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

27 January 2015

Organisations referenced in this week's Field Notes include:	
Access to Nutrition	New Zealand Bloodstock
AFFCO	New Zealand First
AgFirst	New Zealand National Fieldays Society
Animals Australia	New Zealand Pork
ANZ Bank	New Zealand Winegrowers
ASB	NZX AgriHQ
Beef + Lamb New Zealand	Open Country Dairy
Cabrito	Ornua
CK Life Sciences International	Parmalat Australia
Cloudy Bay Clams	PGG Wrightson
Dairy Companies Association	Point6
DairyNZ	Rabobank
Federated Farmers	Real Estate Institute of New Zealand
Felton Road	Scottish Salmon Producers' Organisation
Fish and Game New Zealand	Silver Fern Farms
Fonterra Co-operative Group	Shanghai Pengxin
Gallagher Group	Synlait Milk
Glencore	Tatua Co-operative Dairy
Just Kidding	UN Food and Agriculture Organisation
Massey University	Unilever
Meat Industry Association	University of Auckland
Meat Workers Union	Venture Taranaki
Ministry for Primary Industries	Vermair
Monsanto	Westland Milk Products
National Center for Atmospheric Research	Wine Australia

This week's headlines	
Bloodstock	**Brendon McCullum goes shopping at the Karaka horse sales** [24 January/ Stuff]
Dairy	**Dairy prices stuck** [25 January/ NZ Farmer Weekly]
Animal Health	**Bobby calf action began before Safe hit headlines** [25 January/ NZ Farmer Weekly]
Economics and trade	**TPP ministers to sign official deal at SkyCity** [21 January/ NZ Herald]
Farmers and prodcuers	**Taranaki farmer's false claims put cattle export to China at risk** [21 January/ Business Day: NZ Farmer]

Fieldays

Nation gets behind Fieldays [25 January/ NZ Farmer Weekly] Gallagher Group National Sales Manager, Peter Nation has been appointed as the new New Zealand National Fieldays Society Chief Executive. Mr Nation, who has served on the Fieldays board since 2004, has been involved with the event for many years by either exhibiting, banking for it during his time at ANZ or helping run the event during his time as vice president. Mr Nation acknowledged the importance of the event as it highlighted the importance of the rural sector by placing it into a positive publicity spotlight. Mr Nation said he is already thinking about how the event could be used to extend the rural connection through another major rural event. Mr Nation added that he believed the event has the potential to build on international relationships, and wanted more people to exhibit from overseas.

Viticulture

European Union blocks NZ Riesling for lack of alcohol [23 January/ Business Day] A shipment of Bannockburn Riesling, produced by Central Otago winery Felton Road, has failed to make it to the United Kingdom after it was discovered that its alcohol content was too low. Felton Road's 2015 Riesling had an alcohol content of 8.44 percent, below the 8.5 percent threshold set by the European Union. Felton Road Winemaker, Blair Walter said he was unaware of the 8.5 percent limit, and that it was the first time one of the company's wines had been blocked. Mr Walter hoped New Zealand Winegrowers would apply for a special exemption to allow the sale of lower alcohol wines. New Zealand Winegrowers Legal Advocacy Manager, Jeffrey Clarke said it was a problem, and that it would be raised with the European Union during pre-trade negotiations.

Bloodstock

Brendon McCullum goes shopping at the Karaka horse sales [24 January/ Stuff: Sport] Blackcap and Vermair Owner, Brendon McCullum is to buy two new horses at this year's Karaka horse sales. Mr McCullum said it is great to support the New Zealand bloodstock industry as it is contributing millions to the economy. Mr McCullum added that the country's horses are the best in the world as they are of a high quality, well priced, have a great pasture and have top trainers developing them. New Zealand Bloodstock are hoping that this year's sales beat last year's tally of $67 million. The top price for a horse at last year's sales was $800,000 with the average being $75,000. New Zealand Bloodstock Managing Director, Andrew Seabrook said all the signs were that the event would be better than ever. Mr Seabrook said Chinese investors now have a strong interest in New Zealand horses, spending millions in the past few years. Mr Seabrook said the attraction of purchasing from New Zealand came from the lower cost of production and strong return on investment.

Wool

Merino socks worn by NATO troops in new deal [21 January/ Business Day: NZ Farmer] NATO military troops will be wearing New Zealand-supplied merino socks, produced by American company Point6. The Colorado-based company signed a new sock deal with NATO, which is expected to double the company's needs for merino over the next few months. PGG Wrightson Business Development Manager, Craig Smith said the company would begin sourcing more wool for Point6 to accommodate the NATO deal. Mr Smith added that the deal will see the requirements for New Zealand wool double. Mr Smith said there was more room to grow the sock market in the United States, as many were unaware of the quality of merino products and the story behind them. Mr Smith added that wool was entering a spell of improved prices, as supplies were down.

