

FIELD NOTES

Weekly news update from the KPMG Agribusiness network



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**HOT OFF THE PRESS:
KPMG AGRIBUSINESS
AGENDA 2015 VOLUME 2**

16 December 2015

Field Notes will next be published on Wednesday 13 January 2015 with our holiday catch-up edition. We hope all our readers have a safe and relaxing holiday period.

Organisations referenced in this week's Field Notes include:

AFFCO	New Plymouth District Council
AGMARDT	New Zealand Bankers' Association
Aotearoa Fisheries	New Zealand Climate Action Network
ASB Bank	New Zealand Winegrowers
Beef + Lamb New Zealand	NZ Wool Service International
Canterbury Regional Forum	Overseer
Dow Chemical	Rabobank Netherlands
DuPont	Silver Fern Farms
Electrical & Machinery Services	Spark
Environment Canterbury	Statistics New Zealand
Ernslaw One	Synlait Milk
Federated Farmers	Tasfoods
Fish 2.0	Tattinger
Fonterra Co-operative Group	Tendertips Asparagus
Forest Growers Levy Trust	Treasury Wine Estate
Foundation for Arable Research	Van Diemen Land Company
FSL	Vodafone
Greenpeace	Westland Milk Products
Hatch Mansfield	Westpac
Hurunui Water Project	Wood Council
Landcorp	Wool Industry Research
Mangaweka Asparagus	Zespri
Massey University	Westland Milk Products
Meat Industry Excellence	Westpac
Meat Workers Union	Wood Council
Ministry for Primary Industries	Wool Industry Research
My Food Bag	Zespri
National Farmer Federation	

This week's headlines

Fishing	New fish factory boost for Chathams [11 December/ Otago Daily Times]
Forestry	'Help us replant': Fresh call from foresters after Paris climate deal [13 December/ Business Day: NZ Farmer]
Rural Connectivity	Accelerated 4G installation to benefit Canterbury, mayor says [10 December/ The Timaru Herald]
Environment and emissions	Paris UN climate conference 2015: Countries strike grand bargain to tackle climate change [13 December/ Stuff: World]
Economics and trade	Strong outlook for primary sector [15 December/ Business Day: NZ Farmer]

Ian Proudfoot's latest thought piece

COP21 marks the beginning of the end for the high carbon economy

The Paris climate accord (COP21), reached by 195 governments at the weekend, will accelerate the journey towards a lower carbon future. The scientific evidence, particularly the recent IPCC reports, has broadly aligned most governments on the occurrence and impacts climate change. Rational businesses and their leaders will put aside their personal views, recognise this broad global consensus and accelerate their evolution to remain relevant in a world that has now clearly defined its direction of travel.

The accord is built on commitments from each country to take concrete measures to control greenhouse gas emissions. The core commitment is that policy settings should hold the average temperature increase well below 2 degrees over pre-industrial levels, while perusing an increase not exceeding 1.5 degrees. There are also clear commitments on the role of forests in offsetting human emissions, the provision of finance to emerging economies to enable them to adopt low carbon technologies as well as requirements for transparent reporting and regular review of the targets that individual countries have pledged.

Despite the wishes of many environmental groups, the agreement does not call for greenhouse gas emission neutrality to be achieved by the second half of the century, which would require a balance between carbon emissions and removals into sinks to be achieved. Having observed the commentary over the last few days, the impression I get is that the agreement appears to have supporters and detractors on both sides of the debate, suggesting that the negotiators have probably landed on accord that delivers as much as is practically possible given the current political and economic environment.

Much has been written about the adequacy of the commitments that the New Zealand government had taken to the negotiating table in Paris. We have undoubtedly offered up less in the way of carbon reductions than many other developed countries, the justification for this being the reliance of our economy on agriculture. Alternative protein sources that come without the greenhouse gas footprint of animal based agriculture will become an integral part of the low carbon economy the world is transitioning to. Traditional agriculture can no longer hold itself out as a separate case requiring special treatment because it produces food, this will not be something premium consumers of high value food and beverage products will be prepared to countenance.

The future for New Zealand's primary sector has got to be aligned to that articulated by Landcorp in response to the COP21 accord; just as Landcorp has laudably done, the industry needs to make a broader commitment to supplying carbon neutral products over the next decade. This can be achieved by combining production innovation, smart use of forestry and consumer products that are designed to be sustainable throughout their value chain (including the post-consumer impacts of the product).

The government's limited ambition has created the opportunity for those prepared to be less reticent and go beyond the minimum to create a clear point of difference for their products. The reality is that nobody will ever pay a premium for a product that just complies with the law (or in the case of New Zealand emissions, a standard that is lower than those set by many other governments) but they will pay a premium for products that deliver something unique to the market. Carbon neutral could become an integral element of the story underlying our naturally produced, safe and disease free premium food, beverage, fibre and timber products.

