

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

13 April 2016

Organisations referenced in this week's Field Notes include:

Agribusiness Australia	Ministry for Primary Industries
AGMARDT	Monsanto
Alliance Group	National Farmers Union
Association for Dressings and Sauces	New Zealand Grain and Seed Trade Association
Canada Pension Plan Investment Board	New Zealand Marine Research Foundation
Carrfields Irrigation	Ngati Kahunganu
Crowd Carnivore	NZX Agri HQ
Danone Nutricia New Zealand	OnSide
Danone Nutricia New Zealand	Organics Aotearoa New Zealand
Entovista	Otago Regional Council
European Union	Red Stag Timber
Federated Farmers	Scott Technology
Fiordland Lobster Company	St Paul's Collegiate
Fonterra Co-operative Group	Te Hono Movement
Glencore	Te Ohu Kaimoana
Grand Farm	Tyson Foods
Green Party	United States Department of Agriculture
Hampton Creek	United States Food and Drug Administration
Hong Kong Organic Resource Centre	University of Auckland
Horticulture New Zealand	Waihao Downs Irrigation Scheme
Humane Society of United States	Waikato Regional Council
Irrigation New Zealand	Waitrose
JBS Australia	Walmart
Lewis Road Creamery	Whole Foods Market
Massey University	Wood Council
Meat Industry Association	Zespri

This week's headlines

Horticulture	Fears kiwifruit could be tainted with lubricant [8 April/ NZ Herald]
Fishing	Prominent Maori leaders unite to back Kermadecs fight for iwi fishing rights [11 April/ Business Day]
R&D	GMO regulations clarified [8 April/ Rural News]
Economics and trade	Key heads to China for free trade agreement 'upgrade' negotiations [11 April/ NZ Herald]
Future of Food	Report shows strong future for organic products [8 April/ Rural News]



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

AgriHQ Pulse: Ian Proudfoot's latest opinion piece

Substance underlies brand and reputation: let's make sure we deliver on our promises to consumers

Customers at Tesco supermarkets in the UK now have the opportunity to buy Chicken from Willow Farms, beef from Boswell Farms and pork sausages from Woodside Farms, as well as vegetables and fruit from various other British sounding farms; Redmere, Suntrail, Rosedene and Nightingale Farms. It all sounds idyllic and connects the consumer to where their food is being produced. The only problem for Tesco is that the media has uncovered that these farms are made up or don't produce the products that their names have been associated with – in fact Boswell Farms is not a beef cattle farm but a holiday cottage centre, specialising in yoga and pilates retreats.

In a world, where consumers are expressing increasing concern about the origins and integrity of the food they eat, Tesco's new farm brands have attracted criticism that they are misleading consumers and taking stepping away from authenticity and honesty consumers are demanding in the food supply chain. However, other marketing specialists have suggested that the names are just brands and are not intended to mislead the consumer but portray that the food is high quality and sourced fresh from farms.

This story reinforced to me that brands are no longer just the name and imagery that a company puts on a jar or a packet but an articulation to the consumer of the experience that they can expect when they use the product. A product with a plain private label articulates a no frills, undifferentiated and low cost experience. Equally a product that tells a story that lacks substance is not only confusing to consumers; it can create uncertainty about the integrity, quality and safety of the experience they are likely to receive. The reputation of a company and the value of its brands are often inseparable and as a consequence if one takes a hit the other will also suffer.

It is only three years since Europe was embroiled in the horse meat scandal that uncovered beef burgers and meatballs made from horse rather than beef. Tesco was embroiled in the scandal, running adverts in major British newspapers acknowledging their supply chain failings and articulating the lessons they learnt from the experience. The advert added "we know that all this will only work if we are open about what we do"; yet the newspapers are again running stories about consumer concerns over the integrity of the experience their products are delivering. The impact of horse meat and subsequent issues, including this latest brand issue, has seen Tesco's position in the UK food retail sector erode and their stock value decline as a consequence.

Last week, Professor Simon Anholt, an adviser to governments around the world and a leading authority on national identity and reputation, addressed the Te Hono Movement's Summit at Mystery Creek. He talked about brands as a promise that is made to consumers and suggested that in the modern highly connected world the story behind a brand has to be absolutely authentic. The experience the product delivers has to fulfil the promise made to the consumer.

