

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

4 May 2016



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

Organisations referenced in this week's Field Notes include:

Angus New Zealand	Ministry for Primary Industries
Arable Industry Marketing Initiative	Ministry of Health
Australian Rural Exports	Monsanto
Burger King	Murray Goulburn
Cavalier Bremworth	New Zealand First
Community Mental Health Services	New Zealand National Fieldays Society
Country Land and Business Association	NIWA
Dairy Woman's Network	Northland College
doTERRA	Onetai Station
DSM	Overseas Investment Office
Emerald Food Family	Rabobank
European Union	Rural Health Alliance Aotearoa New Zealand
Farmers Weekly	Save the Farms
Federated Farmers	Shanghai Maling
Feijoa Growers Association	Silver Fern Farms
Fonterra Co-operative Group	Sugar Research Australia
Harvard University	Tamarillo Growers' Co-Operative
Horticulture New Zealand	Tree Crops Association
KPMG	Wellard
Labour Inspectorate	Wilding & Co
Labour Party	Wine Marlborough
Landcorp	Worksafe
Lincoln University	Zespri

This week's headlines

Horticulture	Kiwifruit shipment cleared after scare – Zespri [29 April/ NZ Herald]
Red Meat	Silver Fern reluctantly agrees special meeting on Shanghai Maling deal [2 May/ NZ Herald]
Biosecurity	Fruit-wrecking pest threatens feijoa season [2 May/ Radio NZ Rural]
International	Murray Goulburn boss Gary Helou resigns, profit downgraded [27 April/ Business Day: NZ Farmer]
Poultry	Burger King moves to free range eggs [2 May/ Rural News]

Horticulture

Tamarillos show way for small fruit crops [28 April/ NZ Farmers Weekly] Tree Crops Association Past President, Bill Rae said smaller crop growers would benefit from a co-operative model to sell their products. Mr Rae explained that it was a way for growers to organise themselves so they could meet the thresholds of the major supermarkets. Tamarillo Growers' Co-operative Manager, Robin Nitschke said the co-operative was entering its third winter harvest and represented a model which other smaller fruit and nut growers could adopt. Mr Nitschke added that the model could deliver benefits at the beginning of the value chain, but the best opportunities for growers were at the end of the value chain where they could further process products.

Kiwifruit shipment cleared after scare – Zespri [29 April/ NZ Herald] Zespri Chief Operating Officer, Simon Limmer said the grease found on trays being used to export kiwifruit earlier this month did not pose a risk to human health. Mr Limmer explained that the company had sought advice from domestic and international independent agencies on the compounds found in the grease and concluded that they did not pose a risk. Mr Limmer said the company now wanted to shift their focus to ensuring all fruit was delivered in top condition. Mr Limmer added that the company would unpack, check, and repack all trays of fruit that were in potentially affected packaging to ensure that no product with any traces of grease entered the market.

Viticulture

Wine industry heads deny demand for Marlborough sauvignon blanc declining [29 April/ Business Day] Rabobank Wine Analyst, Marc Soccio said Marlborough's sauvignon blanc had put New Zealand wine on the world stage, but there was an over reliance on the variety in some overseas markets. Mr Soccio added that the demand for Marlborough sauvignon blanc would inevitably plateau and may decrease in some markets, and therefore it was important for the industry to invest in other products as well. Wine Marlborough General Manager, Marcus Pickens said he had yet to see any signs of demand for Marlborough sauvignon blanc decreasing, despite people saying it was going to happen for the last 15 years. Mr Pickens noted that demand had started to plateau in Australia.

Forestry

The good oil from wilding pines [28 April/ Business Day: NZ Farmer] Wilding & Co have developed a vacuum distillation system designed to extract essential oils from wilding pines. The system is an efficient way to process essential oils in bulk from the invasive species that was spreading through New Zealand. In September 2015, Wilding & Co launched their story at a doTERRA convention in the United States in front of 40,000 delegates and an online audience of two million people. The business secured a multi-million dollar contract to supply douglas fir oil, processed from wilding pine forests in Otago, to doTERRA, the world's largest seller of essential oils. Wilding & Co Co-founder, Michael Sly said the business was the classic Kiwi story of a start-up company which had fantastic feedback from end customers. Mr Sly added that it was the first time in New Zealand history that essential oil had been produced on this scale.