The COP21 accord stresses the importance of clarity around targets and open reporting of emission levels. Globally, companies are slowly but surely enhancing reporting around their organisational environmental footprint, something that few NZ organisations are yet to do in a substantive way. It is fair to say that the majority of our companies are missing an opportunity to articulate their story and provide the verified evidence to support their environmental claims through a comprehensive corporate responsibility statement including a carbon inventory. As the world's leading companies become more open it is critical that the disclosures our companies make keep pace with best practice; failing to provide information competitors deliver will be akin to hiding it in the minds of increasingly informed consumers.

A report prepared by KPMG International in advance of the Paris summit discusses the latest corporate reporting trends amongst the world's 250 largest companies. It highlights there is still little consistency in reporting, particularly in relation to carbon usage and reduction, but highlights improvements in reporting of environmental and social trends and risks. The report can be downloaded from the KPMG New Zealand website and would be good holiday reading for those thinking about how their organisation can start to communicate the steps they are taking to contribute to a lower carbon future for the world.

KPMG International's latest annual survey into Corporate Responsibility Reporting is available to be downloaded by clicking on the following link: https://assets.kpmg.com/content/dam/kpmg/pdf/2015/11/kpmg-international-survey-of-corporate-responsibility-reporting-2015.pdf?utm_source=kpmgnczcomms&utm_medium=intComm

Horticulture

Zespri December forecast: returns holding steady as volumes increase [10 December/ Zespri Media Release] Zespri's December forecast has shown steady per hectare returns for all categories as fruit volumes rise strongly. The forecasted Green return is \$4.87 per tray, while volumes increased by 16 percent to 80 million trays. The average return per hectare for Green remains virtually unchanged at \$53,765. Total Gold volumes were around 33 million trays, with SunGold volumes increasing from 10.6 million trays last season to 27.5 million trays in 2015/16. The forecasted return for Gold is \$7.96 per tray, with a per-hectare return of \$68,807 reflecting a continual recovery from the impact of Psa. Zespri Chief Executive, Lain Jager said the company had sales of around 21 million trays in Japan, a new record for Japanese market. Mr Jager added that Chinese sales also hit a record high, with sales over 18 million trays, an increase of 6.6 million trays from the previous season. Forecasted Total Fruit and Service Payments is \$1.12 billion, an increase of \$177 million on 2014/15. Mr Jager said the increase reflected volume growth as the industry continues to recover from the impact of Psa. Zespri's profit after tax, for the year ending 31 March, is expected to be in the range of \$16.5 million to \$21.5 million.

Manawatu's asparagus season comes to an end [15 December/ Business Day: NZ Farmer] Asparagus will be harder to get towards the end of December as major growers and packers wind down for the season. Tendertips Asparagus Owner, Geoff Lewis said around 12 tonnes per day were picked at the peak of harvesting, with around 5 tonnes being picked each day as the season slows. Mangaweka Asparagus Owner, George Turney said he had encountered a later season than in Horowhenua, and expected to be picking until the middle of January. Mr Turney said that while there will be some asparagus around at Christmas time, prices climb as supply falls. Mr Turney hoped to be packed around 300 tonnes this season. It was noted that exports of small packs to Japan had proven to be a good source of revenue.

Wool

Wool powder faces a big make-over [14 December/ NZ Farmer Weekly] A scientific breakthrough has led to the breaking down of wool into a powder than could be used in high-value products, such as cosmetics, in the future. Wool Industry Research Chairman, Derrick Millton said the concept has been proven in laboratory trials and is now being taken into a marketing stage. The trials have been part of a \$21 million, seven-year research programme in which the government contributed \$8.4 million. Science and Innovation Minister, Stephen Joyce said the programme could create new markets for New Zealand wool and has already attracted strong interest. Those involved in the research project included NZ Wool Service International, AgResearch, Lincoln Agritech and both Otago and Massey Universities.

Fishing

New fish factory boost for Chathams [11 December/ Otago Daily Times] Aotearoa Fisheries has opened a new \$3 million state-of-the-art fish factory on the Chatham Islands. Aotearoa Fisheries Chief Executive, Carl Carrington said the factory was the company's first major investment on the islands since its lobster plant 15 years ago. Mr Carrington said the new factory will have 50 percent greater capacity to process fish, creating more local jobs. The government has also confirmed it is to invest \$52 million on a new Waitangi wharf, with construction set to start next year. Primary Industries Minister, Nathan Guy said the new wharf will give private companies the confidence to invest in the Chatham Islands. Around \$124 million worth of fish are annually caught in the island's waters.

Forestry

Safer tree-falling tech going from NZ to BC [10 December/ Forest Owners Association: Forestry News] New Zealand loggers are to showcase their safe logging innovations in March, at the inaugural Steep Slope Logging Conference in Vancouver. Steep slope logging innovations in New Zealand have been driven by the constant need to improve safety and reduce accidents, with contractors building specialised harvesters to meet their needs. Electrical & Machinery Services Managing Director, Chris Hancock said safety and productivity can be designed into modern harvesters that tackle steep slopes, as shown by the company's Tractionline winch system. Mr Hancock said the company works with professional engineers to ensure no safety or engineering principles are compromised.