He highlighted that the perceptions people around the world hold of New Zealand are built over time and reflective of snippets of information they glean rather than a deep analysis of fact. The world does not spend its time thinking or worrying about New Zealand. As a consequence it takes time for perceptions of any country to change; it would need a regular flow of negative stories to change perceptions rather than a one off event.

We are in a strong position, our brand is well respected and our profile has been raised by tourism promotions and the Lord of the Rings and Hobbit movies despite having been through our own 'horse meat' moments, which could have materially damaged our global reputation. The work done in creating the New Zealand Story and its articulation of our Open Spaces, Open Hearts and Open Minds, means there is growing consistency in how we are telling our story to world.

New Zealand's national identity and reputation is a huge asset to the primary sector but it is critical that it is not taken for granted. It is integral to the DNA of many New Zealand organisations and as a consequence everybody has a role to play in preserving the perceptions of the country. A key take away from Professor Anholt's presentation was that it is what you do, not only in your own interest, but for the general good of the world that does the most to build national reputation and enhance recognition of a country as a 'good country'.

Given that good countries are closely correlated to strong returns, maybe it is time to build the next phase of New Zealand's story and think how we position ourselves as the best country for the world.

This article was first published in the AgriHQ Pulse service on 11 April 2016. AgriHQ Pulse can be accessed from www.agrihq.co.nz

Horticulture

Fears kiwifruit could be tainted with lubricant [8 April/ NZ Herald] Zespri Chief Operating Officer, Simon Limmer said the company had put 1.7 million trays of export kiwifruit on hold after traces of lubricant were found on some plastic tray liners, raising concerns that the fruit could be at risk of contamination. Mr Limmer added that the problem had been contained, with the four ships already carrying suspect trays being put on hold while the company investigated further. Mr Limmer said all fruit which had come into contact with the lubricant would be destroyed, regardless of laboratory findings. Mr Limmer noted that the lubricant had been the result of a mechanical leak in the liner manufacturing process. New Zealand Kiwifruit Growers' Association Chairman, Doug Brown said the situation was disappointing, but the incident demonstrated the industry's commitment to food safety and brand integrity.

Zespri bungle 'could cost industry dearly' [9 April/ Business Day] Otago University Associate Professor, Ben Wooliscroft said Zespri's kiwifruit contamination scare had created a major risk that competing suppliers would take New Zealand's place in export markets if Zespri was not able to replace the contaminated shipments in time. Mr Wooliscroft added that the potential cost could be many times what the contaminated fruit itself was worth. Massey University Professor of Marketing and Consumer Research, Valentyna Melnyk said Zespri's actions would only improve their reputation, as they would be perceived as a more trustworthy company that did not take any risks. Zespri did not have an update on the situation.

Forestry

More cuts looming [8 April/ Rural News] Red Stag Timber Chief Executive, Marty Verry said data showed that another 16 sawmills would close over the next six years as automation and consolidation continued around the world. Mr Verry added that the trend would include a rapid uptake of technology and information, meaning the mills that survived would be very competitive and highly automated. Red Stag Timber was in the process of building a \$60 million super-mill in Rotorua.

Fishing

Recreational fishing in New Zealand: a billion dollar industry [8 April/ Marine Research Foundation Press Release] A New Zealand Marine Research Foundation report found that the recreational fishing industry supported 8,100 jobs and generated \$1.7 billion in economic activity each year. Report Author, Rob Southwick said the primary reason for the report was to communicate the importance of recreational fishing to the national economy. Mr Southwick said the government collected over \$200 million per year from GST and fuel tax relating to recreational fishing. Mr Southwick explained that the cost of managing non-commercial fisheries was less than \$15 million per year, so the value the industry added to the economy was plain to see.

Captain and the crayfish: Former All Black Taine Randell chases big money in China [8 April/ NZ Herald] Former All Black Captain, Taine Randell has shifted his focus to fishing and the lucrative Chinese market where New Zealand lobsters sell for \$300 each. Mr Randell gained a place on the board of Fiordland Lobster Company, New Zealand's largest exporter of live crayfish. Fiordland Lobster Company Chief Executive, Alan Buckner said the crayfish export industry accounted for \$300 million of the \$500 million worth of New Zealand seafood exported to China annually. Mr Buckner said the company's partnership with Ngati Kahunganu meant a new \$6 million lobster processing depot would be built. Mr Buckner added that the facility would have capacity for 27 tonnes of live lobster and would improve supply chain efficiency in the North Island due to its proximity to Auckland Airport.

