

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

2 March 2016

Organisations referenced in this week's Field Notes include:

| | |
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| Access to Seeds Index Foundation | Manuka Research Partnership Limited |
| AgriHQ | Ministry for Primary Industries |
| Amazon | Monsanto |
| ANZ | Morrison's |
| Apiculture New Zealand | National Beekeepers Association |
| Arla Foods | National Bureau of Statistics |
| ASB Bank | National Farmers Union |
| Beef + Lamb New Zealand | Nestle |
| Cawthron Institute | New Zealand Agri Investment Week |
| China Cuisine Association | PGG Wrightson |
| Commerce Commission | Rabobank |
| Dairy New Zealand | Scales Corporation |
| Danone | Shanghai Pengxin |
| Delegat Group | Shearing Sports New Zealand |
| DuPont Pioneer | Skretting Limited |
| Federated Farmers | Summerfruit |
| Fonterra Co-Operation Group | Syngenta |
| Global Dairy Trade | T&G Global |
| Golden Shears World Shearing and Wool Handling Championship | Timber Industry Federation |
| Kiwifruit New Zealand | Unilever |
| KPMG | United States Department of Agriculture |
| Landcare Research | WeFood |
| Landcorp Farming Limited | Westland Milk |
| Manuka Farming New Zealand | Zespri |

This week's headlines

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| Horticulture | Asian consumers lap up New Zealand cherries [29 February/ Business Day: NZ Farmer] |
| Apiculture | National Beekeepers Association to change name [23 February/ Radio NZ Rural] |
| Dairy | "Glass half full" \$5 forecast for 2016-17 season [26 February/ Business Day: NZ Farmer] |
| Economist & Trade | NZ trade strategy under review [29 February/ Farmers Weekly] |
| Farmers & Producers | Minister: banks not keen to see forced farm sales [25 February/ Business Day: NZ Farmer] |



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

AgriHQ Pulse: Ian Proudfoot's latest opinion piece

Simple economics mean governments will ramp up regulation on inherently unhealthy foods

A recent trip to Australia gave me the opportunity to talk with a colleague about the future of the Queensland sugar industry. The industry was deregulated a couple of years ago but recently there have been moves to re-regulate the industry on the back of weak sugar prices and declining demand. Farmers, as is often the case across the global primary sector, are looking to their government for a silver bullet to solve their challenges.

However it is my perception that the challenges facing the sugar industry are only just beginning. As the world wakes up to the health impacts and costs that can be closely associated to excess sugar consumption, they can expect more stringent regulation rather than hand-outs in the coming years.

Governments around the world are coming under pressure to take action to restrict access to and increase the cost of foods perceived as contributing to our modern health epidemics. Sugar, and particularly soft drinks that are high in sugar, are the first target in the sights of many health campaigners, dentists and community advocates. They are arguing that governments should implement measures against high sugar products in a similar way to those that have applied to tobacco over the years; taxes, explicit health warnings on packages (including graphic pictures), sponsorship and advertising bans and supply restrictions. While sugar is the key focus currently, we in New Zealand should not be complacent as other foods will come into focus, not least amongst these are high fat foods, which can include dairy and red meat products.

The calls for regulation are gaining traction with governments around the world facing huge health and social security bills for generations to come as a result of the growing challenges of heart disease, obesity and diabetes. The New Zealand government currently has no desire to be a first mover in this area, tending to prefer to focus on preventative measures such as educating people on healthy eating and lifestyles. I have little doubt that as other governments adopt these alternative initiatives and see tax revenues start to flow, the incentive to adopt an 'obesity tax' structure will grow, covering sugar, fats and other cholesterol drivers.

This should be a concern for food producers in New Zealand as it will directly impact the dairy and red meat sectors. While we do not have a domestic sugar production industry to speak of, many of the ingredients we produce end up in high sugar products such as chocolate bars, cakes, fruit drinks and dairy desserts. If the costs of these products go up, economics suggests that the demand will fall with a consequent reduction in demand for the products we produce.