Fishing and aquaculture

Crackdown on slave fishing crews: foreign charter vessels must reflag to New Zealand [1 May/ Business Day: NZ Farmer] All foreign fishing boats which operated in New Zealand waters were now required to be reflagged with the New Zealand flag, meaning they must follow New Zealand law. Primary Industries Minister, Nathan Guy said the change would ensure fair standards for all fishing crews in New Zealand. Mr Guy explained that the reflagging would give New Zealand full jurisdiction over areas such as employment and safety conditions on vessels fishing in New Zealand's Exclusive Economic Zone.

Dairy

Kiwi farmers reduce milk production as dairy prices remain low [28 April/ Business Day: NZ Farmer] Milk produced by Fonterra's New Zealand farmers decreased by 3 percent to 1,388 million kilograms of milk solids in the 10 months to March. The lower production was due to farmers reducing their herd sizes and feed costs in order to get through the period of low dairy payouts. Federated Farmers Dairy Chairman, Andrew Hoggard said New Zealand and Australia farmers had reacted quickly to weak world prices, but European farmers were not as quick to adjust with European production increasing 3 percent in the 12 months to January. Mr Hoggard added that he hoped the rest of the world would respond to the low prices like New Zealand farmers had done, allowing a more sensible balance between supply and demand.

Suicide concerns rise for farmers as dairy downturn takes its toll [29 April/ Business Day: NZ Farmer] Community Mental Health Services Clinical Manager, Tony Keatley said concerns over suicide had increased given the duration of the current downturn affecting the dairy industry. Mr Keatley added that rural health professionals had undergone specialist training in suicide prevention as the long term downturn in the dairy industry was taking its toll on even the most resilient farmers. The number of farmers who committed suicide increased from 22 in the 2013/14 season to 27 in the 2014/15 season. The Ministry for Primary Industries, the Ministry of Health and Rural Health Alliance Aotearoa New Zealand were running a series of suicide prevention workshops across the country this year.

Red meat

NZ beef cattle go on first shipment to China [29 April/ Business Day: NZ Farmer] Approximately 3,300 beef cattle have been sent to China to boost its breeding programme in what was thought to be the first shipment of beef animals to the country. Angus New Zealand President, Jo Fouhy said the shipment was sent two months ago but was not publicised. Mr Fouhy added that there were no problems with the angus cattle and they all arrived safely. Mr Fouhy noted that further shipments could be worthwhile financially as there was high demand for black angus cattle worldwide. The voyage was carried out by Australian Rural Exports.

Deal questioned [2 May/ NZ Farmers Weekly] A group of Silver Fern Farms shareholders would meet with the board next week in an attempt to block the company's merger deal with Shanghai Maling. The group was understood to have support from shareholders who represented 6.5 percent of the company, exceeding the 5 percent threshold required to call an extraordinary meeting under Silver Fern Farm's constitution. The group believed the merger vote should have been treated as a significant transaction which would have required approval from 75 percent of the shareholders to be passed. The group's other concern regarded the quality of financial information given to shareholders before the vote. The Overseas Investment Office was expected to make a decision within the next month on whether it would approve the partnership in which Shanghai Maling would buy half of Silver Fern Farms.

Silver Fern reluctantly agrees special meeting on Shanghai Maling deal [2 May/ NZ Herald] Silver Fern Farms has agreed to hold a special meeting of shareholders regarding its planned deal to sell 50 percent of the company to Shanghai Maling. Silver Fern Farms was holding the meetings in accordance with the Companies Act and the company's constitution after receiving a request from John Shrimpton and Blair Gallagher who were representing a group of 80 shareholders. A statement made by Silver Fern Farms said the meeting would be of no benefit to the company or its shareholders and was not an effective use of the company's management and financial resources. The statement added that the meeting posed a risk of disrupting the deal and could hurt the company's relationship with Shanghai Maling.