Prominent Maori leaders unite to back Kermadecs fight for iwi fishing rights [11 April/ Business Day] Maori Fisheries Trust, Te Ohu Kaimoana has led a court case against the Government in order to retain their right to fish in the Kermadec region, after the Government released plans to establish an ocean sanctuary. The organisation received endorsement from prominent Maori leaders who condemned the Government's plan. Prime Minister, John Key said the legal action would not be a problem for the Government, as the migratory fish could be caught outside of the Kermadecs and a fishing ban would not economically disadvantage Maori. Mr Key added that the decision to create the sanctuary was based on protecting one of the most important areas of ocean in the world, which Maori should support based on their tradition of being strong advocates for conservation. Mr Key noted that there were no plans to slow down the legislation process during the legal action.

Dairy

World dairy prices rise for second time in 2016 [6 April/ NZ Herald] Dairy prices rose at the Global Dairy Trade auction for just the second time in 2016, with the price index increasing by 2.1 percent. Whole milk powder rose by 1.5 percent to USD 2,013 per tonne. AgriHQ Dairy Analyst, Susan Kilsby said it was a pleasant surprise to see some prices lift as there was not a lot of positivity in the market. Ms Kilsby said the AgriHQ forecast farmgate milk price fell from \$4.14 to \$4.06 following the auction, primarily due to prices easing in the NZX Dairy Futures Market over the past three weeks.

Milk price hedge passes final hurdles [7 April/ NZ Herald] The NZX announced that it had received formal approval from the Financial Markets Authority and the Reserve Bank for its proposed milk price futures and options contracts. The contracts would give farmers the opportunity to hedge the farmgate milk price, following on from Fonterra's guaranteed milk price scheme that was no longer running. NZX Head of Markets, Mark Peterson said it was an important milestone in the development of commodity risk management tools needed to support New Zealand's agriculture sector. OMF Financial Markets Director, Nigel Brunel said he believed the new contracts would get support from Fonterra. Mr Brunel noted that the milk futures contracts would be based on a kilogram of milk solids and priced in New Zealand dollars.

Danone grows in NZ as action against Fonterra continues [11 April/ Business Day: NZ Farmer] A Danone Nutricia representative said New Zealand was a key strategic manufacturing point in its world network. Danone Nutricia New Zealand Operations Director, Cyril Marniquet said construction was underway on a \$25 million blending and packing plant development at its Auckland facility, taking recent investment in New Zealand plant upgrades to \$40 million. Mr Marniquet added that the subsidiary employed more than 400 people, with the Auckland expansion likely to create more jobs. A Danone representative said its \$980 million legal action against Fonterra for the botulism product contamination scare in 2013 was ongoing and would be decided by arbitration in Singapore, while the other \$545 million it was seeking would be decided in a New Zealand high court after the Singapore proceedings had concluded.

US-based expert bullish on future of dairy industry [12 April/ NZ Herald] Chicago Commodities Specialist, Brian Rice said NZX's planned milk price futures contract would be beneficial to both farmers and banks and would lead to a more durable and stable dairy industry in New Zealand. Mr Rice added that adoption of the futures contract would be slow, but the volume would grow year after year as it rippled through the country. Mr Rice said the contract would be important for lenders as farmers' borrowings would be less risky if farmers managed their risk properly with futures contracts. Mr Rice noted that the sector had a bright future, as production would slow down and demand from Russia and China would pick up.

Red meat

British farmers angry over Kiwi lamb [6 April/ Radio NZ Rural] British farmers have expressed their anger over New Zealand lamb being sold under the Waitrose Duchy Organic brand. The farmers said New Zealand lamb was fatty, over-priced and damaging to the Duchy brand. A Waitrose spokesperson said the company only sold United Kingdom lamb during the British season, but when it could not source enough organic lamb locally it imported some of what it required.

Alliance to introduce ready packed red meat with Chinese giant [7 April/ Business Day: NZ Farmer] Last year, Alliance Group representatives met with leaders of China's largest sheepmeat processing company, Grand Farm, to discuss the launch of a new range of ready-packed products in China. Alliance Group Chief Executive, David Surveyor recently visited China to talk with Grand Farm representatives about building on their 17 year trading relationship. Mr Surveyor said the two companies were ready to move their relationship to the next level by collectively thinking about how they could go to market together. Mr Surveyor said the partnership would develop venison sales in China and allow Alliance's Pure South brand to gain more visibility in the country.