The earlier organisations start to recognise the threat that these policies represent to their business the sooner they can start to explore innovative solutions to respond to the risk. The wine industry in New Zealand has demonstrated one course of action with the Lifestyle Wines Primary Growth Partnership it is has entered into with the government. This programme is designing new wine experiences for consumers, with a particular focus on premium quality low alcohol wines, to align with the different ways that we are living. Changes in drink driving rules, socialising patterns and health and safety laws are changing how people interact with alcohol and would leave the industry with a declining market opportunity without investment to redesign what the future looks like.

The opportunity to innovate with products exists not only for wine sector but for all of our primary sectors. There is the ability to start thinking now about how an organisation, or more preferably an industry, responds to changing consumer needs. Thinking about the factors that drive high value consumers gives some clues about how to design products that could create value by delivering great consumer experiences. As we seek to identify the future of high value food, we want to make products that have minimal amounts of sugars, fats and other high risk products; trends such as raw food, artisan produce, high protein products, small food, nutritionally complete foods (such as soylent) or tailored printed food should all be on the radar as we seek to identify the future of high value food.

It is also critical that the industry is proactive in understanding the composition of the products that they grow; what are the active ingredients and the health benefits that these have the potential to deliver. This research is critical to shape genetic enhancement programmes, where the focus will need to shift from solely producing more, faster towards creating products that are potentially less high yielding but richer in the most beneficial active ingredients. Nutritional research also provides a fact base to highlight the inherent health benefits of the products we produce and creates the ability to guide consumers on the best ways to consume them.

In a world of constant change this is just one more variable that our companies need to contend with in their market assessment and forward planning. The drums appear to be getting louder, demanding action on constraining people's access to foods perceived as being inherently unhealthy which suggests change will follow. Particularly given the economic sense it makes for governments to cut future healthcare bills and generate revenue at the same time. The time to ensure this issue is on the agenda is now rather than waiting for the regulation to arrive.

This article was first published in the AgriHQ Pulse service on 26 February 2016.

KPMG Financial Institutions Performance Survey – Now Released

KPMG partner sees glass half full when looking at agri industry [24 February/ Rural News] KPMG Global Head of Agriculture, Ian Proudfoot said the media have adopted the dairy industry, or more specifically, the Global Dairy Trade auction results, as their proxy for the success or otherwise of the New Zealand primary sector. Mr Proudfoot explained that kiwifruit had recovered quickly from the Psa disease, beef farmers were enjoying high prices, and the value of wine exports was at a record high. Mr Proudfoot added that there were also positive stories in the honey, pip fruit and fishing sectors. Mr Proudfoot said now is the time for New Zealand to boldly invest in the innovation that would differentiate our products in the minds of consumers, and preserve the premiums the country has enjoyed. Mr Proudfoot explained that this required the industry to think about the products it supplied the market, and to invest in the branding, innovation and consumer experiences that made New Zealand products stand out in a crowded marketplace.

The KPMG Financial Institutions Performance Survey can be accessed from the KPMG website by following this link: <http://www.kpmg.com/NZ/en/IssuesAndInsights/ArticlesPublications/FIPS/Pages/FIPS-Banks-Review-of-2015.aspx>

Horticulture

Scales' sales beat target [26 February/ Otago Daily Times] Scales Corporation's profit has reached record levels due to increased sales of premium apple brands. Scales Corporation Chairman, Jon Mayson said all three divisions reported an increase in contribution above the initial public offering forecast, with the horticulture division having performed exceedingly well during 2015. Mr Mayson said exports to Asia experienced the greatest growth, increasing from 16 percent of sales in 2014 to 23 percent of sales in 2015. Scales Managing Director, Andy Borland said the company was continuing to actively invest in its business, with \$11.3 million being spent on growth capital expenditure during 2015. Mr Borland added that early signs showed the 2016 crop size and quality were positive. Scales shares decreased by 2 percent to \$2.38 following the news.

More exporters may be allowed to market kiwifruit [26 February/ Business Day: NZ Farmer] More exporters could be given the chance to sell kiwifruit in overseas markets if regulations are overhauled. Kiwifruit New Zealand Chief Executive, Geoff Morgan said one of the aims of the review of the regulations governing the growing and marketing of the crop was to see more collaborative agreements. Mr Morgan added that the recent signing of an agreement between Zespri and T&G Global was an example of the kind of collaboration that Kiwifruit NZ was keen to foster.