'Help us replant': Fresh call from foresters after Paris climate deal [13 December/ Business Day: NZ Farmer] Wood Council President, Brian Stanley said the Paris climate deal has put the spotlight on New Zealand's poor tree replanting rate and the need to fix it. Mr Stanley said the poor replanting rate was not going to improve without a serious revamp of the carbon credit system. Mr Stanley said foresters do not have an incentive to replant, as overseas carbon credits have eroded the value of New Zealand units to just a few dollars each. Mr Stanley added that the biggest issue was the scheme's exclusion of agriculture, as it artificially increased the price of land, making it impossible for foresters to make economic returns. Mr Stanley estimated that New Zealand carbon credits had to be around \$15 a unit for forests to be economical, and that would only be achieved by an emission trading scheme that included agriculture and without the interference of cheap units from overseas. The government has launched a \$22.5 million forestry incentive programme, with the goal of replanting 15,000 hectares over six years.

Ernslaw One buys sheep and beef farm to convert to trees [14 December/ Business Day: NZ Farmer] Malaysian-owned forestry company, Ernslaw One has been granted consent by the Overseas Investment Office to buy a 1,264 hectare sheep and beef farm near Woodville, for \$5.4 million. The company intends to convert the farm into a forestry in two stages, with the first plantation starting in July 2016. Ernslaw One Operations Manager, Steve Couper said the purchase fitted in with the company's other forestry holdings in the Wairarapa. The planting will cost \$1,000 per hectare, with the company relying on carbon credits to offset the investment. Mr Couper believed the returns from the emissions trading scheme would improve over time.

Census putting a value on forestry [15 December/ Otago Daily Times] The forestry industry is to create a census next year to capture the contributions forestry and wood processing makes to society, and ensure the sector's value is better understood by both policymakers and the public. Forest Growers Levy Trust Chairman, Geoff Thompson said that while accurate figures on exports can be calculated, the forestry sector had many other benefits such as being used to combat soil erosion and providing employment. Funds raised by forest growers for research and other industry activities are expected to be more than \$7.6 million, allowing the trust to expand the work it does for growers, including next year's census. The trust will keep its levy rate on harvested logs unchanged at 27 cents per tonne next year. It is also looking at more innovative ways to communicate new technology and best practice to growers. Mr Thompson said research into sustainable intensifying of radiata forests was the greatest focus of the trust's research programme.

Water

High Court gives Canterbury irrigation scheme the nod [10 December/ Radio NZ Rural] Work on the Waitohi Irrigation Scheme is set to begin again after the High Court ruled in its favour. The Environment Court ruled against consents for the scheme in September, but Environment Canterbury and the Hurunui Water Project appealed the decision. The proposed water storage is planned to sit along the length of the upper Waitohi River, and will provide irrigation to more than 58,000 hectares around the Hawarden area. Hurunui Water Project Chief Executive, Alex Adams said the scheme's layout can now be confirmed and further costing calculated. Mr Adams added that work has stalled for most of the year because of court processes. The scheme expects to supply farmers by 2018.

Dairy

Payout too hard to predict [10 December/ Dairy News] Westland Milk Products Chairman, Matt O'Regan said the volatility of the international market makes it very hard to predict an accurate payout price. Mr O'Regan said that until the world's surplus of milk is diminished, current predictions will not change much. Mr O'Regan added that farmers understand the problems of market volatility and warned the current payout level may last longer than predicted 18 months ago. Westland Milk Products said it is to announce an average cash payout to more accurately reflect what farmers will actually receive, excluding colostrum, bulk leptotests and retained earnings. The co-operative has predicted a 3 to 4 percent fall in milk production this season.

Fonterra maintains milk price forecasts [10 December/ Rural News] Fonterra has maintained its forecasted milk price of \$4.60 per kilogram of milksolids. Combined with the estimated earnings per share range of 45 to 55 cents, the total amount available for payout is currently in the range of \$5.05 to \$5.15, with a forecasted cash payout range of \$4.95 to \$5.00 per kilogram of milksolids. Fonterra Chairman, John Wilson said the forecast reflected the view that international prices will continue to improve into the first half of next year. Mr Wilson said the forecast is based on the assumption that low prices will impact global production, reducing the current market imbalance. Fonterra has also decided not to continue the co-operative support loan for milk collected after December 31, but said it will monitor conditions and assess the need to continue the support if market conditions change. Mr Wilson said the co-operative has already provided around \$390 million in support to around 75 percent of its farmers.

NZ milk banned from Queensland prisons [13 December/ Radio NZ Rural] New Zealand long-life milk has been banned from four Queensland prisons after a complaint that it was taking business away from local farmers. Australian Party MP, Shane Knuth complained to Corrections Minister, Bill Byrne that the use of New Zealand milk had taken away business from the state's struggling dairy farmers. Mr Byrne immediately banned the use of long-life milk in favour of the local product. Queensland Dairy Farmers Organisation Chief Executive, Adrian Peake welcomed the decision and said that the government should always support local farmers.