Scott change goes unconditional [8 April/ Otago Daily Times] The deal in which JBS Australia will take a 50.1 percent controlling stake in Dunedin engineering company, Scott Technology, has gone unconditional. Scott Technology Chairman, Mr McLauchlan said the company was likely to receive a capital injection of over \$40 million from the deal. Mr McLauchlan added that the High Court confirmation allowed the release of 1.97 million new shares and payments to shareholders who had sold some or all of their stakes to JBS.

Environment and emissions

BERL report called into question [8 April/ Otago Daily Times] The Otago Regional Council's plan to set limits on the amount of water that could be taken from the Lindis River has had its final day of public hearing. Federated Farmers Regional Policy Adviser, Bob Douglas said his organisation accepted the need for greater control over the amount of water taken from the river for irrigation, but he did not think the BERL economic impact report was sufficiently broad or robust. Mr Douglas added that the council's plan could make some farms uneconomic despite the report concluding that the economic effect would be relatively small. Mr Douglas noted that the transition time should be extended until December 2030 to allow farmers to adjust to the plan. Federated Farmers South Island Regional policy Manager, Kim Reilly said the council had significantly underestimated the economic impact on landowners, the community and regional economies.

Research and development

GMO regulations clarified [8 April/ Rural News] Environment Minister, Nick Smith said Cabinet had approved minor amendments to regulations that defined a Genetically Modified Organism (GMO). Mr Smith added that the changes did not change the intent of the current policy, but they ensured that older breeding technologies were not included within the definition of genetic modification. Mr Smith noted that the changes were not controversial and simply ensured the workability of the existing regulatory system after drafting errors were highlighted in a recent High Court decision. Mr Smith said New Zealand was taking a cautious approach in what was excluded from the genetic modification definition, but the Ministry would continue to monitor global rules around the regulation of GMOs and adapt the system over time so that it was in line with international developments.

NZ will have to allow GM food to keep up with other countries [11 April/ Business Day: NZ Farmer] Massey University Professor, Peter Kemp said New Zealand should research genetic modification, but it was up to bigger countries and companies to convince the world that it was okay to eat genetically modified food. Mr Kemp added that many of the people who were against genetic modification were unaware of the advances made in the technology over the past few years. Mr Kemp noted New Zealand needs to invest more in biotechnology to find solutions so that it could produce healthy, sustainable, pest free food. University of Auckland School of Biological Sciences and Food Research Professor, Andrew Allan said New Zealand was already falling behind competitors and needed to change its definition of genetically modified organisms.

Biosecurity

Rise in number of velvetleaf cases in Waikato [11 April/ Radio NZ Rural] The Waikato Regional Council said the velvetleaf weed had been found on an additional five farms as the weed continued to spread. The council added that the invasion appeared to be related to the movement of infested maize or maize silage. The council was ramping up its local response, with staff inspecting a further 14 sites where velvetleaf was thought to be growing.

International

Brexit would leave UK farmers up to EUR 34,000 worse off, study finds [4 April/ The Guardian] A National Farmers Union study showed that farmers could lose up to EUR 34,000 a year if the United Kingdom voted to leave the European Union, unless new subsidies were put in place. The study found that the price of commodities such as beef, lamb and wheat could fall if the United Kingdom were to leave, while producers of poultry and pork could benefit as they were less dependent on the European Union. UK Environment, Food and Rural Affairs Secretary of State, Liz Truss said farmers should not take a leap into the dark by voting to leave the European Union, as the effects could be volatile with farmers losing subsidies worth approximately EUR 3 billion a year.

'I don't see a problem': Tyson Foods CEO on factory farming and antibiotic resistance [4 April/ The Guardian] The livestock sector has been accused of overusing drugs on animals, leading to the effectiveness of antibiotics against serious infections in people decreasing. Tyson Foods Chief Executive Officer, Donnie Smith said the US based company would stop using human antibiotics on animals. Mr Smith added that there was a global health concern about antibiotic resistance, but the company also had to balance that with animal welfare. Mr Smith added that there was no science that confirmed a direct connection between the use of antibiotics in livestock and the spread of antibiotic resistant infections in humans.