Asian consumers lap up New Zealand cherries [29 February/ Business Day: NZ Farmer] Record quantities of cherries have been sold to Taiwan, China and South Korea, with a total of 3,390 tonnes being exported this season compared to 2,700 tonnes in 2013-14. Summerfruit NZ Chief Executive, Marie Dawkins said China did not consume any New Zealand cherries seven years ago, but now consumes 30 percent of New Zealand exports. Ms Dawkins added that the cherry industry was gearing up for growth, with a 34 percent increase in planting. Ms Dawkins noted that it takes five years to get a tree into production from the time it was planted, but suggested the industry forecasts export volumes to increase to 5,000 tonnes within four or five years.

Viticulture

Record wine case sales for Delegat [29 February/ Otago Daily Times] Delegat Group sold a record 1,267,000 cases of wine during the six months to December, increasing the company's after tax profit to \$21.5 million. Delegat Group Executive Chairman, Jim Delegat said revenue had increased by \$20.3 million compared to the previous year, due to global case sales being 12 percent higher and the favourable impact of foreign exchange rate changes. Mr Delegat said the company was well positioned to pursue its strategic goal of building a leading global premium wine company and delivering sustainable growth in earnings in the years ahead. Delegat shares were unchanged at \$2.93 following the announcement yesterday.

Apiculture

National Beekeepers Association to change name [23 February/ Radio NZ Rural] Members of the National Beekeepers Association have voted to change the name of the group to Apiculture New Zealand. National Beekeepers Association Chief Executive, Daniel Paul said the name change reflected the considerable changes that had occurred in the industry. Mr Paul explained that while beekeepers were still at the heart of the industry, there were also packers, exporters, landowners and other stakeholders who were now involved in the wider apiculture industry. Federated Farmers Bee Industry Group Chairperson, John Hartnell said the industry must come together as one to advocate for the future of apiculture. The name change would take effect from the start of April.

Big manuka opportunity for hill country [1 March/ Rural News] Manuka Research Partnership Limited has launched a commercial arm, Manuka Farming New Zealand, to provide a full package of services to landowners interested in establishing a manuka plantation. A plantation would allow landowners to diversify their business while protecting erosion prone land at the same time. Manuka Farming New Zealand Commercial Manager, Allan McPherson said hill country landowners should act now to get their hands on high performance manuka seedlings, which could see them reap the rewards of what was expected to be a \$1.2 billion industry by 2028. Mr McPherson said there had been strong demand for the latest high performance seedlings which could be planted in 2017, and enable economically viable honey production as early as 2020.

Forestry

Peters wants guaranteed wood supplies in NZ [29 February/ Radio NZ Rural] Northland Member of Parliament, Winston Peters said New Zealand needed to find a way to guarantee wood supplies for local timber processors. Mr Peters said Northland businesses and jobs were at risk as overseas companies bought entire forests to export logs, causing shortages in some grades of wood. Timber Industry Federation Director, Trevor Hing said the organisation was not keen on the idea of regulation, but was concerned about the growth in log exports and forests being felled before maturity. Mr Hing said the market had been distorted as foreign buyers did not pay GST on logs, while local sawmills did. Mr Hing added that removing this advantage would level the playing field.

Fishing and aquaculture

Okiwi Bay residents ready to fight fish factory in Marlborough Sounds [24 February/ Business Day: NZ Farmer] Nelson Environmental Scientist, Henry Hudson has been commissioned by the residents of a secluded bay in the Marlborough Sounds to write a submission to stop a multinational company from establishing a fish facility in the area. Dutch owned Skretting Ltd applied to the Marlborough District Council for resource consent to construct a tank based finfish research facility, operate a hazardous goods facility, and discharge seawater contaminated with fish feed into Okiwi Bay. Mr Hudson said the facility would threaten the balance of prolific marine life in the bay, as the contaminated seawater the facility planned to discharge would be 15 degrees Celsius higher than existing seawater. Mr Hudson added that it would have been more cost effective to set up the facility with the help of Cawthron Institute in Nelson, who already had the knowledge and expertise.

