

# FIELD NOTES

Weekly news update from the KPMG Agribusiness network

6 April 2016

**Organisations referenced in this week's Field Notes include:**

Affinity Equity Partners	NZX
Airborne Honey	OM Financial Markets
ANZ	Organics Aotearoa New Zealand
Ashburton District Council	Otago Regional Council
Ballance	Overseas Investment Office
Countdown	PAC Partners
Danone	Parinihi ki Waitotara
European Commission	Potatoes New Zealand
European Dairy Farmers	Rabobank
Federated Farmers	Scott Technology
Financial Markets Authority	Shanghai Pengxin
Fonterra	Southland Regional Council
Food and Drug Administration	Spark
Fordhall Farm	Synlait Milk
Foreign Investment Review Board	Tassal
Global Dairy Trade	Tegal Group Holdings
Harvard University	The Waste and Resources Action Programme
Helping You Help Animals Charitable Trust	UMF Honey Association
Huon	United States Chamber of Commerce
JBS	University of California
Karicare Gold	Van Diemen's Land Company
KPMG	Volac
Kuvee	Waipara Hills Vineyard
Landcare	Western Growers
Ministry for Primary Industries	Westland Milk
NASA	Westlands Water District
Nestle Health Science	Whenuanui Farm
New Zealand Grain and Seed Trade Association	Woolworths

**This week's headlines**

<b>Apiculture</b>	<b>Manuka honey group set to roll out tests for genuine article</b> [4 April/ Business Day: NZ Farmer]
<b>Dairy</b>	<b>Europe dairy not slowing 'any time soon'</b> [4 April/ Radio NZ Rural]
<b>Research and development</b>	<b>Government research agency asks for public handout</b> [31 March/ Business Day: NZ Farmer]
<b>Agribusiness strategy</b>	<b>Two out of three Kiwis buying organics: latest research</b> [4 April/ Organics Aotearoa New Zealand Media Release]
<b>Water</b>	<b>For sale: 40 billion litres of Canterbury's purest water</b> [3 April/ Business Day]



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

## Ilan Proudfoot's latest opinion piece

**Te Hono takes a gigantic stride to scale up the impact of its collaborative model**

The Te Hono Movement (which comprises of the group that has organised the Primary Sector and Maori Leaders Bootcamps at Stanford University over the last four years) held a summit for alumni and guests at Mystery Creek on Tuesday. With over 200 selected attendees, international experts and industry leaders spoke about how New Zealand can accelerate its transformation from a production focus to a value focus. The day, like every Te Hono event, challenged conventional wisdom, took you outside your comfort zone and delivered a wealth of insight that it will take some days to fully process. The day will undoubtedly shape many of my future opinion pieces but some initial observations:

- Professor Simon Anholt, an international policy advisor who has developed and implemented strategy's for enhanced political, economic and cultural engagement, talked about the Good Country Index that he has developed. Professor Anholt coined the term Nation Brand in the 1990's and the Good Country Index is next iteration of his work which explores the obligations a country has, not just to its own population, but to every citizen around the world. The "goodest countries" recognise that their influence does not end at their arbitrarily positioned sovereign borders but extends across the planet. They receive their high ratings through the actions they take to influence positive outcomes for all. Professor Anholt's research indicates that taking these positions creates superior economic returns in these countries. This speech helped crystallise my thinking around the concept of Borderless Nations, the problems we face are no longer domestic and as a consequence countries need to increasingly focus on the need to collaborate across borders to secure value. The best example for me of this for me is the issue around food counterfeiting; we lose value from people counterfeiting our products in market, but it is not a problem we can address without collaboration around the world. Taking a bold lead in this area helps deliver safe food to the world, something that it is right we take a lead in delivering, but also would ensure we capture greater value from our products. Professor Anholt noted that Ireland is currently ranked as the "goodest country" but suggested that New Zealand, ranked fifth, has the ability to take top spot, particularly if we leverage the values inherent within Maoridom.
- There was much discussion around change during the day. We recognise that change is occurring however the challenge for New Zealand is that we need to be changing faster than the market as we rely on the primary sector for so much of our wealth. Many speakers (myself included) recalled that what has got us here will not get us there, making it critical that we must continually challenge ourselves to change. If we are not moving forward, and just standing still, we will fall behind. It was highlighted that we should be constantly nervous, as soon as we feel comfortable we get complacent and stop trying to innovate or seeking to learn. The suggestion was made that innovative organisations will be constantly extending their comfort zones and as a consequence they should be doing things that cause the CEO to break out in a cold sweat every now and then.
- A final observation is on how important it is that we embed design thinking into the day to day methodology that we use to solve problems in our businesses. We were lucky to hear a presentation from Justin Ferrell, a member of faculty at the d-School (Design School) at Stanford. Justin highlighted that we are all creative, however many of us question our creativity based on feedback we received on our artworks at school. He stressed that organisations will increase their ability to have a positive impact on the world if they incentivise their people to look at problems creatively.