Government vows to step up supervision of GM crops [5 April/ China Daily] China's Ministry of Agriculture released a statement stating that they would improve their oversight of genetic modification facilities to prevent unauthorised crops from being grown. The Ministry would attempt to ensure all science and research activities involving genetically modified technology were in line with laws and regulations, and ensure the production of seeds was traceable. The report came after Greenpeace claimed the Chinese farmers were illegally growing genetically modified corn.

Farmers in Malaysia feeling the heat [5 April/ The Straits Times] Malaysian farmers have warned of higher food prices in the coming months due to the hot weather. Marine Fish Farmers Association Deputy President, Mohamed Razali Mohamed said Malaysia's fish farming industry had suffered MYR 20 million (NZD 7.5 million) in losses due to rising temperatures, as the growth of algae competed with fish for oxygen. Perak Animal Husbandry Association President, Tan Kuang Liang said the price of pork was stable at the moment, but it could increase due to the lack of water leading to reduced appetites and birth rates among the animals. Malaysian Federation of Ruminant Breeders Association Chairman, Samad Kassim said milk production had decreased by over 20 percent due to the animals stressing more in the hot weather. Cameron Highlands Vegetable Growers Association Secretary, Chay Ee Mong said the price of fruit and vegetables would increase if the dry spell persisted as pest problems would affect the quality of vegetables.

Walmart pledges commitment to cage free eggs by 2025 [6 April/ NZ Herald] Walmart has pledged to only sell cage-free eggs by 2025, following similar announcements by McDonalds and Target. Walmart would require egg suppliers to be certified and fully compliant with the United Egg Producers Animal Husbandry Guidelines or an equivalent standard. Walmart accounted for 25 percent of total grocery sales in the United States, and the new standards would apply to eggs sold in more than 5,000 stores. Humane Society of United States Chief Executive Officer, Wayne Pacelle said the era of confining hens to cages was coming to an end in the United States.

Glencore agrees to sell minority stake in agriculture business [6 April/ The New York Times] Glencore has agreed to sell 40 percent of its agriculture business to the Canada Pension Plan Investment Board for USD 2.5 billion. The sale came after investors in the Swiss commodities and mining company expressed their concern about the company's debt. Glencore Chief Executive said the Canada Pension Plan Investment Board had a proven track record in the sector and shared Glencore's vision of growing the business through value creating organic and inorganic growth opportunities. The deal was subject to regulatory approval and was expected to be completed during the second half of 2016.

China, Nigeria agriculture institutes to cultivate food security [6 April/ China Daily] China's Academy of Tropical Agriculture Sciences has partnered with Nigeria's International Institute of Tropical Agriculture to improve food security in Africa and create job opportunities for the continent. International Institute of Tropical Agriculture Head of Communication, Katherine Lopez said the two institutes would work together to improve crops such as bananas, spices, vegetables and cocoa. Ms Lopez added that there would be a student and researcher exchange programme between the two countries. China President, Xi Jinping said the country would carry out agricultural development projects in 100 African villages to raise rural living standards.

Fermented foods: Where flavour and function combine [7 April/ Food Navigator] The process of fermentation to preserve foods has been around for thousands of years, but has recently achieved its own niche market as consumers continue to look for new flavours and production methods. According to Global Industry Insights, the market for functional foods, such as fermented products, has become the fastest growing sector, reaching EUR 114 billion of revenue in 2015. The market was expected to have a compound annual growth rate of 7 percent each year, fuelled by product innovation and increasingly health conscious consumers with higher disposable incomes.

How Zach and Dan crowdfund cows with Crowd Carnivore [7 April/ Business Day: NZ Farmer] Crowd Carnivore Founders, Zachery Sequoia and Dan Tarasenko have started to crowdfund whole animals that were bought directly from the farmer, butchered, and split among 12 buyers to be home delivered. The founders invested AUD 100,000 of their own money to develop the technology, but the model meant they did not have to invest money in unsold products. Mr Sequoia said Crowd Carnivore had more than 1,000 registered users across New South Wales and the Australian Capital Territory, and was about to expand to Victoria and Queensland. Mr Sequoia said people preferred to have a connection to their food and preferred high quality meat. Mr Sequoia added that the crowdfund put more money in farmers' pockets and educated consumers on the economic and nutritional benefits and the enhanced flavour of different cuts of meat.