Fishing

MPI proposes clam quota increase in the Marlborough - West Coast area [25 January/ Business Day: NZ Farmer] The Ministry for Primary Industries had proposed an increase of the commercial catch quota for triangle or diamond shell clams, from 112 tonnes to 223 tonnes. The quota increase will be for zone seven which covers Marlborough, Nelson and most of the West Coast. The catch quota for three other species, ringed dosinia, southern tuatua and storm clam, may also be increased. Cloudy Bay Clams is the only commercial operator in the area, and was fined more than $100,000 for overfishing by 128 tonnes in 2014. The company said it had provided research to the Ministry about the quota system, and how limits were currently too low. The Ministry has also suggested that it will increase the deemed value fine amount on triangle shell clams from $1.02 per kilogram to $5 per kilogram, with an additional increase for every 20 percent caught over the quota amount.

Pork

European pork imports seen as risk to NZ [26 January/ Otago Daily Times] New Zealand Pork Chairman, Ian Carter said the resumption of fresh pork imports from Europe posed not only a risk to the pork industry, but to the wider primary sector. Mr Carter said the organisation was not against the importation of meat, but that it was frustrated with the potential biosecurity risks it posed. New Zealand First Primary Industries Spokesperson, Richard Prosser said the agreement did not make economic sense to the country's pig farmers or to the economy. Mr Prosser added that the agreement increased the risk of destructive diseases such as foot and mouth, which has the potential to destroy the country's entire primary sector. In 2013, New Zealand bought 87,000 tonnes of allowable meat products from Europe, with that figure expected to increase significantly during 2016. Mr Carter said the European Union did not meet New Zealand's animal welfare standards, and advised consumers to buy pork with PigCare accreditation. Mr Carter said that around 57 percent of pork consumed in New Zealand was imported.

Dairy

Fonterra's forecast under threat? [20 January/ Radio NZ Rural] Fonterra's forecasted milk price of $4.60 per kilogram of milk solids is under increased pressure after another fall in the latest GlobalDairyTrade auction. The overall dairy price index fell 1.4 percent to USD 2,405 a tonne, while whole milk powder prices dropped by 0.5 percent to USD 2,188. AgriHQ Dairy Analyst, Susan Kilsby said Fonterra's forecasted price was unsustainable with current price levels. Ms Kilsby said small rises and falls were expected at auctions in the coming months. Ms Kilsby added that low oil prices would also affect dairy prices, as oil producing nations are large buyers of dairy products.

Fonterra sells yoghurt business to lift struggling Australian operations [21 January/ Rural News] Fonterra has continued the revamp of its Australian business by selling its yoghurt and dairy desserts range to Parmalat Australia. Fonterra said the sale is part of a plan to return the Australian business to strong and sustainable profitability. Fonterra Managing Director Oceania, Judith Swales said the co-operative is committed to the Australian dairy industry, and that the sale is intended to lock in its competitive position in the Australian market. Ms Swales said the sale will allow Fonterra to focus on what it does best so it can continue to pay a competitive milk price to its suppliers, as well as providing benefits to customers. All of Fonterra's Echuca and Tamar Valley employees in the yoghurt and dairy dessert business have received offers of employment from Parmalat.

Dairy prices stuck [25 January/ NZ Farmer Weekly] Federated Farmers Dairy Chairman, Andrew Hoggard said the two disappointing GlobalDairyTrade auction results in January raised the probability that Fonterra will reduce its forecasted payout. Mr Hoggard said the co-operative should not delay its announcement so the industry know the true picture. ANZ Bank Rural Economist, Con Williams said the bank was holding its $4.25-$4.50 forecast range but at the lower end. Mr Williams said demand needed to improve before prices would, and that it now seems it would happen later in the year or in the next. Rabobank Dairy Analyst, Emma Higgins said recovery had been delayed until the second half of 2016 and was not expected to be as strong as earlier forecasts. ASB Rural Economist, Nathan Penny said economic problems in China was contributing to the weak demand for dairy. Open Country Dairy has reduced its payout by 30 cents to a range of $4 to $4.30. Open Country Dairy Chairman, Laurie Margrain said production for the season is expected to be at least 5 percent lower. Synlait Milk Chief Executive, John Penno said half the supply base would achieve a premium over the base milk price through participation in its Lead with Pride, A2, Grass-Fed, winter and autumn milk programmes. Westland Milk Products Chief Executive, Rod Quin suggested its price range of $4.75-$5.15 would have to be reduced, but did not say by how much, while Tatua Co-operative Dairy Chief Executive, Paul McGilvary said it was to keep its $6 forecasted price, but described demand as sluggish with no sign of a lift.