Dairy

Fonterra farmers heading to Sri Lanka [24 February/ Radio NZ Rural] A group of dairy farmers have planned to travel to Sri Lanka later this year to work with local farmers on a new demonstration farm being set up by Fonterra. A Fonterra spokesperson said it would help the co-operative increase Sri Lanka milk collection, improve milk quality, and increase farmer incomes. West Otago Farmer, Marloes Levelink said the farming systems in Sri Lanka were very different to New Zealand, as there were thousands of suppliers with only two or three cows each which they hand milked.

Fonterra told to lift its communication [25 February/ Dairy News] Federated Farmers Dairy Chairman, Andrew Hoggard said the industry needed to better brand the New Zealand story. Mr Hoggard said New Zealand companies must continue to look to add more value to the milk, but also improve how they explain what they are doing. Mr Hoggard added that Fonterra needed to drastically improve its communication to farmers on what the co-operative was doing and why. Mr Hoggard noted that farmers in New Zealand had good stories to talk about, as they had heavily invested in initiatives relating to the environment, animal welfare, and climate change.

Dairy industry's woes a long way from over says New York-based analyst [26 February/ Business Day: NZ Farmer] Rabobank Dairy Analyst, Thomas Bailey said a series of tectonic shifts in the global dairy market were going to keep New Zealand export prices down for some time. Mr Bailey said New Zealand export prices were low due to an increase in European milk production, market losses in China and Russia, and low oil prices decreasing demand from oil producing nations. Mr Bailey added that global dairy prices have not responded to a decrease in New Zealand supply like they have done historically, and a United States renaissance in dairy was centred on fresh products that New Zealand was not supplying. KPMG Head of Agribusiness, Ian Proudfoot said New Zealand could produce enough primary products to feed 40 million people, but to do well the industry should instead aim to provide 5 percent of the diet of 800 million people who were buying for events and special celebrations. Mr Proudfoot added that these customers would only use products occasionally, but would be prepared to pay a big premium.

"Glass half full" \$5 forecast for 2016-17 season [26 February/ Business Day: NZ Farmer] ANZ Chief Economist, Cameron Bagrie said New Zealand dairy farmers could be in for another challenging season in 2016-17. ANZ lowered its forecast for this season to \$3.90 per kilogram of milk solids, as well as lowering next season's forecast to \$5 per kilogram. Mr Bagrie said next season's forecast was looking on the high side, with more downside risk than upside risk. Mr Bagrie added that the milk price was likely to average in the mid to high \$5 per kilogram range over the next five to ten years, rather than the \$6.50 per kilogram experts had predicted. Mr Bagrie said the bank had been telling farmers to decrease their costs by 50-75 cents on a sustained basis.

Fonterra - structure fit for the future? [27 February/ NZ Herald] Fonterra has plans to put a draft proposal about the co-operative's governance structure before farmers in March or early April. In a discussion booklet, Fonterra asked if the role, focus and size of its board was appropriate for a modern co-operative. Former Fonterra Shareholders Council Chairman, Ian Brown said the structure was not broken, but could be made more effective going forward. Fonterra Chairman, John Wilson said he would prefer a smaller board, as was planned when Fonterra was first formed. Once a draft proposal has been put to farmers, a proposal for a change in the constitution would be drawn up for a special meeting in May.

Four plants open as two driers shut [29 February/ Farmers Weekly] Four processing plants have opened within two days as part of Fonterra's huge capital expansion to be completed later this year. Three of the plants were opened in Southland and would increase site capacity by nearly 2 million litres a day to 16.5 million litres. Nearly \$1.4 billion has been spent on 10 sites over three years to increase peak milk processing volume by 10 percent, provide more options during peak times, and move milk into value added products. A further \$200 million has been spent on two new added value plants in Australia, a blending and packing facility in Indonesia, and a whey processing joint venture in the Netherlands.

Quin quits Westland [29 February/ Farmers Weekly] Westland Milk Products Chief Executive, Rod Quin has resigned after seven years in the role. Mr Quin said it was genuinely his decision to leave, and that it was simple time to go and let someone else bring their energy and style to the business. Westland Milk Chairman, Matt O'Regan said Mr Quin had played a critical leading role in developing and implementing Westland's strategy to move into more profitable added value products. Mr O'Regan said the search for a new chief executive would begin immediately.