Justin cautioned us to ensure we are focusing our creativity onto the right problems, using an amazing example of a team of students that were challenged during a Stanford programme to design a lower cost incubator for babies in Nepal. They redefined their problem when they discovered that the issue was not a lack of incubators but an inability to get premature babies to hospital before they died. They consequently set out designing a solution to enable parents to get their children to hospital, the Embrace baby warmer, that the team have subsequently realised saving over 80,000 babies in the first year of use (see <http://embraceglobal.org/>).

This ability to adopt human centred design, meeting people where they are and responding to their problems, has to become a core competency of every organisation or we will never create products that are relevant to our consumers.

**Horticulture**

**Application to export spuds to Australia withdrawn** [2 April/ Radio NZ Rural] Potatoes New Zealand Chief Executive, Chris Claridge, said the company had withdrawn its application to export fresh potatoes into Australia due to economic reasons rather than biosecurity issues. The Australian potato industry had campaigned against the application as the New Zealand potatoes posed a risk of disease. Mr Claridge said the company had decided to pursue other markets that looked more promising rather than continue to spend resources on the Australian market.

**Viticulture**

**Sun-blest grape harvest begins** [5 April/ Rural News] Waipara Hills Vineyard Winemaker, Simon McGeorge, said the 2016 harvest in North Canterbury had begun. Mr McGeorge added that pinot noir grapes had been harvested just before Easter, and the chardonnay grapes should be ready for harvest in two weeks. Mr McGeorge said Waipara Hills used mechanical harvesters for 90 percent of their 200 hectares of grapes. Mr McGeorge added that the harvesters could cover approximately one hectare an hour and the fruit arrived in a better condition that they would have if they were harvested by humans. Mr McGeorge noted that this year's season had been great due to a dry February allowing the grapes to ripen without being damaged.

**Apiculture**

**Manuka honey group set to roll out tests for genuine article** [4 April/ Business Day: NZ Farmer] Honey producers have been divided over the best way to test the authenticity of manuka honey. UMF Honey Association said a nectar test would be the best method, while Airborne Honey said a pollen analysis would be the better option. KPMG Global Head of Agribusiness, Ilan Proudfoot, said manuka honey was one of the most counterfeited high value products, with about 10 times more manuka honey being sold globally that what was actually produced in New Zealand due to the counterfeits. Airborne Sales and Marketing Manager, John Smart, said the Ministry for Primary Industries now had the task of setting a standard for the industry. Ministry for Primary Industries Principal Advisor, Jim Sim, said a three year science programme working to distinguish manuka honey from other types of honey would conclude later this year.

## Dairy

**Karicare Gold baby milk powder pulled from China: report** [30 March/ Business Day] Danone have announced that Karicare Gold Baby Milk Powder would no longer be sold in China. Danone temporarily pulled the product from shelves in 2013 when Fonterra revealed they had produced a batch of whey powder that was potentially tainted with bacteria that could cause the deadly botulism illness. Further testing showed there was never any risk of botulism, but the incident caused international alarm, especially in China. A Danone spokeswoman said the company would focus on developing two international formula brands in China, including Aptamil which was made in New Zealand.