Red meat

Silver Fern 'flatout' as venture approvals loom [20 January/ Otago Daily Times] Silver Fern Farms Chief Executive, Dean Hamilton said it hoped for Chinese regulatory approval for the Shanghai Maling merger within the next month or so. Mr Hamilton added that the co-operative also hoped it would receive approval from the Overseas Investment Office between April and June. The two approvals are the final hurdles before the proposed 50:50 joint venture could go ahead. Mr Hamilton said the co-operative was flat out processing meat but queues were forming as they usually do at this time of year. End markets for lamb and beef commodities continued to weaken.

Red meat prices down despite record export tonnages and revenue [22 January/ Business Day: NZ Farmer] According to Beef + Lamb New Zealand's Economic Service, total red meat export revenue over the first quarter of the 2015/16 season reached a record even though average per tonne values were down. Beef and veal exports generated $682 million in the first quarter, up 14 percent compared with the same period last season with shipments up 15 percent, however the average per tonne value fell by 1 percent. Lamb export returns reached a record high of $589 million, up 12 percent, from a 16 percent increase in shipments, while the average value declined 3.6 percent. Mutton export returns reached a record $96 million driven by more shipments, but averaged $5,070 per tonne, a fall of 6.5 percent. More stock was put through freezing works and sent offshore due of the South Island drought or the lower dairy payout. Beef and veal exports to North America remained strong, however average values dropped 8.2 percent, despite the depreciation of the New Zealand dollar. North Asian beef and veal shipments increased by 55 percent and average values increased by 7.3 percent. Lamb shipments were up 24 percent and 18 percent in Europe and North Asia respectively, and while European values improved slightly, North Asian prices dropped by 18 percent due to the slowdown in China.

AFFCO and Meatworkers Union square off in court again over Wairoa lockout [25 January/ National Business Review] An Employment Court hearing has begun in Auckland over stalled negotiations between AFFCO and the Meat Workers Union on the return to work of 200 Wairoa freezing workers. The union told the court that AFFCO continued to insist that locked out workers return to work on a night shift, which the union claimed to be unreasonable and discriminatory. Meat Workers Union National Secretary, Graham Cooke gave evidence that the collective agreement contains seniority provisions, which means nearly all the Wairoa workers should start on a day shift. Mr Cooke said that while the seniority provision was not the only consideration taken into account when staff were reengaged for the season, it was standard throughout the industry. Mr Cooke also claimed that it was uneconomic for the company to be running two shifts at the start of the season and that it had only done so to put all workers on new terms and conditions under individual contracts. AFFCO claimed that even if the lockout did not occur, all workers involved would have been on the night shift. AFFCO Lawyer, Paul Wicks QC said the company's decisions rested on external factors such as climate, the economy and competitors. Mr Wicks added that the company had evidence that it now had more employees working longer and earning more.

Drought

Support for farmers in drought-hit areas extended [20 January/ Radio NZ Rural] The government has announced an additional $150,000 of funding for Rural Support Trusts, to help famers struggling through drought in parts of the South Island's east coast. Primary Industries Minister, Nathan Guy said the help included support and community events, professional meetings and one-on-one mentoring through the support trusts, as well as rural assistance payments and flexible tax obligations for people in extreme hardship. Mr Guy added that recent rain had come as a relief, but a lot more was needed. The official drought in Canterbury, Marlborough and parts of Otago has been extended by a further six months.

Animal health

Bobby calf action began before Safe hit headlines [25 January/ NZ Farmer Weekly] Dairy NZ Chief Executive, Tim Mackle said the industry was addressing concerns about the handling of bobby calves before animal rights group, Safe released televised footage of calves being mistreated. Mr Mackle said the industry is motivated to sort the issues out and added that it is not driven by the animal rights group. A group of industry representatives met with Safe last year to discuss issues and will meet again shortly. Mr Mackle said existing codes and procedures are to be reinforced. Federated Farmers Dairy Chairman, Andrew Hoggard said the reality is that the industry is focused on animal welfare, whereas Safe is focused on animal rights. Mr Hoggard said the group should have initially approach the industry. Mr Hoggard added that the industry must ensure its practices are the world standard of how farmers care for and treat animals. Safe Executive Director, Hans Kriek described the discussions as constructive on issues of animal welfare.

Environment and emissions

Farming limits to hit land values – study [22 January/ Radio NZ Rural] AgFirst Farm Consultant, Phil Journeaux said an increase in the amount of environmental constraints that affect farms and their profitability, is likely to hinder land values. Mr Journeaux said that the increased cost to farmers to mitigate discharges and the reduced flexibility of future land use change both have the potential to impact the price of land significantly. Mr Journeaux added that it was also only a matter of time before the Emissions Trading Scheme covered agriculture, which will be costly for farmers. Mr Journeaux believed the impact of environmental constraints on land values would result in an increase of credit risk to both farmers and banks.