Dairy downturn could get worse – lawyer [29 February/ Radio NZ Rural] Auckland Lawyer, John Waugh said his firm had been helping a number of farmers who had defaulted on their loans and had been handed property law notices. Primary Industries Minister, Nathan Guy said dairy had a bright future, but Mr Waugh disagreed with this statement and said the dairy downturn was likely to get worse before it improved. Mr Waugh said banks were looking at the situation in a responsible way, and were working closely with farmers to downsize their assets and reduce their debt.

Editorial: Welcome rain clouds issues for economy [1 March/ NZ Herald] According to an editorial, New Zealand has appeared to have skipped the anticipated El Nino drought, which would have proved disastrous. Dairy NZ has revised its breakeven point for dairy farmers from \$5.40 per kilogram of milk solids to \$5.25 per kilogram, following good grass growth and lower production costs. However, this is still above the \$4.15 per kilogram of milk solids that Fonterra predicted it would pay out in the 2015-16 season, putting serious pressure on farmers with high levels of bank debt. Banks have been willing to lend on the basis of a strong New Zealand agricultural export outlook, but their resolve in the short to medium term will be tested.

Not enough competition to deregulate dairy - Commerce Commission [1 March/ NZ Herald] The Commerce Commission has announced that there is not enough competition at the farm gate and factory gate to consider full deregulation of New Zealand's dairy industry. Currently, Fonterra operates in near monopoly conditions, but is required to sell milk to its competitors. Commerce Commission Deputy Chair, Sue Begg said that without regulation, Fonterra would be able to increase the price of raw milk it sells to other domestic processors, and this would likely flow through to higher retail prices of dairy products for New Zealand consumers.

Red Meat

British lamb feeds price fall [29 February/ Farmers Weekly] AgriHQ Sheep and Beef Analyst, Nick Handley said the downward trend in New Zealand lamb prices has been driven by the United Kingdom. Mr Handley added that the higher lamb production and lower United Kingdom exports to continental Europe meant there was more local lamb in United Kingdom shops. Mr Handley explained that this had made it difficult for New Zealand lamb to gain traction in the British market this season. Beef + Lamb New Zealand Chairman, James Parsons said prices for chilled products had remained consistent year on year, but prices for frozen products were well down. Mr Parsons added that frozen lamb made up 78 percent of New Zealand lamb exports.

Rural infrastructure

PGW lifts its investment in South America [25 February/ Business Day: NZ Farmer] PGG Wrightson has invested \$16.3 million for a half share in Uruguay company Agrocentro, to boost its grain and seed business which is expected to pick up in South America. PGG Wrightson had an after tax profit of \$16.1 million for the 6 months to December 2015, an 18 percent decrease on the same period in 2014. PGG Wrightson Chief Executive, Mark Dewdney said the company would have liked to increase profits for the third year in a row, but had still performed strongly in a period where agriculture, and particularly dairy, was struggling. Mr Dewdney added that the company was well positioned to increase market share.

Environment and emissions

A summary of results for the Survey of Rural Decision Makers 2015 has been released by Landcare Research. The survey was conducted to provide a national evidence base that will help New Zealand's primary sector, policy agencies and regulators to better understand what influences land-use change and shapes New Zealand's rural sectors - now and in the future. The Survey of Rural Decision Makers gathered economic, social, management and environmental information from approximately 3,000 rural landowners and managers across all sectors and regions. The topics and questions were developed with support from subject-matter experts from the primary sector, Crown Research Institutes, the Ministry for the Environment and the Ministry for Primary Industries. Landcare Research has made summary data available on their website (www.landcareresearch.co.nz/srdm2015) including information on a regional and sector basis, as appropriate. The full survey contains a wealth of data available for deeper analysis to support improved design and evaluation of land and water policy, practice and regulation. More information is available from Christine Harper at Landcare Research.