Synlait production quadruples [14 December/ NZ Farmer Weekly] Synlait Milk said it expects its production of canned and finished products to quadruple this year. Synlait Milk Chairman, Graeme Milne said the company is now able to deliver the earnings from its nutritional and infant formula strategy after three years of capital development. Mr Milne said that while the international market was soft, the company was creating value through differentiated nutritional and infant formula products to achieve margins above commodity pricing. Synlait's New Zealand sales increased to 17 percent of total sales from 6 percent, reflecting growing business with A2 Milk. The company's Chinese sales fell to 10 percent of overall sales, down from 30 percent a year earlier. Synlait Milk Managing Director, John Penno said the company had 173 farmers that supplied milk this season, with year-on-year supply growing at 7 percent. Mr Penno said that the company had also spent an additional \$3 million on paying suppliers a premium above the base milk price to support their potential cash flow issues. Synlait Milk CFO, Nigel Greenwood said the company had increased borrowings to \$263 million, up from \$152 million, as it continued spending on infrastructure. Mr Penno said the company's half year result will be above the \$419,000 profit last year.

Red meat

Meatworkers accuse AFFCO of ignoring court ruling [10 December/ Radio NZ Rural] According to the Meat Workers Union, workers at AFFCO plants are furious with mistakes, pay cuts and omissions on the first payday after a court-ordered return to work. Meat Workers Union Secretary, Graham Cooke said the employment court, which found AFFCO acted in bad faith and undermined the union, indicated that workers should be reinstated on previous union terms and conditions. Mr Cooke said the company was ignoring the court ruling, with workers being paid according to the contracts AFFCO wanted to implement. Mr Cooke added that some workers at the Wairoa plant are yet to return to work as the company insisted they return on a nightshift, regardless of previous shift arrangements. AFFCO General Manager, Rowan Ogg said it was hard to comment as the issue was before the courts. Mr Ogg added that the dayshifts at Wairoa were fully staffed and returning workers had been offered night work as an interim measure to transition them back to work. AFFCO CFO, Nigel Stevens said the court judgment made no specific directions other than directing the parties to further mediation.

MIE attacks B+LNZ [14 December/ NZ Farmer Weekly] Meat Industry Excellence Spokesman, John McCarthy said the group wants Beef + Lamb New Zealand to give it millions of dollars of levy funds to continue fighting the sale of Silver Fern Farms, as well as drive other industry reforms. Mr McCarthy said the group was the only independent voice for farmers, but was at a point where it is unable to continue as a voluntary group. Beef + Lamb New Zealand Chairman, James Parson said the group was entitled to put up a remit for farmers to vote on. Meat Industry Excellence also wanted to merge Beef + Lamb New Zealand with Federated Farmers to provide a new start and an independent voice needed for farmers to avoid the inevitability of the current demise. Mr McCarthy said that what Beef + Lamb was doing for the industry was not working as lamb prices were still poor. Mr McCarthy also said Federated Farmers needed to be more courageous in its actions. Both Mr Parsons and Federated Farmers Chairman, Dr William Rolleston opposed talk of a merger, and said that both groups had different purposes and constitutions.

Wairarapa farmer on SFF board [15 December/ Otago Daily Times] Wairarapa Sheep Farmer, Tony O'Boyle has been elected as the new director on the board of Silver Fern Farms. Mr O'Boyle will fill the vacancy made available by the retirement of long-standing director, Angus Mabin. Silver Fern Farms Chairman, Rob Hewett thanked Mr Mabin for his dedication while on the board and welcomed Mr O'Boyle. Mr O'Boyle, who is also a director of Farmlands, has experience in both dairy and drystock farming. Mr O'Boyle held various roles with the New Zealand Dairy Group, Wools of New Zealand and was a former chairman of the Fonterra Shareholders Council.

Rural connectivity

Accelerated 4G installation to benefit Canterbury, mayor says [10 December/ The Timaru Herald] Spark has announced it is to install equipment capable of transmitting data at 20 to 135 megabits a second throughout its Canterbury 4G network by December 2016. Most of the coverage will occur in mid to north Canterbury, parts of the Waitaki Valley, Hakataramea Valley and the Mackenzie Basin. The company estimated around 70 percent of its mobiles could access the service. Timaru District Mayor, Damon Odey said the installation would be of great benefit to the Canterbury region. Mr Odey said that by having the regions councils full aligned, it helped convince Spark to accelerate the installation programme. Canterbury Regional Forum Chairwoman, Dame Margaret Bazley said the announcement was a great example of how councils can work together and collaborate with the private sector to deliver real benefits to the region. Winchester Farmer, Michael Taylor said farmers use mobile connections for a wide range of applications from sending emails to controlling irrigators. Vodafone said it was also increasing its fixed wireless broadband and mobile coverage, and added that it was confident of meeting the government's target of delivering peak broadband speeds of at least 50 megabits a second to 99 percent of New Zealanders by 2025.