Monsanto misses Street 2Q forecasts on falling seed sales [7 April/ NZ Herald] Monsanto sales decreased by 12 percent to USD 4.53 billion in the three months to February 2016, compared to the same period in 2015. The decrease resulted from farmers spending less on the company's genetically enhanced seeds due to falling prices for crops such as corn, soy beans and wheat. In addition, the strong US dollar made Monsanto products less price competitive overseas. Monsanto announced that another 1,000 employees would be retrenched, increasing its planned layoffs to 3,600 over the next two years.

The worm has turned: how British insect farms could spawn a food revolution [7 April/ The Guardian] Insect Farmer, Howard Bell said Entovista, his edible insect farm in the United Kingdom, would be home to 2 million insects within the next few months as the population was growing by 60,000 a day. Entovista Partner, Shami Radia said the way people were consuming meat at the moment was unsustainable when considering the amount of land, water and feed being used and the greenhouse gasses produced. Mr Radia added that farming and eating insects could play a major role in solving the problems associated with traditional livestock farms. Entovista would sell their first insects this month once lab test results came back. The insect farm expected to initially produce 30 kilograms of dried crickets a month, increasing to 1,000 kilograms a month as the result of a rapidly scalable design. The cricket flour would sell for GBP 40 per kilogram.

Trade group egged on FDA to act against vegan mayo [8 April/ NZ Herald] The Association for Dressings and Sauces has been identified as repeatedly urging the United States Food and Drug Administration to take action against Hampton Creek, a company which advertised its Just Mayo vegan spread as mayonnaise despite it not containing eggs. The FDA later sent a public warning letter to Hampton Creek which led to the company tweaking its Just Mayo label. These events occurred after Unilever dropped its legal action against Hampton Creek for false advertising in 2014 due to backlash from customers.

Growing pains: The city's organic farming scene is thriving but so are concerns about the need for more regulation [8 April/ South China Morning Post] With the expansion of the organic farming industry in Hong Kong, questions have been asked about how the sector should be regulated to ensure the authenticity of labels. Hong Kong has no legislation regulating the sale and labelling of organic products, meaning retailers can market conventionally grown produce as organic without fear of prosecution. Hong Kong Organic Resource Centre Director, Jonathan Wong Woon-Chung said he had been working to increase public awareness of organic farming practices and had been pushing the government to form a legal definition of organic and regulate the industry. Sustainable Ecological Ethical Development Foundation Development Officer, Jessica Lau said the responsibility should fall on consumers when it came to checking the source of produce, as it would be too much of a burden on small farmers in Hong Kong if they were forced to pay for an organic certificate.

USDA offering \$44m in grants for value-added agri projects [10 April/ Agri Investor] The United States Department of Agriculture said they would disburse up to USD 44 million to farming businesses, allowing them to take advantage of value added market opportunities. The grants would be offered under the Value Added Producer Grant Programme which has awarded USD 144.7 million in funding for 1,126 value added projects since 2009. The grants came at a time when United States commodity prices and export opportunities were falling.

EU and Chile sign landmark organic trade deal [11 April/ Food Navigator] The European Union and Chile have finalised an agreement aimed at facilitating the trade of organic products. The agreement would allow all products produced according to European Union rules to be placed on the Chilean market, and vice versa. The European Union hoped the agreement would pave way for other agreements in the trade of organic products.

Agribusiness sector gets a major revamp [11 April/ Sunday Mail] Australia's AUD 100 billion agriculture, food and fibre sector has revamped its representative organisation and adopted a new trading name of Agribusiness Australia. Agribusiness Australia Chief Executive, Tim Burrow said the organisation would provide a platform for debate, discussion and advocacy to make sure agribusiness got a fair hearing. Mr Burrow added that the sector was facing big issues such as the need for increased investment in infrastructure and innovation.

Editorial: Raw milk distribution reforms must boost dairy industry's competitiveness [11 April/ The Japan News] The Japanese Government's Council for Regulatory Reform has put together a set of proposals to reform the distribution system for raw milk used to produce milk and butter. Under the current system, dairy farmers only received state subsidies if they shipped raw milk to designated agricultural co-operative associations. The reform proposed to abolish this system and rectify the current situation where co-operatives monopolised the collection and sale of raw milk. The editorial said that if Japanese farmers were to have greater freedom over which firm they could ship their milk to, they were likely to increase production and end the butter shortage in the country. The editorial added that the Japanese dairy industry had to remain competitive once the Trans Pacific Partnership took effect.