War of words over thirsty cows [26 January/ Newstalk ZB] A war of words between Canterbury's Federated Farmers and Fish and Game has developed over a picture of cattle drinking from Lake Taylor. Federated Farmers North Canterbury President, Frank Brenmuhl said the issue is not a big deal, as the impact is very low. Fish and Game Communications Manager, Don Rood said he was disappointed by Federated Farmers, and asked for authorities to act and for farmers to be more forward thinking. Mr Rood added that the water was Fish and Games, and not Federated Farmer’s. Mr Brenmuhl insisted that Fish and Game should stop stirring the situation up. The photographer is to lay a complaint with Environment Canterbury.

Sheep milk

Sheep milk 'could rival wine industry' [24 January/ Radio NZ Rural] Massey University Management Lecturer, Craig Prichard predicted that the sheep milk industry could have an annual turnover of more than $100 million in 10 years’ time, and could rival the wine industry. Mr Prichard said the sheep milk industry was already worth $12 million annually, with most of the milk being processed into value-added products such as fine cheeses and infant milk formula. Around 26,000 East Friesian ewes are currently being milked in New Zealand, with 6000 ewes added to the nation's flock last year. Mr Prichard expected the nations flock to continue to grow at that rate for the next five years.

Biosecurity

No more Tau flies found but restrictions still in place in Manurewa [23 January/ Stuff: Auckland Now] No more Tau flies have been found in Manurewa after a single fly was caught in a Ministry for Primary Industries surveillance trap on Thursday. An additional 95 traps have been set in a zone around where the original fly was found. Controls will also remain in place, restricting the movement of certain fruit and vegetables in circular area extending 1.5 kilometres from where the fly was found. MPI Surveillance and Incursion Investigation Manager, Brendan Gould said the fly lives in southern Asia, and has a preference for tropical climates, making it unlikely that it will colonise in Auckland. Mr Gould said that while the ministry is not treating the discovery lightly, the Tau fly is not as damaging as the Queensland fruit fly.

International

Food firms slow to address twin scourges of undernutrition and obesity [18 January/ The Guardian] According to the 2016 Global Access to Nutrition Index, the world’s largest food and drink companies still have a long way to go in the fight against obesity and inadequate nutrition. The report said that while companies have made some progress, more is needed to tackle the global nutrition crisis. With over 2 billion people overweight, 800 million lacking enough to eat and another 2 billion suffering from inadequate nutrition, the report called for concerted action from the food industry, governments and wider society. The report did praise leading companies Unilever, Nestlé and Danone for their incorporating their commitment to addressing global nutrition into their core business models. Access to Nutrition Executive Director, Inge Kauer said the costs of the nutrition crisis were huge, with the obesity epidemic alone estimated to cost USD 2 trillion per year.

Salmon leaps past shrimp in global fish market [18 January/ Financial Times] Salmon has overtaken shrimp as the most popularly traded fish, with new products helping open up new markets. According to UN Food and Agriculture Organisation estimates, salmon accounted for around 20 percent of all seafood trade in 2015, while shrimp accounted for around 16 percent. FAO Seafood Official, Audun Lem said salmon is very versatile as it can be processed in many ways. Mr Lem said shrimp has struggled with production volatility due to disease. According to FAO, world fish consumption between 2011 and 2015 has increased from 18.7kg to 20kg per capita, while international trade for seafood declined in value to around USD 130 billion in 2015, from $144 billion the year before. FAO expected volumes to remain stable or slightly increase. Rabobank Seafood Analyst, Gorjan Nikolik said there are demand issues in some countries, and added that the industry is likely to feel the impact of slowing or negative growth in new markets including Russia, Brazil and China.

Stop live animal shipments, Knesset panel recommends [18 January/ The Jerusalem Post] Members of Israel’s parliament have urged the end to the practice of shipping live animals from Australia and Europe for the purpose of slaughter. Animal Welfare Subcommittee Chairman, Itzik Shmuli said animals go through a painful journey where many either die or become injured, which posed serious health risks from the consumption of tainted meat. Mr Shmuli believed Israel should import meat rather than live animals, and added that the practice is pointless as it has not brought down the price of meat. Animals Australia Campaign Director, Lyn White said there is no need to ship animals half way around the world to be slaughtered, adding it would be more humane for religious slaughter to take place at the point of origin. Ms White said that while most Australians are against live animal shipments, the government continues the practice for political and commercial reasons.

No buyer for half of EU's extra dairy produce [20 January/ Irish Examiner] Sales to European Union intervention stores have increased in recent weeks, with milk powder prices trading below intervention levels. The trend is expected to escalate, with European milk production forecasted to expand by 1.9 percent in the first half of 2016, resulting in an additional 9 percent of exportable dairy surplus if consumption only grows by 0.7 percent. The Irish Ornua Purchase Price Index weakened to a five-year low of 86.6 in December, suggesting milk values are around EUR 0.05 greater than the commodity markets are currently returning. ICMSA President, John Comer said the milk price to European farmers has fallen by around 30 to 40 percent, while milk prices paid by consumers fell by only 2 percent. Mr Comer said food retailers are left unregulated by governments, giving them a win-win scenario.