**Westland Milk Products drops forecast payout** [31 March/ Otago Daily Times] Westland Milk Products has decreased its forecast payout from between \$4.00 and \$4.10 per kilogram of milk solids to between \$3.90 and \$4.00 per kilogram for the 2015-16 season. Westland shareholders were told that they should expect at least two more seasons of low payouts. Westland Chief Executive, Rod Quin, said the main driver of the low payouts was still the global oversupply of milk.

**Synlait reports higher demand for formula** [1 April/ Radio NZ Rural] Synlait Milk has reported a net profit of \$10.2 million in the six months to the end of January, compared with a \$6.4 million net loss for the same period last year. The South Canterbury dairy company experienced stronger demand for infant formula, allowing them to make a bonus payout to their dairy farm suppliers. Synlait Milk Chief Executive, John Penno said the payout would be helpful to farmers, but it would not make up for the very low milk prices.

**Business Insider: 1080 fallout harmed more than just Fonterra** [2 April/ NZ Herald] While Fonterra spent more than \$20 million in response to Jeremy Kerr's threat to spike milk formula with 1080, smaller farmers were hit harder when considering what they spent relative to their turnover. Synlait spent \$1.9 million of their \$448 million turnover to mitigate the threat, while Fonterra spent a much smaller fraction of their \$19 billion turnover.

**Dairy prices likely to fall further in auction, experts say** [4 April/ NZ Herald] OM Financial Markets Director, Nigel Brunel said he would not be surprised to see dairy prices fall at the next Global Dairy Trade auction. ANZ Agri Economist, Con Williams said China's February imports were low, dairy stocks were high in the United States, and milk production in Europe continued to grow. Mr Williams added that the New Zealand dollar continued to grow, further eroding the value of New Zealand export receipts. Westland Milk Chairman, Matt O'Regan said milk growth rates in Europe were increasing rapidly, and he expected this to continue for at least two years until economic or environmental factors placed constraints on farmers.

**Europe dairy not slowing 'any time soon'** [4 April/ Radio NZ Rural] European Dairy Farmers Spokesperson, Steffi Wille-Sonk said European farmers were increasing production in order to get a return on their investment, despite low milk prices. New Zealand Special Agricultural Trade Envoy, Mike Peterson said the high production in Europe would continue, but the European Commission had held a series of meetings about how they could put voluntary measures in place for each country in an attempt to limit production. Mr Peterson added that the voluntary basis meant it was up to each country to try and reduce production on their own terms, and some countries would not make an effort. Mr Peterson said European dairy farmers were being paid between EUR 0.25 and EUR 0.28 per litre of milk, while New Zealand farmers were receiving about EUR 0.18 per litre. Mr Peterson explained that this was because Europe's milk price was based on supplying goods to the domestic market.

**Messages confusing** [5 April/ Rural News] Labour Primary Industries Spokesman, Damien O'Conner said dairy farmers were receiving conflicting messages about the dairy market. Mr O'Conner noted that Fonterra Chair, John Wilson said the market should pick up at the end of the year on the same day that HSBC analysts said there was no chance of this happening. Mr O'Conner added that while the volatile market was difficult to predict, Fonterra and analysts should be on the same page when it came to giving advice. Mr O'Conner said he believed the dairy industry would undergo a major restructure, and there were indications that land prices would fall between 20 percent and 40 percent.

**NZX poised to announce milk futures contract aimed at farmers** [5 April/ NZ Herald] The NZX is expected to announce plans for a new milk futures contract tomorrow, allowing farmers to lock in farmgate milk prices. The futures contract was expected to be running in June and would pick up where Fonterra's controversial guaranteed milk price scheme left off. Fonterra ditched their scheme in 2015 after receiving a mixed reaction from farmers. The Financial Markets Authority was expected to announce their approval of the futures contract.