Environment and emissions

Fonterra, Greenpeace hold 'constructive' talks over palm kernel expeller [9 December/ Business Day] Fonterra and Greenpeace have met to address the dairy industry's use of palm kernel expeller. Greenpeace New Zealand Executive Director, Russel Norman said that Fonterra agreed to meet after a Greenpeace report suggested it may have indirectly sourced palm kernel expeller from at least two Indonesian plantations involved in burning protected forests and destroying orangutan habitats. Mr Norman said the meeting was surprisingly constructive after the co-operative said it was a priority to ensure cattle feed was not linked to the destruction of Indonesian rainforests. Fonterra Social Responsibility Director, Carolyn Mortland said the sourcing of palm kernel products continued to be a priority. Mr Norman said that while more was needed to reduce deforestation from Fonterra's feed supply, the co-operative was committed to do so.

Paris UN climate conference 2015: Countries strike grand bargain to tackle climate change [13 December/ Stuff: World] Around 200 countries have struck a grand bargain to tackle climate change, during the recent Paris UN climate conference. The agreement, which will come into effect in 2020, will require all 200 countries to tackle climate change. The deal aims to restrict global warming to a maximum of two degrees above pre-industrial levels. Australian Foreign Affairs Minister, Julie Bishop said the world had produced a framework for all nations to play their part in securing a safe and prosperous world for future generations. Ms Bishop said the agreement would require a long-term transition to an emission neutral and climate resilient world. Ms Bishop added that the deal encouraged countries to be more ambitious in tackling climate change. To ensure governments are ambitious, the accord includes a series of reviews of emission targets that countries need to undertake. Under the deal countries can only make targets more ambitious. As part of the deal, industrialised nations have agreed to provide a minimum of USD 100 billion per year in funding to help poorer nations cope with the impacts of climate change and cut their emissions. Other countries are encouraged to make voluntary commitments. Chinese Climate Change Representative, Xie Zhenhua said the world had developed an equitable, balanced and ambitious agreement that sent a strong signal for green and low-carbon development.

Paris climate deal: New Zealand must improve plans to meet global target [13 December/ Business Day] Green Party Co-Leader, James Shaw said the government must now improve its emissions targets now the Paris climate change negotiations have been agreed. Mr Shaw said the government's current target of reducing emissions by 30 percent below 2005 levels by 2030, were clearly out of line with the Paris agreement. Mr Shaw said the current targets would lead to a 3.5 to 3.8 degree temperature increase, much higher than the agreed 2 degree target. Massey University Professor, Ralph Sims said New Zealand would have to be more nimble and innovative to reduce emissions across all sectors. New Zealand Climate Action Network Coordinator, David Tong said that while the deal was a vital step, the government needed to step up its game and improve its emissions targets without relying on international carbon markets. Climate Change Minister, Tim Groser described the deal as a historic step forward, as it was the first time a comprehensive climate change deal was in place. Mr Groser said the government's proposal is aimed at a gradual reduction in emissions, and was in line with other countries. Mr Groser said there was also no need to change agriculture's omission from the Emissions Trading Scheme, as no other country in the world was charging the sector for biological emissions. Mr Groser added that the government was focused was on investing in research and development to improve agricultural emissions.

Overseer looks to sustain itself [14 December/ NZ Farmer Weekly] Overseer General Manager, Caroline Read said the relaunch of the nutrient model included six key areas that will keep it relevant and funded into the future. Ms Read said the six areas, which a two-year process identified, included user experience, coverage, quality, connectivity, business focus and sustainability. As regulatory demand from regional councils to define nutrient limits have increased, the model has been under pressure to deliver more complex and wide-ranging predictions, causing it to need multiply re-works in recent years. As part of the latest revamp, the tool now has a new management company, Overseer Ltd. Ms Read said the challenge was to keep the model funded so it can continue to be upgraded and maintain its relevance as an accurate nutrient assessment tool. Overseer's strategy has not made specific reference to becoming user-funder, but Ms Read said one of its objects was to ensure the model is sustainable. Ms Read said the top priority was to have greater engagement, as well as ensuring users understand the value the tool can bring. Ms Read added that successful users of the tool integrated it with other tools.

NZ's largest farmer makes climate pledge [15 December/ Radio NZ Rural] Landcorp has pledged to become carbon neutral within a decade. Landcorp General Manager, Phil McKenzie said most of the company's emissions would be offset by planting 1,000 hectares of forests each year for 10 years. It has already identified 7,000 hectares as suitable for planting. Mr McKenzie said the company has also identified some areas that would be more beneficial with trees rather than livestock.