Biosecurity

Avocado sector joins GIA [28 February/ Rural News] The avocado industry has become the seventh industry partner to join the Government Industry Agreement biosecurity partnership. Primary Industries Minister, Nathan Guy said it was very pleasing to have the avocado industry on board to work with the Ministry for Primary Industries to manage and respond to biosecurity risks. Mr Guy added that biosecurity was a shared responsibility and the input of the industry and the wider public was required to make the system as effective as possible. Avocados are New Zealand's third largest fruit export, with \$135 million worth of avocados produced in the 2014-15 season.

International

Rising debts could force a fifth of the UK's dairy farms to close [20 February/ The Sunday Telegraph] National Farmers Union Chairman, Rob Harrison said many United Kingdom dairy farmers were operating at a loss and were unable to receive any more finance from banks, meaning as many as 2,000 could close in 2016. Mr Harrison said there were around 10,500 dairy farmers across England, Scotland and Wales, compared to 21,000 ten years ago. The Royal Association of Dairy Farmers said farms were currently closing at a rate of about five a week.

Danone eyes growth in volatile emerging markets [23 February/ Irish Examiner] Shares in Danone rose 3.5 percent, despite downbeat comments from rivals Unilever and Nestle. The company's sales increased by 4.4 percent during 2015, and were forecasted to rise 3-5 percent this year. Danone CEO, Emmanuel Faber said Danone would return to strong, profitable and sustainable growth by 2020. Mr Faber added that the company would review its business in China and overhaul its dairy division where it had cut costs and launched new products.

Minister reveals EU exit plan for British agriculture [25 February/ Farmers Weekly] Details have emerged of a plan for British agriculture if the United Kingdom leaves the European Union after the referendum on 23 June. United Kingdom Department for Environment, Food & Rural Affairs Minister, George Eustice said food security would be enhanced through investment in science and technology, while the government would look at risk management tools for farmers such as insurance schemes. Mr Eustice added that he would also like to see high levels of animal welfare on farms rewarded in the same way farmers were rewarded for undertaking environmental measures. Mr Eustice noted that many farmers would need far more detailed agriculture policy proposals before they could make an informed decisions about which way to vote in the referendum.

Use of mobile apps skyrockets in food industry [25 February/ China Daily] According to industry reports, better infrastructure has enabled smartphones and tablet computers to have a large impact on the Chinese catering industry. Figures from the National Bureau of Statistics show that the section of the industry which involved online ordering and online payment had increased in value by 48 percent. China Cuisine Association Vice Chairman, Feng Enyuan said apps and food review websites have become the most important channel for Chinese diners to choose a restaurant. Mr Enyuan added that restaurant owners were now more aware of the importance of using the internet to enhance their sales and performance.

New index ranks Monsanto, Dupont and Syngenta on efforts to help smallholders [26 February/ The Guardian] According to the recently launched Access to Seeds Index, the world's leading seed companies must do more to increase smallholder farmers' access to seeds, which would enable agricultural yields to triple. Monsanto, DuPont and Syngenta control more than half of seed sales worldwide, but have a poor record in reaching smallholder farmers. Access to Seeds Index Foundation Executive Director, Ido Verhagen said leading companies in the index viewed serving smallholder farmers as a business opportunity, while lower rated companies regarded it as charity or corporate social responsibility. DuPont Pioneer European Spokesperson, Jozsef Mate said the company is committed to improving the livelihoods of at least 3 million farmers by the end of 2020. Mr Mate added that these farmers were a piece of the puzzle to strengthen global food security, alleviate poverty, and improve agricultural systems in many parts of the world.

GMO contamination cutting into organic crop margins – report [28 February/ Agri Investor] According to a United States Department of Agriculture report, the unintended spread of genetically modified organisms could pose a significant risk to organic crop producers. United States producers of organic crops benefit from significant price premiums, but face additional costs due to exposure to genetically engineered material. A survey of 300 certified organic producers found that costs of shielding crops from genetically engineered material were between USD 6,500 and USD 8,500 per farm on average. This was a small fraction of overall sales, but the rapid growth of genetically modified organisms in the United States meant this CPST risk was likely to increase.