2015 Far Eclipsed 2014 as World's Hottest Year, Climate Scientists Say [20 January/ The New York Times] According to scientists, 2015 was the hottest year since records began, breaking the record set only the year before. Scientists have said the new record is in part due to the El Nino weather pattern, while the bulk of the heat is believed to be a consequence of greenhouse gas emissions. National Centre for Atmospheric Research Scientist, Gerard Meehl said the back to back records have potentially placed the world back onto a path of rapid global warming, after a period of slow warming since the last El Nino in 1998. Some politicians have claimed that greenhouse gases are no longer a problem, claiming global warming stopped in 1998. Pennsylvania State University Climate Scientist, Michael Mann said that if the world was not warming, the odds of two record years would be very remote. Both British and Japanese scientists have also found 2015 to be the hottest year since records began. According to the National Oceanic and Atmospheric Administration, the average global temperature in 2015 was 0.29 degrees Fahrenheit warmer than in 2014.

Palin, Trump, Cruz and Corn [20 January/ The New York Times] Iowa Governor, Terry Branstad has urged votes to reject Donald Trump's main competitor, Ted Cruz, following the endorsement Mr Trump received from former Governor of Alaska, Sarah Palin. Mr Branstad said Mr Cruz was one of the biggest opponents of renewable fuels due to his Big Oil connections. According to the Environmental Working Group, Iowa's corn farmers received more than $15 billion in subsidies since 2012, as well as benefiting from the ethanol program which requires gasoline to be mixed with biofuel, usually corn. The ethanol program has caused corn prices to soar. Mr Trump said he was not only in favour of requiring corn in every tank of gas, but wanted to see the proportion go higher. Mr Cruz is said to of broken the tradition of the Iowa caucus, which is that every presidential candidate places Big Corn as a high priority.

FAO publishes guide for scaling up sustainable farming [20 January/ Agri Investor] The UN Food and Agriculture Organisation has published a report on sustainable farming methods of different world regions, and the need for them to be scaled up with government and private sector support in the face of climate change. The report highlighted that methods used successfully in the Green Revolution of the 1960s could no longer be relied on to increase yields and feed growing populations. The report also argued that the expected increase in the production of cereals, to 3.3 billion tonnes by 2050, will need to come from existing farmland, of which one third has been degraded. It also called for more public investment in breeding as it believed the private sector relied only on profit and that technologies, such as using molecular markers to improve cereal yields, needed to be made accessible to small-scale farmers. The report outlined concerns that the private sector promotes technologies that rely on external inputs and without regard to sustainability.

Monsanto Sues California Over Herbicide Classification [21 January/ The New York Times] Monsanto has filed a lawsuit in California to prevent glyphosate, the main ingredient in its Roundup herbicide, from being added to the state's list of known carcinogens. The company filed the suit against the state's Office of Environmental Health Hazard Assessment. The agency planned to add glyphosate to the list after the World Health Organization's International Agency for Research on Cancer classified it as a probable human carcinogen. Monsanto described the state agency as an unelected, undemocratic, unaccountable and foreign body.

Argentine wine's new lease on life [21 January/ Rabobank Press Release] According to the latest Rabobank Wine Quarterly report, the competitive position of the Argentine wine industry is to dramatically change after Argentinean President, Mauricio Macri cut restrictions on access to foreign currency and eliminated export taxes. By cutting restrictions on access to foreign currency, the Argentine peso fell 35 percent, making Argentinean wine more affordable in export markets. Combined with the elimination of export taxes, which will improve the profitability of exporters, the country's international competitive position improved by 50 percent. The changes are likely to see a large increase in the amount of Argentinean wine exports, with the entire industry poised to begin a period of recovery. As the fifth largest producer of wine, the change in Argentina's competitiveness is likely to have implications for other competitors.

Growth in China drives Australian wine exports to highest value in almost a decade [21 January/ ABC Rural] The value of Australian wine exports have reached their highest level in almost 10 years. According to Wine Australia, the value of exports increased by 14 percent to AUD 2.1 billion in 2015. Wine Australia Chief Executive, Andreas Clark said exports to China experienced the highest growth rate, 66 percent, while exports to their largest market, the United States, increased by 4 percent to AUD 443 million. Mr Clark said the last 10 years have been a tough period of time for the sector, with patchy growth and growers complaining about the price they receive for grapes. Mr Clark added that a lot of work was still required to get out into markets and sell wine, but the recent increase in wine exports indicated the sector was returning to prosperity.