Food safety

Fifth frozen berry hepatitis A case confirmed [14 December/ Business Day] The Ministry for Primary Industries has confirmed a fifth person has contracted hepatitis A from a Fruzio Mixed Berry product. Fruzio 1kg bags of strawberries, blackberries and mixed berries, and 500g mixed berry bags, have been recalled after four cases of hepatitis A were linked to the products. Nelson company, FSL imported the infected berries from China's Shandong province. Ministry for Primary Industries Director, Peter Thomson said the Ministry's investigation was ongoing and that further recalls were possible.

Biosecurity

Biosecurity starts at the farm gate [15 December/ Business Day: NZ Farmer] Foundation for Arable Research Chief Executive, Nick Pyke has urged farmers to take more responsibility for their biosecurity. Mr Pyke said farmers can take more responsibility by creating a biosecurity plan to better control movements inside and outside the farmgate. Mr Pyke said a major risk are people coming onto farms carrying pests, and added that good washdown facilities for contractors and inspecting all machinery before it entered the farm could help prevent any incursions. Foundation for Arable Research Director, Alan Henderson said biosecurity is becoming a major issue as farmers looked to plant more maize and increase their yields. Mr Henderson added that there are no new chemicals that are being developed to control pests and weeds.

International

Food industry pushing to thwart GMO labelling by end of year [7 December/ Long Island Business News] The American food industry is pushing for Congress to include a provision in the year-end spending bill that will mean companies will not be required to disclose whether their products contain genetically modified organisms. A coalition of groups representing the industry said it is vital that Congress takes action to prevent costly and confusing state labelling laws from taking effect next year. The food industry believed genetically modified foods are safe and that labels would be misleading. It also said that around 80 percent of foods contain genetically modified ingredients. Advocates of labelling have said consumers have a right to know what is in their foods. If the provision is passed, it would pre-empt state labelling requirements, such as in Vermont which is set to require labelling from July 2016. Michigan Senator, Debbie Stabenow believed the issue was too controversial for the year-ending spending bill, which congress must pass before leaving for the holidays.

Syria to export 700,000 tons of citrus to Russia: official [9 December/ Agence France Presse] Syria is to export more than 700,000 tonnes of citrus fruits to Russia to fill the gap left by the country's ban on Turkish products. Other Syrian goods, such as textile products, will also be sent to Russia. Damascus Chamber of Industry Chairman, Samer Debes said the Turkish import ban has created a real opportunity for Syrian products. According to the Syrian agriculture ministry, the country produced over 1 million tonnes of citrus products during the 2014-15 season.

Rabobank to cut 9,000 more jobs and shrink balance sheet [9 December/ Financial Times] Rabobank, the Dutch co-operative bank, is to cut another 9,000 jobs as part of its five-year strategic plan. The job cuts, which amount to around 20 percent of the bank's workforce, are on top of 3,000 job reductions currently in progress. The bank is also to reduce its balance sheet by EUR 150 billion, or 20 percent, to be able to comply with new capital requirements. It has also pledged to direct more than 80 per cent of its lending to growth sectors including agriculture, food, raw minerals and water. Rabobank said the implementation of the strategic plan should improve annual gross profits by EUR 2.1 billion by 2020. The bank has also agreed to merge 106 local Rabobank's and Rabobank Nederland into one co-operative Rabobank.

TasFoods heads to Court of Appeals to reinstate injunction against sale to Lu Xianfeng [10 December/ ABC News] Tasfoods has lodged an appeal to the Victorian Court of Appeal, against the sale of the Van Diemen Land Company to Chinese Businessman, Lu Xianfeng. The move followed a failed legal challenge in the Supreme Court of Victoria. Tasfoods claimed the New Plymouth District Council, which owns the dairy operation, had breached sales contract the parties had already signed prior to Mr Xianfeng's bid. Tasfoods has asked for the original injunction to be reinstated and extended, as well as other court-ordered interlocutory relief. The Supreme Court granted a stay on the lifting of the injunction, leaving it in place until December 18, when the case is heard by the Court of Appeal. It also ordered a trial date for February next year, potentially delaying the sale for several months.

Champagne house Taittinger bubbles over to Britain [10 December/ Agence France Presse] Taittinger has announced it is to become the first Champagne house to produce premium English sparkling wine. The company has teamed up with British wine company, Hatch Mansfield and private investors to purchase 69 hectares of farmland in Kent. Around 40 hectares will be planted with Chardonnay, Pinot Noir and Pinot Meunier vines to produce the wine. The first fruit used for winemaking is expected to be available by 2020 and bottled in 2021. Around 300,000 bottles are expected to be produced each year. The wine will be sold under the Domaine Evremond label, with the individual wine names yet to be decided. The company is to take a 55 percent stake in the venture, which it said will be a multi-million pound investment over 10 years.