## Red meat

**OIO approval of deal now a sensitive issue** [30 March/ Otago Daily Times] Scott Technology shareholders have become frustrated at the amount of time it is taking the Overseas Investment Office (OIO) to allow JBS to take a controlling stake in the engineering manufacturing company. OIO regulations meant the application was subject to 'sensitive land' status as the Kaikorai Steam ran through one of Scott Technology's sites. Scott Technology Managing Director, Chris Hopkins said he was increasingly frustrated by the delay as there was a 30 April deadline to complete the deal before negotiations would have to start again. It was estimated that Scott Technology could benefit by up to \$45 million from the deal.

**American hunger for beef boosts exports** [1 April/ Business Day: NZ Farmer] According to Meat Industry Association figures, New Zealand beef sales to the United States increased from \$1.2 billion in 2014 to \$1.49 billion in 2015. The figures showed that red meat exports to China also increased from \$1.4 billion to \$1.55 billion over the same period of time. Rabobank reported that Brazil was likely to become the leading beef exporter to China in 2016, and would have the advantage of a low currency once it gained access to the United States market later in the year.

## Rural infrastructure

**Virtual reality still a myth?** [4 April/ NZ Farmers Weekly] Spark Agribusiness Manager, David Walker said next generation 5G technology would offer rural users internet with urban fibre speeds and have the ability to provide internet to thousands of users through a single tower. Mr Walker added that the Rural Broadband Initiative had resulted in significant increases in the number of rural users on mobile internet connections. Mr Walker noted that this form of internet was almost eclipsing copper as the most common form of delivery. Mr Walker said the 'internet of things' meant the agriculture sector was about to experience a surge in on-farm data usage, with local wireless networks being established on farms that were capable of reading and transmitting data from sensors.

### Environment and emissions

**Helensville couple take first-ever Auckland Ballance award** [31 March/ Rural News] Whenuanui Farm Owners, Richard and Dianne Kidd have received the supreme award at the inaugural Auckland Ballance Farm Environmental Awards. The event judges described Whenuanui Farm as a show piece farm on the edge of Auckland City. The judges said the Kidd family were pragmatic in their approach to protecting the environment for future generations on the farm. The judges added that all waterways had been fenced and there was readily available shade, shelter and water for livestock in every paddock. Whenuanui Farm lambs were sold to Countdown supermarkets under the Kaipara Lamb brand.

**PKW farm supreme winner of 2016 Taranaki Ballance Farm Environment Awards** [31 March/ Business Day: NZ Farmer] A dairy and forestry farm owned by Parinihihi ki Waitotara (PKW) won the supreme award at the 2016 Taranaki Ballance Farm Environmental Awards. KPW Farm Manager, Matt Kelbrick and KPW Farm Supervisor, Roger Landers were presented with the award at a dinner in Taranaki. KPW was Taranaki's largest corporate dairy farm and Fonterra's largest Taranaki milk supplier. The judges said the farm's excellent infrastructure allowed for future expansion and production growth, while the outstanding use of new technology would make the farm sustainable in the long term. The judges added that all waterways were fenced and native plants were being established on small areas of the farm.

### Research and development

**Government research agency asks for public handout** [31 March/ Business Day: NZ Farmer] Landcare Research has launched a crowd funding appeal to raise \$80,000 for a study on rabbits. The money would be used to create an online mapping tool which the public could use to monitor the location and abundance of the pest. The study would help Landcare determine the best sites to release its new strain of disease aimed at reducing the number of rabbits, and could then be used to monitor how well the disease was working and where it was having an effect. Landcare Research General Manager, Justine Daw said the crowd funding appeal was a trial as there was no other way the organisation could accept donations before the trust was set up. An online mapping tool had already been set up in Australia where people used their cell phone to note where they saw rabbits and how many there were. Otago Regional Council Field Advisor, Scott Liddell said the mapping tool might work on public land but he was not convinced farmers would use it, as they would not want their neighbours knowing they had a rabbit problem.