Glencore to sell stake in agriculture unit soon [21 January/ Cape Times] Glencore has shortlisted a handful of groups to enable it to enter the next stage of the sale of its agriculture unit. The company has short listed sovereign wealth funds of Qatar, Singapore and Abu Dhabi, the state-owned Saudi Agricultural and Livestock Investment Company and the Canada Pension Plan Investment Board as potential purchasers of its unit. The company said it was looking to raise as much as USD 4 billion from selling assets, and added that it would extend its debt-cutting programme to reduce borrowings from USD 30 billion to USD 18 billion by the end of 2016.

Drug industry to fight superbugs together with governments [21 January/ NZ Herald] Drug industry groups from 16 countries have signed the Declaration on Combating Antimicrobial Resistance, an agreement to work with governments and each other to prevent and improve the treatment of drug-resistant infections. Many common infections no longer respond to conventional drugs, mainly due to the overuse of antibiotics, declining industry research in the field, and a lack of new drugs to fight bacteria. The agreement will help prevent more antimicrobial drugs from becoming ineffective, encourage the development of new drugs, and provide everyone with access to the drugs regardless of their income or location. According to The Review on Antimicrobial Resistance report, it is predicted that without intervention, 10 million people would die annually by 2050 from currently controllable infections.

CK Life Sciences set to buy leading grain producer [21 January/ China Daily] Hong Kong-based biotechnology company, CK Life Sciences International, is close to completing the acquisition of one of Western Australia's largest grain producers, Nicoletti Group for USD 24 million. The agreement is still pending approval from the Australian Foreign Investment Review Board. The deal will include Nicoletti's five farms of approximately 68,000 hectares and a 15,000 tonne grain storage facility in the wheatbelt north of Perth. The Nicoletti Group produced 1.2 tonnes of wheat per hectare in the recent harvesting season. Australia-China Relations Institute Deputy Director, James Laurenceson said the rising Asian middle class will result in more demand and higher prices for grains and other agricultural outputs in the future. Mr Laurenceson added that many Chinese investors see the Australian agriculture sector as having the capacity to expand and take advantage of the expected demand increase.

Salmon farmers ask for help expanding sites after exports feel the pinch [22 January/ The Daily Telegraph] The Scottish Salmon Producers' Organisation has called on ministers to simplify the planning process that will allow the industry expand, after it suffered a GBP 100 million fall in exports last year. Producers blamed the fall on the strong pound, the Russian import embargo and the drop in oil price which has hit the Norwegian krone, making farmed salmon from Norway cheaper. Scottish Salmon Producers' Organisation Chief Executive, Scott Landsburgh said both the United States and Chinese markets demanded very large fish all year round, and the Scottish industry could not meet that demand. Mr Landsburgh added that the Scottish industry produced 12 percent of the world's farmed salmon in 2002, but its inability to find new sites meant it now produced only 7 percent. The Scottish Government said a robust planning, consenting and licensing process struck the right balance between the growth of the aquaculture sector and maintaining the country's pristine waters.

Goat meat: Why the days of kid being a novelty dish are coming to an end [22 January/ The Guardian] Cabrito Founder, James Whetlor said the days of goat being a novelty meat are coming to an end. In the United Kingdom alone, over 40,000 young male goats are killed at birth each year because they do not play a part in the booming goat milk industry. Celebrity Chef, Jamie Oliver has pledged support for a new drive to popularise the meat, as it is healthier and more sustainable. Just Kidding Founder, Lizzie Dyer said she could not believe the amount of wastage that was happening in Britain. Ms Dyer’s company buys unwanted billy kids from dairy farmers, rearing them to be sold as meat. Cabrito currently sells between 5,000 and 8,000 kids a year and is working in partnership with the home-delivery company Ocado. Mr Whetlor hoped supermarkets would soon begin to sell more goat meat. Mr Whetlor said there is an increase in interest from consumers to know where food has come from, and that it is ethically and sustainably sourced.

El Niño deluge threatens to wash over drought-stricken California [22 January/ Financial Times] Experts have warned that expected El Nino storms over California could overwhelm infrastructure with floods and mudslides. Los Angeles County Public Works Department Spokesman, Stephen Frasher said the state is anticipating three times more rain than a normal winter storm would bring. Mr Frasher said that the dry soils, as a result of the states prolonged drought, can cause mudslides. Mr Frasher added that another concern was the areas where fires have previously occurred, as there is little ground cover to hold the soil in place. NASA Climatologist, William Patzert said rapid population growth and poor planning is to blame for the damage that is expected. UCLA Anderson School of Management Professor, Stuart Gabriel said the dangers posed by the drought may mean that the positive effects of this season’s storms could outweigh any short-term negative effects. Mr Gabriel said the state is in dire need of water and hoped the storms will help fill primary reservoirs, and help prevent the economic disruption that the drought has caused.