Treasury Wine Estates to put calorie information on labels [10 December/ Business Day] Australian wine company, Treasury Wine Estates is to print calorie information on all of its labels. While the information will not be a thorough breakdown of the calories, a dedicated web address will be printed on the branded labels to help direct consumers to the information online. The company said it is the first major wine company in the world to print calorie information on its bottles. The company added that the online information was easier and more flexible to provide updates to. New Zealand consumers can expect to see the information on the bottles by June 2016. Treasury Wine Estates Europe General Manager, Dan Townsend said consumers were becoming increasingly interested in accessing facts on calorie choice to help make more informed choices on consumption decisions. New Zealand Winegrowers Chief Executive, Philip Gregan said providing additional information to consumers was generally a good idea.

Shares of DuPont, Dow soar on reports of merger talks [10 December/ NZ Herald] Shares of both Dow Chemical and DuPont have soared after The Wall Street Journal reported the two chemical giants are in advanced merger discussions. The Journal said a deal could be announced within the next week. It also said the newly formed company will be split into three separate companies focused on agriculture, specialty chemicals and materials. Both companies have focused on agriculture in recent years, with increasing demand for genetically engineered seeds, fertilizer, herbicides and pesticides. However, falling crop prices have put pressure on suppliers of seeds and pesticides, while increasing the amount of merger discussions within the industry. DuPont CEO, Edward Breen said consolidation within the agriculture industry should happen. Dow CEO, Andrew Liveris said there were potential synergies in a newly consolidated agricultural market. The two companies declined to comment on the reports of a possible merger.

Turnbull sows seeds for farmers to grow brighter ideas [12 December/ The Australian] Australian Prime Minister, Malcolm Turnbull is to announce the establishment of an incubator fund for agricultural start-ups and technologies. The fund will be backed with more than \$10 million of commercial funding, and will fund at least 10 start-up projects in the next year. The agricultural incubator is also likely to win financial backing from the federal government's \$1 billion innovation strategy. National Farmer Federation Chief Executive, Simon Talbot said agriculture is poised to become Australia's boom sector in the next 30 years as food demand doubles. Mr Talbot said that within the next 15 years, the sector has the potential to generate AUD 1.2 trillion.

Entrepreneurs turn billion dollar seafood waste into profitable products [13 December/ The Guardian] Entrepreneurs are attempting to turn seafood waste, worth USD 1 billion in the United States alone, into profitable products. Fish 2.0 Founder, Monica Jain said that because seafood is such a tight margin business, anything that can be done to reduce waste will help profitability. Fish 2.0 is a pitching competition for sustainable seafood entrepreneurs in which winners gain exposure to potential investor as well as cash prizes. Tidal Vision Founder, Craig Kasberg said the seafood industry is behind the times when it comes to by-product utilisation. Mr Kasberg's company currently processes salmon skin into leather products. It is also attempting to process chitin from crab shells, turning it into antibacterial yarn and fabric. Mr Kasberg is part of a growing group of seafood industry entrepreneurs moving beyond fertiliser and fishmeal to upcycle the seafood industry's waste in innovative new ways. SabrTech Founder, Mather Carscallen said his company has developed a system called Riverbox, which uses algae to purify water at fish farms. Another Fish 2.0 competitor, HealthyEarth is attempting to transform the mullet fishery industry by utilising mullet carcasses to extract omega 3 oils.

Taiwan bans school canteens from using GM food [13 December/ China Daily] Taiwan has banned the use of genetically modified foods in schools. The move is a result of increased public concern about the possible health risks associated to genetically modified foods. Schools and colleges will be inspected every academic year to ensure they comply with the ruling.

Argentine president eliminates some taxes on farm export [15 December/ NZ Herald] Argentine President, Mauricio Macri is to eliminate export taxes on key agricultural products, fulfilling a campaign promise to overhaul how the sector is managed. Mr Macri announced the removal of export taxes on corn, wheat and meat. Export taxes on soy beans will be lowered from 35 to 30 percent. Export taxes had been kept high by former President, Cristina Fernandez in an attempt to stimulate local consumption and keep prices of certain agricultural products low.

Agribusiness strategy

My Food Bag's phenomenal rise: from zero to \$100m revenue in three years [10 December/ NZ Herald] My Food Bag is set to hit \$100 million in annual revenue, less than three years after it began. The company is currently one of New Zealand's fastest growing, and has almost 30,000 customers across 14 cities in New Zealand and Australia. My Food Bag Founder and Chief Executive, Cecilia Robinson said that while she had big plans for the company, she never expected to reach them so quickly. The company is currently the third largest food retailer behind Foodstuffs and Progressive Enterprises. Ms Robinson said the company is competing with supermarkets, and is wanting to shake up the industry in New Zealand. Ms Robinson said another factor in the company's growth is the use of free-range and locally sourced ingredients, as it resonated with customers.