### Biosecurity

**Searching for a devastating pest** [1 April/ Radio NZ Rural] Velvetleaf, one of the world's worst cropping pests, has been confirmed on 60 farms in Southland, Otago, Canterbury, Waikato and Hawke's Bay. Biosecurity teams have been working on hundreds of dairy farms in an attempt to stop the outbreak. Southland Regional Council Velvetleaf Team Leader, Shaun Cunningham said the weed could out-compete crops for space, and had the potential to reduce crop yields by 90 percent if it were left alone. Ministry for Primary Industries Chief Operations Officer, Andrew Coleman said up to 300 farms could be effected. Mr Coleman added that the weed came in on seeds which were planted last year, but the ministry was still investigating how this happened. Mr Coleman noted that in the worst case scenario the cropping sector could have to fight a new paddock invader for the next 50 years, but he hoped the weed would be taken care of in the next few months.

### International

**Kuvee: The internet-enabled smart wine bottle no-one asked for** [28 March/ The Independent] A United States company has developed a touchscreen wine bottle with WiFi. The Kuvee bottle would enter the market at \$179 each and users would need to buy special Kuvee compatible wine bottles to stick in the bottom when they wanted a drink. The bottle would give information such as the variety of wine you're drinking, its strength, good food pairings, and details about the vineyard. The Kuvee bottle would also keep wine fresh for up to 30 days due to the aluminium bottles which did not let light in.

**Salmon farmers get into hot water over state of harbour fishery** [29 March/ The Age] Tasmanian aquaculture companies, Tassal and Huon have been debating about the health of Macquarie Harbour. Huon Chief Executive, Peter Bender said a hot summer had decreased Macquarie Harbour's oxygen levels, leading to slower growth of salmon, a diminished harvest and lower earnings. Huon shares have decreased by 17.9 percent since the start of March. Tassal Chief Executive, Mark Ryan said Mr Bender's comments did not reflect his company's experience in the region. Mr Ryan added that fish deaths and environmental conditions were in line with their expectations. PAC Partners Analyst, Paul Jensz said the different companies could be having different experiences due to their nets being in different locations in the harbour.

**Whey permeate can help sports recovery drinks** [30 March/ Dairy Reporter] Volac Head of Nutrition, Suzane Leser said the increasing demand for carbohydrate energy in nutritional sports products had opened up a new market for whey permeate. Ms Leser explained that whey permeate was the new natural alternative to traditional sports drinks as it was naturally rich in lactose. Ms Leser added that whey permeate was a natural water based complex of milk sugars and minerals, obtained after the whey protein had been extracted. Ms Leser noted that whey permeate had been sold in a range of beverages across Europe for the past 30 years.

**Agriculture is UK's fastest growing subject - and a smart career choice** [30 March/ The Guardian] Agriculture has become the fastest growing subject at universities in the United Kingdom, with a 4.6 percent increase in the number of students last year. British Farming Awards 2015 Agricultural Student of the Year, Joe Parry said a farming degree was extremely diverse, with graduates being employed by food retailers and suppliers or going into research and technology, consultancy, education or marketing. Mr Parry added that further education was critical for young farmers who wanted to be able to run an efficient and profitable business.

**Why Nestlé is acting a lot like a drug company** [30 March/ The Boston Globe] Nestle Health Science, a subsidiary of Nestle aimed at developing nutritional products to improve health, has invested heavily in companies targeting conditions such as gut infections, muscle loss and Alzheimer's disease. Nestle Health Science Chief Executive, Greg Behar said the subsidiary would continue to invest in start-ups with strong management and good scientific research in fields such as brain and gastrointestinal health. The subsidiary has been in talks with the Food and Drug Administration in an attempt to gain regulatory approval for two of its experimental products.