Whole Foods Is Launching A Budget Store That Will Also Be Sustainable And Zero Waste [11 April/ Fast Company] Whole Foods Market have launched a new chain of affordable, environmentally friendly grocery stores called 365 by Whole Foods Market. Chain President, Jeff Turnas said the stores would be designed with every possible efficiency to keep prices low. Mr Turnas added that everything the chain had done was about reducing the costs of operating a grocery store so that savings could be passed on to customers. Mr Turnas said any leftover food would go to food banks and any scraps would be composted. Mr Turnas added that all lights would be LEDs, refrigeration cases would capture and reuse wasted heat, and fixtures would save as much water as possible. Mr Turnas noted that the store would include a range of organic food. The first store would open in Los Angeles in May.

Agribusiness strategy

Guy attending OECD ag conference [8 April/ Rural News] Primary Industries Minister, Nathan Guy has visited Paris for OECD's Committee of Agriculture Ministerial Meeting. The meeting brought together Ministers of Agriculture from OECD countries and partner economies to discuss policies to achieve more productive, sustainable and resilient global food systems. Mr Guy said he wanted to highlight that substantial reductions in subsidies, open markets, and more efficient use of resources were important in helping agriculture meet global food demands in a sustainable way. Mr Guy added that he would also focus on progressing a free trade agreement with the European Union while we was in Paris.

Economics and trade

Key heads to China for free trade agreement 'upgrade' negotiations [11 April/ NZ Herald] Prime Minister, John Key would visit China this month to discuss upgrading the free trade agreement between the two countries that was signed nearly eight years ago. Mr Key said the trade agreement had been successful with trade between New Zealand and China reaching \$19 billion after more than doubling since the agreement was implemented. Mr Key added that the focus of his trip would be on removing safeguards that China had put in place against New Zealand agricultural products, such as the restriction on chilled products. The Meat Industry Association said gaining access for chilled meat exports would open up an enormous potential market for New Zealand's meat export industry. The Wood Council said Mr Key should tackle obstacles the forestry industry faced, as non-tariff barriers imposed by China meant there was virtually no free trade agreement in place for the sector. Mr Key would be accompanied by Trade Minister, Todd McClay, and Primary Industries Minister, Nathan Guy for the trip which was to take place between 17 April and 22 April.

Farmers and producers

Minister: Dairy prospects sound [6 April/ NZ Herald] Primary Industries Minister, Nathan Guy said the dairy price downturn would come to an end and the medium to long term prospects remained sound. Mr Guy explained that his optimism for the sector was based on world population growth and an increase in demand for protein as countries became wealthier. Mr Guy added that demand from China was expected to increase by 30 percent over the next 10 years. Dairy New Zealand Chairman, Michael Spaans said the industry was at the bottom of the cycle and that over time demand would pick up and prices would increase.

Farming tech to help with new safety rules [7 April/ Radio NZ Rural] OnSide have created an online app to help farmers stick to the rules of the new Health and Safety at Work Act. The act came into force on 4 April and clarified the duties of farmers around risk management in order to better protect New Zealand workers. OnSide Chief Executive, Ryan Higgs said the company had spent months conducting research and had run a trial with 50 farmers to make sure the app was simple and saved time. Mr Higgs noted that the app would cost \$10 per user a month from May onwards.

Future of food

Lewis Road Creamery chocolate milk faces off for global food title [7 April/ Business Day] Lewis Road Creamery's chocolate milk has been put forward by a panel of international judges to represent New Zealand in a global competition for innovative food products. The competition would assess 84 food products from around the world. Review Publishing Managing Director said the milk was chosen for the collaboration category as it was a blend of Lewis Road milk and Whittaker's chocolate. Lewis Road Creamery Founder, Peter Cullinane said he was thrilled that the milk was representing New Zealand on the world stage, as their mission had always been to produce world class dairy products in New Zealand. The competition would be hosted in Paris in early April.

NZ organic sector growing strongly: Latest research [7 April/ Organics Aotearoa New Zealand News Release] The 2016 New Zealand Organic Market Report showed that the domestic market for certified organic products was worth \$217 million, with organic grocery sales through supermarkets increasing by 127 percent since 2012. New Zealand's organic pastoral exports increased by over 11 percent since 2012. Organics Aotearoa New Zealand Chief Executive, Brendan Hoare said the growth had been driven by domestic and overseas demand, following a worldwide trend that showed no signs of slowing. Mr Hoare added that New Zealand's organic fresh fruit, wine and dairy sectors could benefit immensely as they were each thriving domestically and were backed by a solid export sector that was diversifying into new markets.