Swedish report urges EU to halve its meat consumption to meet eco goals [28 February/ Irish Examiner] According to a report by Swedish scholars, David Bryngelsson and Stefan Wirsenius, European Union citizens should eat more poultry and pork instead of protein from dairy. The report said that producing 1 kilogram of protein from dairy would result in emissions four times greater than that for an equivalent amount of poultry. The report added that farming contributes to 10 percent of the European Union's total greenhouse gas emissions. The report explained that this was due to methane from livestock digestion and stored animal manure, and nitrous oxide from organic and mineral nitrogen fertilisers. The report said emissions from the production of fertilisers could be halved if factories used the latest technologies, and said farmers should cover all manure containers as a first step.

Morrisons signs deal to sell food to Amazon customers [29 February/ BBC] UK Supermarket chain, Morrisons has signed a deal with Amazon to supply their customers with fresh, frozen and non-perishable goods. Morrisons Chief Executive, David Potts said the deal was a low risk supply arrangement and showed that the company had the opportunity to become a broader business. Mr Potts added that the company looked forward to working with Amazon to develop and grow their partnership over the coming months. Morrisons' shares rose 5.91 percent following the news.

European co-op restructure to shed 500 jobs [29 February/ Dairy News] Arla Foods has announced that 500 jobs would be cut worldwide as part of a restructure. The European dairy co-operative also said a new, smaller executive management team would be created, and a greater focus would be placed on consumers and the commercial side of the business. Arla Foods Chief Executive, Peder Tuborgh said the business had grown significantly in recent years, both organically and via mergers, but more milk had been produced globally and Europe was experiencing pressure on prices and very little growth. Mr Tuborgh explained that the new executive management team would place a larger emphasis on marketing and innovation, allowing the co-operative to achieve global brand growth and category leadership.

Supermarket selling only expired food [29 February/ NZ Herald] A new supermarket in Denmark has opened which only stocks food that is past its official expiry date, or is unworthy of other supermarket shelves due to aesthetic imperfections or damaged packaging. WeFood would attract shoppers of all socioeconomic backgrounds by selling its food at a discount of between 30 to 50 percent compared to other supermarkets. The supermarket has established partnerships with local supermarkets, butchers and produce importers in order to fill its shelves with unwanted food. Approximately a third of all food produced worldwide ends up in the garbage, particularly due to stigmas attached to unappealing fruit and vegetables and overly conservative expiration dates in developed countries.

Agribusiness strategy

A big week in the Manawatu [28 February/ Business Day: NZ Farmer] The inaugural New Zealand Agri Investment Week is to be launched in the Manawatu region this month. The week would focus on New Zealand's agricultural success by demonstrating the country's global competitive advantage. The event would look at investment through capital raising, investment in innovation, and investment in talent. New Zealand Agri Investment Week Director, Lance Bickford said the week would be a time and place in the New Zealand calendar to focus on innovation in agriculture.

Economics and trade

Trade surplus for January as wood, dairy and fruit exports grow [26 February/ NZ Herald] New Zealand posted a trade surplus in January after seven months of deficits. Exports in January 2016 were 5.9 percent higher than in January 2015, increasing to \$3.9 billion, while imports rose by 7.2 percent to \$3.89 billion. The increase in exports was led by a 22 percent gain in forestry exports, while dairy exports increased by 3.7 percent and fruit exports increased by 32 percent. ASB Bank Rural Economist, Nathan Penny said the export value rise highlighted the export sector strength outside of the struggling dairy sector. China remained New Zealand's top export destination in January, with exports up 25 percent to \$737 million.

NZ trade strategy under review [29 February/ Farmers Weekly] Trade Minister, Todd McClay said the agricultural sector was still frustrated at not being able to access various markets, despite New Zealand's free trade agreements. Mr McClay said the Government's trade negotiations strategy would be reviewed for the first time in 20 years, in order to increase efforts to tackle access problems in countries where New Zealand already had free trade agreements. Mr McClay explained that non-tariff barriers often sprang up after new trade deals were arranged, as trading partners sought new methods to protect farmers from increased competition from importers. Mr McClay added that New Zealand faced ongoing problems with China refusing to import chilled meat, despite trade agreements being in place.