Unilever boss warns UK against sugar tax [24 January/ The Guardian] Unilever CEO, Paul Polman has warned that a sugar tax will not solve the obesity crisis in the United Kingdom, and urged the government not to introduce one. Mr Polman said there was little evidence that introducing a tax on food and drink with a high sugar content would help tackle obesity. Mr Polman added that sugar taxes have not worked in countries such as Mexico, and that the government needed a multi-faceted approach. House of Commons Health Committee Chairperson, Sarah Wollaston said that not introducing a sugar tax on sugary drinks would be a missed opportunity, as they are the biggest contributor of sugar in teenage diets. Mr Polman said there is a clear divide in society where obesity occurs and that inequality issues must be tackled rather than the implementation of a sugar levy. Unilever said it is helping to tackle the obesity issue by reworking its own products.

Australia's west could become last refuge of world's most popular banana [25 January/ The Sydney Morning Herald] Carnavon Banana Grower, Tom Day said that while his farm might not get a lot of rain, it may help reduce the chance of the deadly Panama disease, also known as TR4, from threatening his Cavendish banana crops. Mr Day said the only way the disease could reach Western Australia was if shipping pallets from the affected Tulley Valley in Queensland, transported soil to the area. Mr Day added that the Western Australia region is lucky it does not have the amount of water movements that Queensland does, as water is one of the major movers of the disease. Mr Day praised the biosecurity efforts of government agencies and other banana growers for helping limit the disease's spread. Biosecurity Queensland has detected no outbreaks of the fungus outside the Tully region. Scientists have said that it is inevitable the disease, which has spread across south Asia, Africa, the Middle East and Australia, will reach the Americas, where most of the Cavendish crops are grown. Scientists believe that genetic engineering will probably be required to save the banana if the spread of the fungus cannot be contained.

Agribusiness strategy

Taranaki food industry's golden opportunity [25 January/ Business Day] Massey University Vice-Chancellor, Steve Maharey said it is now the time to learn how to add value to agricultural products to make them commercially viable. Mr Maharey, who spoke at the Food Futures Taranaki event, urged the Taranaki food industries to be more innovative. Mr Maharey added that it is the biggest challenge for the whole country to add value to the products it grows. To aid the growth of the food industry in Taranaki, Massey University and Venture Taranaki have renewed their working partnership until June 2017. Venture Taranaki Chief Executive, Stuart Trundle said the partnership had introduced a new way of thinking to the region, and would continue to help the regions food industry grow.

Economics and trade

TPP ministers to sign official deal at SkyCity [21 January/ NZ Herald] Trade Ministers from the 12 TPP nations will meet at Auckland’s SkyCity on 4 February to sign the Trans Pacific Partnership. Trade Minister, Todd McClay said that following the signing, all 12 countries will be able to begin their respective domestic ratification processes and will have up to two years to complete the process before the agreement enters into force. Mr McClay added that during this period, the government will be running a series of roadshows throughout the country, giving the public the opportunity to learn more about the TPP.

Economic impact of TPP studied [24 January/ Otago Daily Times] The Economics of TPPA Report Co-Author, Barry Coates said the Trans Pacific Partnership agreement will only add 0.9 percent to the country's gross domestic product. Mr Coates said that if the full costs of the agreement are included, it is doubtful it will have any economic benefit to the New Zealand economy and added that it has failed to tackle trade-distorting agricultural subsides. Mr Coates said the main beneficiaries of the deal would be agricultural exporters, but added that average tariff reductions of 1.3 percent would be dwarfed by the volatility of commodity prices and exchange rates. Report Co-Author, Geoff Bertram said the investor-state dispute provisions would deter future governments from passing regulatory and industrial policies in the public interest for fear of litigation by corporate interests. Auckland University Law Professor, Jane Kelsey said the government's inadequate Treaty of Waitangi clause was in breach of the Treaty itself. Trade Minister, Todd McClay said TPP would not prevent the Crown from meeting its obligations to Maori, and added that the deal will have tariff savings of more than $200 million per year once all tariff commitments were fully phased in. Mr McClay said the agreement, which covered around 36 percent of global gross domestic product, was in the country's best interests.

Kiwi firms eye Iranian market [25 January/ NZ Farmer Weekly] Meat Industry Association Chief Executive, Tim Richie said that while New Zealand has renegotiated a deal to ship meat to Iran, after economic sanctions were lifted, some obstacles remained. Mr Richie said Iran wanted representatives in plants to ensure animals were processed according to Halal requirements. The Ministry for Primary Industries rejected the idea as it could create precedent and ignored the current Halal auditing system which is in place and agreed to by other Muslim markets. Mr Richie said the ministry's view did not prohibit individual companies from negotiating a deal with Iran. Dairy Companies Association Executive Director, Kimberly Crewther said Iran had previously imported 55,000 tonnes of dairy products a year and in 2014 it bought 28,000 tonnes. Ms Crewther said many exporters were still waiting for the government to provide a timeframe of the formal lifting of the sanctions. Between 1983 and 1986, Iran import 120,000 tonnes of sheep meet from New Zealand per year. The last significant sale of sheep meat to the country was around 30,000 tonnes in 1996.