**Chinese businessman outlines plans for Aust'n dairy giant after sale finalized** [31 March/ China Daily] Chinese Businessman, Lu Xianfeng has bought Australia's largest dairy farm, Van Diemen's Land Company (VLD) for AUD 215 million after receiving final clearance. Mr Xianfeng said he would keep the company's 140 existing employees and honour all current milk contracts. Mr Xianfeng added that he planned to invest AUD 75 million in developing the farm, adding at least 95 new jobs in the process. The Foreign Investment Review Board which assessed the sale have also approved Mr Xianfeng's proposal to clear another 1,800 hectares of native vegetation for farmland.

**UK a nation of 'convenience food and waste,' says survey** [1 April/ Food Navigator] According to a survey conducted by The Waste and Resources Action Programme, there has been a growing tendency in the United Kingdom for consumers to prefer convenience food, leading to higher levels of food wastage. Survey results showed the primary reason for purchasing convenience food was to save time. The government funded charity added that the United Kingdom wasted 15 million tonnes of food annually, including 7 million tonnes from households.

**South America set to dominate global beef trade in 2016** [1 April/ Rabobank Media Release] According to the Rabobank Beef Quarterly Report, South American beef exports were expected to increase by 11 percent in 2016 due to favourable currency rates, improved market access and increased beef availability. The report said South America would dominate the global beef market, with Brazil likely to become the leading beef exporter into China in 2016. Brazil was also expected to gain access to the United States fresh beef market in the next few months, although quotas would still limit exports. Rabobank Animal Proteins Analyst, Matthew Costello said the challenge for New Zealand would be to remain competitive in key markets and ensure our products were distinguished through quality, traceability and food safety.

**Farmers angry over low water allocation** [1 April/ The San Francisco Chronicle] Californian Central Valley farmers were outraged after learning they would only receive a 5 percent allocation of their contracted water this year, despite increased rainfall and overflowing reservoirs. Westlands Water District Spokesman, Johnny Amaral said officials were going to have to decide whether the produce grown in the Central Valley was worth preserving and protecting. Mr Amaral added that farmers would have to access water in the same way as they had done over the last few years by pumping groundwater, which was not sustainable, and buying water from those who got full allocations. A Western Growers representative said the federal water allocation was so low that it confirmed a policy of farmland destruction was in place.

**Budget brands - Kiwis prefer branded groceries over private labels** [1 April/ Business Day] Woolworths have taken their Homebrand products off supermarket shelves in Australia. Marketing experts said the brand had become outdated, and Woolworths would focus on promoting its lesser known Essentials brand instead. In New Zealand, research has shown that consumers prefer branded products over private labels. Countdown, Woolworth's subsidiary, still has over 400 Homebrand products for sale, but the company would not say whether the Homebrand label would disappear from New Zealand shelves as well.

**Farming with community roots** [2 April/ The Sunday Telegraph] In 2006, Fordhall Farm became a global phenomenon when Charlotte and Ben Hollins issued shares and put the farm under the ownership of a community farm land trust, controlled by local people and preserved for future generations. Ms Hollins said farmers must now fight the declining industry by going back to their roots and reconnecting with local communities. Ms Hollins added that small farmers should copy the Fordhall model and work with local customers. Ms Hollins explained that cutting out the middle men would enable farmers to make a decent living and allow the British public to pay a fair price. The siblings were now fronting a new campaign to encourage other farmers and businesses to involve local customers and supporters in their ventures.

**How is climate change affecting the wines of the world?** [2 April/ The San Francisco Chronicle] A NASA and Harvard University study showed that global warming has been improving the taste of wines in France over the last few decades, but the trend would not last forever. Report Writer, Benjamin Cook said that after 1980 the harvest dates were about 10 days earlier than any time in the previous 400 years due to warmer temperatures. Mr Cook explained that the earlier harvests meant excellent tasting wines, but there appeared to be an upper limit to the quality as wine ratings were mediocre in 2004 when the harvest was the earliest on record. University of California Viticulture and Oenology Professor, Carole Meredith said climate change could make viticulture possible in places previously dismissed as too cold for grape growing, such as in England where warmer temperatures have allowed a sparkling wine industry to form.