Biosecurity

NZ First calls for more action on velvetleaf [29 April/ Radio NZ Rural] New Zealand First Member of Parliament, Winston Peters said the government needed to improve its biosecurity response and do more to search for the invasive velvetleaf weed. Mr Peters added that the Ministry for Primary Industries should activate Enhanced Taskforce Green to help in the search for velvetleaf to prevent it from spreading further. Minister for Primary Industries, Nathan Guy said there was no need to activate Enhanced Taskforce Green to help in the search, as the only remaining searches were in Southland and those were expected to be completed that day. Mr Guy added that the ministry was moving onto the next phase which was the development of a long term management plan for velvetleaf. Mr Guy explained that the plan would aim to contain and reduce the spread of the weed and eventually eliminate it in some areas if possible.

Fruit-wrecking pest threatens feijoa season [2 May/ Radio NZ Rural] Northland Feijoa Farmer, Peter Jack said the guava moth which ruined feijoas was getting worse and spreading throughout the country. Mr Jack added that the pest was typically found in Auckland and Northland, but had spread into Waikato and could survive as far south as Nelson. Mr Jack said there was not enough research on the guava moth to be able to combat it, meaning it could pose a big threat. Mr Jack noted that he had lost half his crop this season due to the moth. The Feijoa Growers Association was applying for funding to research solutions to the pest.

International

Murray Goulburn boss Gary Helou resigns, profit downgraded [27 April/ Business Day: NZ Farmer] Murray Goulburn Managing Director, Gary Helou said he would step down from his role after the company lowered its profit after tax forecast by almost 40 percent to between AUD 39 million and AUD 42 million. Murray Goulburn Chairman, Philip Tracey said the size of the gap between previous profit estimates and actual sales figures was too great, leading to the resignation of Mr Helou. Mr Tracey said reasons for the lower forecast included China's crackdown on online sales, a spike in the Australian dollar, and a global dairy market that continued to weaken. The co-operative decreased its predicted farmgate price from AUD 5.60 per kilogram of milk solids to between AUD 4.75 and AUD 5 per kilogram of milk solids. The share price of Murray Goulburn fell 34 percent from AUD 1.42 to AUD 0.72.

Harvard and Monsanto speed up GE insect resistance in crops [28 April/ Agri Investor] Researchers from Harvard University and Monsanto have developed a new method to improve pest resistance in genetically engineered crops. The researchers used a technology called phage-assisted continuous evolution (PACE) to modify a protein in genetically engineered crops that insects had developed a tolerance to. The insects' tolerance of the protein was seen as a potential threat to the viability of some genetically engineered crops which used the protein to fight pests.

Australia and India work together to improve sugarcane varieties [28 April/ ABC Rural] Sugar Research Australia has announced a partnership with India to further research the development of new sugarcane varieties. The project was awarded over AUD 600,000 through the Commonwealth Government's Australia-India Strategic Research Fund. Sugar Research Australia Executive Manager of Technologies, Peter Allsop said the project was about developing the areas of drought resistance, sugar content, cane yield and the prevention of the red-rot disease. Mr Allsop said he hoped the research partnership would help shorten the breeding cycle from 12 years to 10 years. Mr Allsop added that another major focus of the partnership was to improve the water efficiency of cane varieties for Australian growers, as purchasing and transporting water was expensive.

Survey reveals 58% of farmers back EU exit [28 April/ UK Farmers Weekly] A Farmers Weekly poll showed that 58 percent of farmers were in favour of the United Kingdom leaving the European Union, with just 31 percent saying the United Kingdom should stay. The results were not consistent with statements made by farming unions which were convinced that the United Kingdom's farming interests were best served by remaining part of the European Union. Country Land and Business Association External Affairs Director, Shane Brennan said it was clear that many farmers were looking beyond farming issues when making their decision, with results showing they were also taking immigration and sovereignty factors into account.

Wellard launches world's largest live export ship: MV Ocean Shearer [29 April/ ABC Rural] Wellard Chief Executive, Mauro Balzarini said the company's new USD 90 million ship could carry 20,000 cattle or 75,000 sheep, and would increase Wellard's carrying capacity by 50 percent. Mr Balzarini added that the ship had the highest animal welfare standards of any vessel in the ocean due to its strong ventilation, high fresh water production and other enhancements of livestock services. The ship was expected to start transporting Australian cattle to China later this year.