Farmers and producers

Minister: banks not keen to see forced farm sales [25 February/ Business Day: NZ Farmer] Primary Industries Minister, Nathan Guy said banks have realised that farmers are very important clients, and therefore do not want to see forced farm sales. Mr Guy explained that farm sales would bring farm prices down. Mr Guy added that banks have realised farmers are in a period of difficulty, and have therefore supported them through the tough times. Mr Guy said no one had predicted that Europeans would produce so much milk after quotas were lifted, or that the Russian ban would last so long. Mr Guy added that Chinese demand remaining flat was also unexpected. Mr Guy explained that the industry had a bright future as there would be a 0.8 percent increase in dairy demand for every 1 percent of income growth in developing countries.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 2 March 2016

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Dairy industry needs more Maori leaders [29 February/ Business Day: NZ Farmer] Ahuwhenua Young Maori Farmer Award Winner, Tangaroa Walker said the key to get ahead in the dairy industry was to seize every opportunity and find ways to stand out. Mr Walker said his advice to any Ahuwhenua entrant would be that it was their responsibility, as Maori, to take the opportunities that were out there. Mr Walker added that Maori needed to be in a position where they could run their own farms and be good business role models. Mr Walker was offered his dream contract milking job within a week of winning the Ahuwhenua award, and was invited to attend a KPMG forum for future leaders in the primary sector.

Viticulture

Just what is orange wine? [24 February/ Rural News] Orange wine is a form of natural wine made from any white variety. The wine develops the orange colour as it is made without preservatives. It would always be dramatically different from modern wine as it is a specific style, made using a particular technique that has not changed over the years. There has been enthusiasm in the market for the category, with professional sommeliers receiving the credit for introducing orange wine to restaurants. However, there have also been many critics who have commented on the volatile acidity, excessive oxidation and heavily unbalanced examples.

Wool

Government investment in Golden Shears a 'vote of confidence' [25 February/ Rural News] Invercargill Mayor, Tim Shadbolt said the Government's investment of \$260,000 for the Golden Shears World Shearing and Wool Handling Championships in 2017 was a vote of confidence in the Southland region. Mr Shadbolt added that the event was likely to become the biggest event the city had hosted. Shearing Sports New Zealand Chairman, Sir David Fagan, said that without the Government's support the event would have been very difficult to run. Sir David said the event would attract visitors from more than 30 countries.

Agribusiness Education

Academy to create NZ's next generation of dairy farmers [29 February/ Radio NZ Rural] A new Dairy Academy has been opened to help create New Zealand's next generation of dairy farmers. The programme was a joint venture between Shanghai Pengxin Group and Landcorp Farming Limited. Nine students have enrolled in the fully funded training programme that would see them gain practical experience at the Ariki Dairy Unit. Landcorp Chief Executive, Steven Carden said the new training facility would contribute to the development of future dairy farm leaders in New Zealand.

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|--|---|---|--|
| Auckland/ Audit Ian Proudfoot 09 367 5882 021 656 815 iproudfoot@kpmg.co.nz | Taxation Greg Knowles 09 367 5989 021 307 332 gknowles@kpmg.co.nz | Tauranga Robert Lee 07 571 1773 027 451 1035 relee@kpmg.co.nz | Wellington Graeme Edwards 04 816 4522 027 296 5050 gdedwards@kpmg.co.nz |
| Christchurch Andrew Hawkes 03 353 0093 027 508 0135 ahawkes@kpmg.co.nz | Financial Advisory Services Gary Ivory 09 367 5943 021 932 890 givory@kpmg.co.nz | Management Consulting Simon Hunter 09 367 5881 027489 9737 simonhunter@kpmg.co.nz | Hamilton/ Private Enterprise Hamish McDonald 07 858 6519 021 586 519 hamishmcdonald@kpmg.co.nz |
| Ashburton/ Private Enterprise Maurice Myers 03 307 0768 027 208 3405 mauricemyers@kpmg.co.nz | Farm Enterprise North Island Roger Wilson 07 858 6520 027 281 9575 rogerwilson@kpmg.co.nz | Julia Jones 07 858 6553 027 524 8901 juliajones1@kpmg.co.nz | South Island Brent Love 03 683 1871 027 528 1537 blove@kpmg.co.nz |

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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