Report shows strong future for organic products [8 April/ Rural News] Horticulture New Zealand Chief Executive, Mike Chapman said the 127 percent increase in organic sales through supermarkets over the last four years was good news for organic fruit and vegetable growers. Mr Chapman said the 2016 Organics Aotearoa Organic Market Report showed shoppers were thinking more about what they were putting in their trolleys. Mr Chapman added that the next step was for the government to help with regulating labelling of these products to show that they were organic and made in New Zealand. Mr Chapman noted that it was unacceptable how New Zealanders had to try and figure out what organic actually meant.

Green Party gets it wrong on organics [11 April/ Rural News] Organics Aotearoa New Zealand Chair, Doug Voss said the Green Party had unacceptably misrepresented findings of the 2016 New Zealand Organic Market Report. Mr Voss added that a Green Party media release contained many factual errors. Mr Voss explained that the Green Party portrayed the New Zealand Organic Sector as going backwards compared to other countries, while it was actually growing strongly. Mr Voss noted that he welcomed the Green Party's ongoing support and enthusiasm for growth in the organics sector.

Water

Water debate has to involve everyone, farmers say [7 April/ Radio NZ Rural] The Waihao Downs Irrigation Scheme in Canterbury was officially turned on this week. Waihao Downs Irrigation Scheme Chairman, Robin Murphy said the \$30 million project would take 1.50 cubic metres of water per second from the Waitaki River to service 24 farms over 3,300 hectares of land. Mr Murphy added that each farmer would pay \$750 per hectare a year to be part of the scheme. Waitaki Farmer, Matt Ross said the infrastructure and consent process cost approximately \$1,000 per hectare a year for his farm. Mr Ross added that if a conversation were to be had about water prices, it needed to involve all water users such as businesses and recreational users instead of just farmers.

Carrfields wins award for irrigator stabiliser [7 April/ Dairy News] Carrfields Irrigation company in Ashburton has won 2016's IrrigationNZ Innovation Award in association with Aqualinc for its innovative irrigator stabiliser. The HydroFix Irrigator Stabiliser was created to stabilise irrigators in strong winds, after more than 800 Canterbury irrigators were damaged in the gale force winds of 2013. The stabiliser consisted of inflatable water tanks connected to a pulley and counterweight systems along the length of an irrigator. In strong winds, a tap could be turned on to fill the tanks with water and lower them to the ground to secure the irrigator. IrrigationNZ Chief Executive Officer, Andrew Curtis said HydroFix reflected the innovative way irrigation companies were responding to customer needs through collaboration with research partners.

Agribusiness education

New Hamilton learning centre for agri-business students [7 April/ Radio NZ Rural] A \$1.8 million learning centre has been opened at St Paul's Collegiate in Hamilton in order to teach the new agribusiness achievement standards. St Paul's Collegiate Deputy Headmaster, Peter Hampton said the centre was a response to the government's ambition of doubling primary sector exports by 2025. Mr Hampton added that there was currently no programme in New Zealand secondary schools that directed students into the country's agribusiness universities. Mr Hampton said New Zealand would need another 25,000 graduates with agribusiness degrees to meet the government's target.

New AGMARDT scholarships announced [8 April/ Rural News] Agriculture and Marketing Research and Development Trust (AGMARDT) General Manager, Malcolm Nitschke said seven new scholarships totalling \$50,000 had been granted to people in agribusiness who were undertaking leadership and governance training to take on future leadership roles. Mr Nitschke added that he believed the success of New Zealand agribusiness would be driven by talented and inspired leadership.

Arable

Vegetables could be in short supply with seed import crackdown [11 April/ Business Day: NZ Farmer] The Ministry for Primary Industries has introduced regulation to make it more difficult to import seeds after the invasive velvetleaf weed was discovered in imports. New Zealand Grain and Seed Trade Association Vegetable Seed Chairman, Mark Johnson said there would be a shortage of vegetables because it would be very expensive to bring in small shipments of seed due to the high cost of testing. Mr Johnson added that New Zealand was highly dependent on the import of overseas genetics for vegetables.

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Weekly news update from the KPMG Agribusiness Network – 13 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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