shown there are public benefits from the acquisition such as lower administration and production costs, the freeing up of industrial sites, and lower ongoing capital expenditure requirements in the future. Godfrey Hirst is expected to appeal against the decision and has asked the high court to temporarily prevent the merger.

Viticulture

Constellation to expand Blenheim winery? [13 November/ The Marlborough Express] Constellation Brands New Zealand has applied to extend its Drylands winery, allowing it to double its annual processing capacity to 40 million litres. The company has invested in grape production in Marlborough and wanted to make a further investment in wine processing, with a focus on sauvignon blanc. The company consulted four neighbours of the site before lodging the applications, with consent gain from three. Constellation Brands Lawyer, David Clark said the company wants to be a good neighbour, and within the bounds of reason is prepared to modify its proposals to accommodate neighbour concerns. Neighbour, Malcolm Adams, who opposed the extension, was concerned about increased light and sound pollution as a result of the expansion, as well as increased odour, sound pollution and traffic levels at the winery. The Marlborough District Council is expected to make a decision by the end of the year.

International

Weyerhaeuser's Big Acquisition Looks Good on Paper [10 November/ The New York Times] Weyerhaeuser is to pay a 14 percent premium for the acquisition of rival company, Plum Creek Timber, in a deal estimated to be worth USD 7 billion. The deal is predicted to end Weyerhaeuser's long-running transformation from a vertically integrated wood products and paper company to a forestry specialist. The acquisition will result in Weyerhaeuser creating a real estate investment trust with around 13 million acres of woodland, while the company is said to be interested in strategic alternatives for its cellulose fibre business. The deal is expected to produce annual cost savings of around USD 100 million, while a USD 2.5 billion stock buyback is planned for both sets of shareholders.

Liquid milk key to growth – analyst [10 November/ Irish Independent] KPMG Global Head of Agribusiness, Ian Proudfoot warned that both Ireland and New Zealand are not adequately prepared for the growing demand for liquid milk. Mr Proudfoot said that both countries are trying to sell to consumers who have low supply of water with the expectation that they will rehydrate it. Mr Proudfoot believed the organisation that is able to unlock the ability to become a truly economic, innovative liquid supplier will become a dairy leader for the next generation. Mr Proudfoot said that since the abolishment of European milk quotas, he has been impressed with Ireland’s focus on high-value products. Mr Proudfoot added that the key difference between both Ireland and New Zealand was the Irish government’s recognition of the strategic importance of food in their economy with the recent update to the national agri-food strategy, whereas New Zealand did not have a clear vision of where it wants its primary sector to head.

Farm emissions could be cut by 6%, says Bord Bia [10 November/ The Irish Times] According to a Bord Bia report, greenhouse gas emissions from Irish agriculture could be reduced by around 6 percent if underperforming beef and dairy farms were brought back in line with the national average. The agency revealed that a wide variation in emissions was due to varying production techniques. The report also noted that if the carbon footprint of Irish beef herds were reduced by 10 percent, it could generate improved income of EUR 300 million per year. The Irish government is currently lobbying to have Ireland treated as a special case in the setting of European emissions targets for 2030.

Potato farmer wins Marketer of the Year [12 November/ The Irish Times] Keogh’s General Manager, Tom Keogh has been named as the Irish Marketer of the Year for 2015. The company has grown since 2012 when Irish potato consumption fell by half, and now includes several successful brand extensions from easy cook potatoes to new selenium-enriched healthy potatoes to capitalise on the trend for functional food. The company has also created Keogh's Crisps, with the company now claiming more than 30 percent of the luxury Irish crisp market as well as exporting to 14 countries. UCD Michael Smurfit Graduate Business School Marketing Professor, Damien McLoughlin said the company was a standout in terms of ingenuity and inventiveness, and showed a clever, informative approach to marketing.

Breast is best as Irish buyers flock to chicken [16 November/ The Irish Times] Sales of chicken in Ireland have rebounded since the global recession and global food safety scares. The Irish poultry market is expected to grow by around 4 percent over the next year, with Irish adults consuming more than 30 kilograms of chicken per year. According to Bord Bia, roast chicken remains Irelands favourite meal with some supermarkets offering prices as low as EUR 3 in a bid to attract consumers into stores, while chicken breast is the most popular cut of meat outselling others by 20 to one. Manor Farm Foods Managing Director, Vincent Carton said only retailers take a hit when supermarkets offer heavy discounts, with farmers receiving the same price all year round. Farmers Journal Editor, Justin McCarthy said the aggressive reduction of consumer price expectations for chicken will have serious consequences not only for poultry, but for the entire Irish livestock sector.