**Australia signs off on legally binding definition for 'free range eggs'** [4 April/ Business Day: NZ Farmer] Australia's consumer affairs ministers have adopted a legal definition for free range eggs which states that they must come from hens that have meaningful and regular access to an outdoor range, with a stocking density of up to 10,000 birds per hectare. The high stocking density in the definition reflected what industrial egg producers had been fighting for, but was a disappointment for animal welfare advocates who wanted a limit of 1,500 hens per hectare. New South Wales Minister for Innovation and Better Regulation, Victor Dominello said the new national standard would force egg producers to declare their outdoor stocking density on egg packaging. Mr Dominello said consumers were now better informed and could decide whether to buy free range eggs with a lower density or not.

### Agribusiness strategy

**Two out of three Kiwis buying organics: latest research** [4 April/ Organics Aotearoa New Zealand Media Release] The 2016 New Zealand Organic Market Report showed that organic grocery sales through supermarkets and specialty stores have increased by 127 percent since 2012 as a result of increased domestic demand. Organics Aotearoa New Zealand (OANZ) Chief Executive, Brendan Hoare said the increase followed a global trend and was set to continue. Mr Hoare said two out of three New Zealanders regularly bought organic products. Mr Hoare added that major retailers were facing supply issues and were having to look beyond New Zealand for organic products. Mr Hoare noted that this was a good opportunity for New Zealand to grow the economy, both domestically and in exports.

### Economics and trade

**John Key takes swipe at Donald Trump as US presidential race challenges TPP deal** [31 March/ NZ Herald] Prime Minister, John Key spoke about trade and the Trans Pacific Partnership at the United States Chamber of Commerce. Mr Key said that although there was a plan to build a wall, the United States could not build a wall if they wanted to compete in the global market. Mr Key said the United States couldn't afford to miss out on being a part of the TPP deal.

### Farmers and producers

**Ongoing market challenges weigh on New Zealand farmers, with confidence close to 10-year low** [31 March/ Rabobank Media Release] According to the Rabobank Rural Confidence Survey, New Zealand's rural confidence has fallen to its second lowest level in the past 10 years. The number of farmers who had a pessimistic outlook on the agricultural economy over the next 12 months increased from 30 percent in late 2015 to 53 percent in 2016. The horticulture sector was the only industry to have an optimistic outlook on their business performance. Rabobank New Zealand Country Banking General Manager, Hayley Moynihan said the survey showed the primary factor driving the pessimism was commodity prices, reflecting the persistent downturn in the global dairy market.

**Shanghai Pengxin withdraws judicial review** [1 April/ Dairy News] Shanghai Pengxin has withdrawn its judicial review of the Government's decision to decline its application to purchase Lochinver Station. Shanghai Pengxin Group New Zealand and Australia Representative, Terry Lee said the original aim of the review was to obtain clarity on the confusing counterfactual process used when assessing the sale. Mr Lee explained that the counterfactual the Overseas Investment Office (OIO) used compared Pengxin's investment and development plans with those of a hypothetical New Zealand purchaser. Mr Lee added that the Government and OIO had recognised the need to clarify the process, and Pengxin would like to take part in any discussions. Mr Lee noted that withdrawing the judicial review allowed the company to devote their energy to the management of their New Zealand farms, new product developments, and value added exports to Asia.

**Innovation will change way Landcorp does business: new manager** [1 April/ Business Day: NZ Farmer] Landcorp Innovation and Technology General Manager, Rob Ford said the company aimed to transform the way farming was carried out with the introduction of technological innovations across its 140 farms. Mr Ford said Landcorp had the advantage of scale which gave them access to vast amounts of information, intellectual property, experience and expertise. Mr Ford added that better use of data would help increase exports by providing foreign companies with evidence showing that each animal was healthy and farmers were meeting environmental standards. Mr Ford noted that New Zealand still had to address connectivity issues as mobile cover and broadband were still patchy in places.