Economics and trade

Meat and dairy boost manufacturing sales [9 December/ Otago Daily Times] Statistics New Zealand Business Indicators Senior Manager, Neil Kelly said the food and beverage sectors boosted manufacturing sales for the quarter to September, with volumes up 3.5 percent and values up 4.2 percent to a total \$23.6 billion. Meat and dairy product manufacturing sales were up 6.3 percent after a period of subdued sales. ASB Senior Economist, Jane Turner said the boost by dairy and meat were expected as low dairy prices resulted in an increase of dairy cow slaughter. Ms Turner expected dairy production to fall over the next quarter. Westpac Senior Economist, Michael Gordon said the jump in manufacturing sales volumes during the September quarter followed two quarters of flat to falling sales. Mr Gordon added that most of the increase was due to the primary sector, with strong gains in meat, dairy, fruit and beverages. Mr Gordon said the gains in both manufacturing and wholesale trade may result in a revision of his GDP forecast for the quarter, which is currently 0.7 percent.

Red meat sector welcomes Korea-NZ FTA [10 December/ Rural News] The red meat sector has welcomed the announcement that the Korean Free Trade Agreement can be entered into force before the end of the year, after all necessary steps were completed. The agreement will reduce a significant proportion of tariffs paid on New Zealand red meat imports. During 2014, overall New Zealand red meat tariffs totalled \$323 million, with around \$64 million being paid in Korea. The agreement will result in two rounds of tariff cuts in quick succession, the first when the agreement comes into force on 20 December and the second on 1 January 2016.

McClay will talk to producers [14 December/ NZ Farmer Weekly] Rotorua MP, Todd McClay has been announced as the new Trade Minister after Former Minister, Tim Groser was appointed as New Zealand's Ambassador to the United States. Mr McClay said he is determined to focus on achieving a level playing field for New Zealand exporters, by the removal of trade barriers. Mr McClay said he will look at how current trade agreements could work better for exporters. Mr McClay said the benefits for agricultural exports are also high on his priority list and added that he will talk to producers and companies for feedback. Mr McClay said that while some underestimated the importance of agriculture, he did not and believed the world has an ever increasing demand for New Zealand agricultural products. Mr McClay will now be in charge of guiding the Trans-Pacific Partnership agreement through parliament over the next year, and will also start negotiations with Europe about a potential Free Trade Agreement.

Strong outlook for primary sector [15 December/ Business Day: NZ Farmer] According to the latest Situation and Outlook for Primary Industries report, export revenue from the primary sector is set to rise by \$1.9 billion to \$37.6 billion for the year ending June 2016. Strong demand for beef in the United States will underpin growth in the meat and wool sector, which is expected to rise by \$910 million. Milk production is expected to fall by 7 percent due to low dairy prices, but is predicted to rebound by late 2016 or early 2017. The forestry sector is forecasted to grow to \$613 million, with an increase in exported timber volumes set to offset reduced Chinese demand. The opening of two new salmon farms will contribute to an expected \$200 million export revenue increase in the seafood sector. Record kiwifruit yields and past season vintages are expected to grow pipfruit and wine revenues, while the horticulture sector is expected to have a \$700 million export revenue increase. The report also predicted the New Zealand to US dollar exchange rate to be lower than projected, resulting in a rise in export revenue. It also said the conclusion of key trade deals will support the primary sector.

Farmers and producers

New grants for in-market agribusiness immersion [10 December/ AGMARDT Press Release] AGMARDT has launched a new internship programme for five talented young people a year to work first-hand in overseas markets. Up to \$50,000 will be available for each internship, which could last from six to 12 months. AGMARDT Chairman, Barry Brook said the programme is designed to attract and retain high achieving individuals. Mr Brook added that the programme will help develop insights into customers and the market end of the supply chain. Applications for the programme will be accepted throughout the year at www.agmardt.org.nz/applications.

Filipino workers fraud accused appears in Hamilton District Court [14 December/ Business Day: NZ Herald] A woman facing hundreds of charges of obtaining work visas for Filipino farm workers using fraudulent means has been granted further interim name suppression. The woman faces 287 charges including obtaining by deception, using forged documents, supplying false information and forgery. The leading charge, that carries a maximum 10-year imprisonment sentence, states that on October 8 last year she used an altered Work and Income labour market letter. Defence Counsel, Rob Weir said the woman's alleged offending only involved up to 17 people and asked the court to extend the name suppression due to threats to her family. All the affected workers have had their visas confirmed and are not at risk of deportation.

Banks sticking by rural clients, says Fed Farmers [15 December/ NZ Herald] Federated Farmers have said that its latest banking survey found an unchanged level of farmer support for banks, with 80.5 percent of respondents satisfied with their bank in regard to mortgages, compared to 80.7 percent three months ago. The survey also found a slight drop in satisfaction with the communication from banks over their mortgages, falling from 81.0 percent to 78.8 percent. The percentage of farmers feeling they had come under undue pressure from their bank increased from 5.5 percent to 6.4 percent. Those seeking support with their budget from an accountant was up from 38.7 percent to 43.2 percent, while external advice and assistance on budgeting from banks was up at 50.7 per cent, from 49.5 per cent. New Zealand Bankers' Association Chief Executive, Kirk Hope said that with the potential impact of El Nino, banks were working to ensure farmers were aware of the measures available across the sector, and would continue to provide assistance.

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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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