Animal health

Govt agency refuses to release Saudi sheep report [13 November/ Business Day: NZ Farmer] The government has refused the Green Party's request to release details about the deaths of New Zealand sheep sent to Saudi Arabia. New Zealand Trade and Enterprise is currently being investigated by the chief ombudsman for not giving up a report on the mass lamb deaths. According to Brownrigg Agriculture, around 25 percent of the lambs survived. Prime Minister, John Key said he was disturbed at the high mortality rate but believed the farm's owner would also be worried. The Labour Party and New Zealand First have also requested the report to be released.

Government and industry team up to trial online livestock traceability tool for market access [16 November/ OSPRI Media Release] The Ministry for Primary Industries, the Red Meat Profit Partnership and OSPRI are to work together to develop an online tool that captures key information about livestock status and movements as they move through the supply chain. Livestock owners must already supply an Animal Status Declaration form when animals are moved from a property and when they receive them. Red Meat Profit Partnership General Manager, Michael Smith said the online initiative will make the process more efficient and easier for both farmers and the wider industry. OSPRI Group Manager, Kayo Sakey said the initiative will enhance the industry's ability to trace an animal's history and will address growing industry demands associated with biosecurity, market assurance and food safety. Ms Sakey added that the ultimate aim is to combine both the national animal identification and traceability programme (NAIT) and Animal Status Declaration form into a single transaction to align electronic ID verification with consignment level data and information.

Agribusiness strategy

Maori business Kono in for the long haul - 500 years, says new chief [12 November/ Business Day] Kono New Zealand Chief Executive, Rachel Taulelei said the company has deliberately set a 500 year plan so it can leave the resources it uses in a better condition than when the business started. The company, which is owned by Wakatu Incorporation, is one of the biggest employers in the Nelson region, with a wide range of activities including wine, horticulture, seafood, snack food manufacture and food distribution to around 300 restaurants. Ms Taulelei said the company aimed to be the best indigenous branded food and beverage company in the world. Ms Taulelei added that the company was well positioned to satisfy the rising demand for transparency, traceability and food safety from overseas clients and looked to capture customers' imaginations through authenticity and its indigenousness.

Economics and trade

Taiwan trade booms two years after FTA [13 November/ National Business Review] Trade Minister, Tim Groser said the Taiwan free trade agreement has increased exports to the country to $1.2 billion, an increase of around 22 percent. Mr Groser said horticultural exports are benefiting the most from the preferential tariff access. Apple exports to Taiwan have increased by more than 200 percent to $200 million, while cherry and kiwifruit exports have risen 150 percent and 24 percent respectively. Dairy exports, New Zealand's largest export to Chinese Taipei, have grown 21 percent in value since June 2013 and now total $350 million a year. Wine exports have also increased by 53 percent to $1.3 million.

Deer

Koreans to lift excise tax on deer velvet [16 November/ Business Day: NZ Famer] New Zealand Deer Farmers Association Chairman, Chris Orange said the proposed removal of the South Korean special excise tax on deer velvet will increase the price paid to New Zealand deer farmers. The current excise tax is set at seven percent, however when additional taxes are added the effective rate is 10.1 percent. Deer Industry New Zealand Asian Market Manager, Rhys Griffiths said the tax will be eliminated in two stages. The first cut, which removed 30 percent of the tax, took effect in August. The second cut, which will take the tax to zero, will be dependent on final approval but is estimated to take effect in January 2016. Mr Griffiths said that in addition to the tax cut, the current 20 percent dried-velvet import tariff is to be reduced by 1.33 percent per year as agreed under the New Zealand-South Korea free trade agreement.

Farmers and producers

Farmers hungry for rural governance tips [17 November/ Business Day: NZ Farmer] Around 25 farm and rural support business owners have attended an Institute of Directors rural governance workshop in Manawatu. Institute of Directors National Business Development Manager, Graham Hill said governance was important because farms were multi-million dollar businesses. Institute of Directors Chief Executive, Simon Arcus said now was one of the worst times to have weak governance as so many important business decisions needed to be made. Mr Arcus added that the point of governance was to be able to plan for the long term as well as having strategic plans in place to anticipate both good and bad times ahead.

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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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