#### Health and safety

**Death rate must drop** [4 April/ Farmers Weekly] Workplace Relations and Safety Minister, Michael Woodhouse said workplace death and injury rates had fallen in the forestry, construction and manufacturing sectors, but figures from farming had hardly moved, with about half of all workplace deaths occurring on farms. Mr Woodhouse added that farmers needed to do their bit to achieve the Government's goal of a 25 percent overall reduction by 2020. Mr Woodhouse explained that WorkSafe inspectors aimed to educate farmers rather than immediately start issuing infringement notices. Mr Woodhouse noted that WorkSafe only made 100 prosecutions from the 10,000 serious harm notifications each year. Federated Farmers Spokeswoman, Katie Milne said injury and death rates had to fall, but the nature of farming and dealing with unpredictable animals meant statistics from the sector would always be high. Ms Milne added that awareness, a culture change and technology would help reduce the number of accidents.

#### Agribusiness Education

**International speakers at shareholder seminars** [31 March/ Dairy News] Fonterra Shareholders Council Chairman, Duncan Coull said the co-operative had secured the services of Rice Dairy Founder, Brian Rice and Australasia International Banker, JT MacFarlane to speak at the Grow Your Mind Seminars. Mr Coull added that the two internationally renowned presenters would provide Fonterra farmers with their expert opinions on what was driving the current volatility in global commodity markets and deliver insight about how to manage the on-farm effects. The seminars would be held at eight locations throughout the country between 11 April and 15 April.

#### Arable

**Turkish seed giants visiting Canterbury could lead to new trade** [31 March/ Business Day: NZ Farmer] A group of 27 Turkish seed producers visiting Canterbury this week could lead the way to the first seed trading between Turkey and New Zealand. New Zealand Grain and Seed Trade Association President, Barry McCarter said the group of producers were looking at new business opportunities and wanted to learn more about seed production in Canterbury. New Zealand Grain and Seed Trade Association Manager, Thomas Chin said the relationships made during the Turkish tour were expected to result in new partnerships and market opportunities for seed exporters.

#### Poultry

**Analysts wary of Tegel growth forecasts** [4 April/ National Business Review] Tegel Group Holdings has filed a prospectus to raise between \$299 million and \$344 million in an initial public offering. The company would be listed on the NZX and ASX on 3 May with a price range of \$1.55 to \$2.50 per share. Market sources said the value of the company was seen to be at the bottom end of the range. The sources added that the key for investors would be to get a sense of whether the aggressive growth forecasts were achievable. Private equity vendor, Affinity Equity Partners would retain a 45 percent holding in the company post float.

#### Water

**For sale: 40 billion litres of Canterbury's purest water** [3 April/ Business Day] The Ashburton District Council confirmed it was in the process of selling the rights to extract 40 billion litres of artesian water to a bottled water supplier. The bottled water supplier the council was understood to be in negotiations with was an overseas company. The consent would allow the holder to extract 45 litres of water a second until the rights expired in 2046. Community Opposition Leader, Jen Branje said the lack of consultation did not give locals faith that the sale was in their best interest. Ms Branje added that the water should not be sold offshore when it was needed by farmers and residents who faced water restrictions during summer.

#### Pork

**Ngaruawahia piggery fire sparks animal rights vigil** [3 April/ Business Day: NZ Farmer] Helping You Help Animals Charitable Trust (HUHA) has mourned the death of 50 pigs in a piggery fire by lining a fence with 1,500 names. The animal rights group hoped that the Ministry for Primary Industries would push for change around intensive farms and factory farms to better protect the animals. Protester, Carolyn Press-McKenzie said she could not think of another industry where people would be allowed to run a business where so many lives were involved and there were no health and safety measure in place for the pigs.

# Field Notes

Weekly news update from the KPMG Agribusiness Network – 6 April 2016

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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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