Farmers and producers

More farmers renewing pasture – still more to go [21 January/ Rural News] According to the 2014 Dairy NZ Economic Survey, the amount dairy farmers spend on renewing pasture has increased from $17 per hectare in 2004/05 to $73 per hectare in 2013/14. Pasture Renewal Charitable Trust Project Manager, Tim Wood said renewing 10 percent of New Zealand farm pasture annually would ensure that productivity and performance gains achieved via new species, do not dwindle over a 10-year cycle. Mr Wood added that pasture renewal offers a great return on investment at a time when pastoral farmers are under pressure.

Hawke's Bay quad bike death comes on back of worst statistics for a decade [21 January/ Business Day: NZ Farmer] The year's first farm fatality has occurred just three weeks into January, with a 72 year old Waipawa man being killed while spraying thistles on a quad bike. The death comes on the back of a year in which the average amount of quad bikes deaths doubled. Federated Farmers Health and Safety Spokesperson, Katie Milne said the organisation was unsure over what had to be done to reduce the number of deaths, due to the amount of work it had already done to raise awareness of quad bike safety. Ms Milne said one of the real issues was finding out what was causing the accidents. Ms Milne believed the solution is education rather than legislation. Coroner, Brandt Shortland recommended that quad bike users be trained and have the experience required to ride a quad bike in their work, always wear a helmet, and choose the right vehicle for the right job.

Taranaki farmer's false claims put cattle export to China at risk [21 January/ Business Day: NZ Farmer] Taranaki Farmer, Jeremy Moore is to be sentenced in March after he provided false information to officials about cattle he sold for export to China. Mr Moore failed to disclose that some of the cows he sold for export had been exposed to bovine viral diarrhoea, and also lied about animals being born and raised on his farm. Prosecutor, Grant Fletcher accused Mr Moore of putting the country's $216 million live cattle export industry to China at risk in order to make a quick buck. Mr Moore, who paid $117,000 for a total of 130 cows, was made aware of the issues with some of the cows and was told the cattle would not be able to be exported unless he met all the necessary pre-requisites, including a 12 month quarantine period. A week after receiving the cattle, Mr Moore sold 81 cows for export, netting a $56,700 profit in the process. The Ministry for Primary Industries was advised of the sale, which resulted in 58 cows being quarantined at sea, euthanized and thrown overboard. Mr Moore said he did not read the forms and was unaware of the six month ownership rule. Mr Fletcher said that following the offence, the Ministry for Primary Industries and other officials had to undertake damage control to reassure the Chinese government.

Farm sales rise in spite of farming ups and downs [22 January/ Business Day: NZ Farmer] Real Estate Institute of New Zealand Rural Spokesman, Brian Peacocke said the increase in farm sales showed the resilience and ongoing confidence of the rural sector, despite low dairy and lamb prices. For the three months ending December, 547 farms were sold, an increase of 61 on the same period last year. Median prices fell by 2.3 percent to $28,120 per hectare in the last quarter, from $28,781 in the previous period. Nationally, grazing properties accounted for 41.3 percent of all sales, followed by finishing properties at 18.1 percent and dairy properties 15.7 percent. The overall median price for 86 dairy farms sold was $39,690 compared with $41,227 when 95 properties were sold previously. Around 1,800 farms were sold in 2015, a fall of 3.4 percent on 2014.

Another 58,000ha to go to DOC from tenure review [22 January/ National Business Review] As a result of a Crown pastoral lease tenure review, Land Information New Zealand expects another 58,000 hectares to join the conservation estate this year. Land Information New Zealand Deputy Chief Executive of Crown Property, Brian Usherwood said the land valued at $45 million was worth far more in environmental terms. The 58,000 hectares would join the 96,500 hectares Land Information New Zealand has put into conservation since 2011. Mr Usherwood said each tenure review goes through an extensive consultation process involving the lessee, DOC, environmental groups, and the general public. Farmers then exchange their ecologically sensitive Crown leasehold land for cash or freehold land. Mr Usherwood explained that this process helps strike the best balance between environmental protections, and the economic opportunities offered by modern farming methods.

Romano resigns from Shanghai Pengxin group [26 January/ NZ Herald] Pengxin International and Hunan Dakang Chief Executive, Gary Romano has resigned from his position. Mr Romano resigned from his directorships with Pengxin's local units over November and December after the company's bid to buy Lochinver Station was rejected by the government. Shanghai Pengxin Chairman, Jize Peng will perform as the acting chief executive of Hunan Dakang until a replacement is found.

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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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