Murray Goulburn board needs to answer why it ignored lower global milk prices for so long: Opinion [2 May/ ABC Rural] Financial Review Columnist, Joe Aston said Murray Goulburn would take at least five years to get back on track after the co-operative downgraded its profit forecast and slashed milk payments to farmers. Mr Ashton added that the co-operative had become a victim of global dairy commodity prices, but the board had taken their eye off the ball. Mr Ashton suggested it was mindboggling how the co-operative could tell the market they would receive AUD 6 per kilogram of milk solids at a time where their nearest competitor, Fonterra, was offering AUD 3.90 in New Zealand. Mr Ashton noted that the board would have a lot of questions to answer from their member suppliers as they held meetings across the country over the next two weeks.

Economics and trade

India FTA a priority for NZ: Key [1 May/ NZ Herald] Prime Minister, John Key said a free trade agreement with India was a priority for the Government. Mr Key added that he had pushed pretty hard on the deal when he met with India's President, Pranab Mukherjee in Auckland. Mr Key said the talks were very productive and Mr Mukherjee had conceded that the absence of a free trade agreement was holding back the relationship between the countries. Mr Key added that there were opportunities to collaborate with India in education, tourism, energy, clean technology, agri-tech, defence cyber security and ICT. New Zealand had not met their target of exporting \$2 billion of goods to India by 2015, with the figure instead decreasing from \$900 million to \$637 million between 2011 and 2015.

Farmers and producers

Hoggard rebukes bad employers [28 April/ NZ Farmers Weekly] Federated Farmers Dairy Chairman, Andrew Hoggard said he was losing patience with dairy farmers who continued to disregard employment law and may not support them if they faced prosecution. The statement followed an audit report on dairy farmer employment compliance that showed 40 percent of farms visited by government officials were in breach of the minimum standards. Mr Hoggard said he was frustrated after viewing a website advertising dairy farm vacancies where at least one was not offering to pay the legal minimum wage. Labour Inspectorate Central Regional Manager, Natalie Gardiner said managing issues such as wages, time worked and holidays was a fundamental role of employers, and if it was not a farmer's strength then they should contract it out to someone who could do it.

No prosecution over Cape Foulwind Farm death [28 April/ NZ Herald] Worksafe has decided not to prosecute Landcorp for the death of a dairy assistant on a quad bike last year. The fatality was only the second death related to quad bikes in Landcorp's 27 year history. A Worksafe spokeswoman said they were unable to provide details of their decision until the coronial process had been completed.

Not all foreign farm purchasers 'kosher' [30 April/ Radio NZ Rural] Three senior executives at the centre of a failed bid to purchase 22 of the Crafar farms between 2008 and 2010 have been found guilty of fraud charges in Hong Kong. The trio were convicted of conspiracy to defraud over the planned purchase of the dairy farms. Save the Farms spokesperson, Tony Bouchier said farmers were worried about the Overseas Investment Office's processes. Mr Bouchier added that the process should be more open and the investigation should be far more detailed to reassure New Zealanders that the authorities were doing proper background checks on people wanting to purchase agricultural land in the country.

Forecaster predicts lack of rain to persist as soil dries up [2 May/ Business Day: NZ Farmer] NIWA Weather Forecaster, Chris Brandolino said farmers should expect the dry conditions to continue in the short term due to a series of high pressure systems preventing rain-bearing clouds from forming. Mr Brandolino added that the situation was expected to continue over the next few weeks, followed by above average temperatures and average rainfall over the next few months. Mr Brandolino said the dry conditions would likely mean an earlier start to irrigation in spring. Manawatu Federated Farmers Dairy Spokesperson, Matt Hocken said a few farmers were milking once a day due to the dry summer.

Panama Papers: Onetai farm firm treasurer directed company in Scolari tax investigation [2 May/ Business Day] In 2013, the Overseas Investment Office recommended that ministers approve the sale of Taranaki's Onetai Station to a Panamanian firm whose director and treasurer was also a director of a company believed to have laundered money for Luiz Felipe Scolari, the former nation soccer coach of Brazil. Overseas Investment Office Group Manager, Annelies McClure said they were not required to conduct a good character check on the director of the company as they did not view him as having control of the company attempting to purchase Onetai Station. The Labour Party's Land Information Spokesman, David Cunliffe said that court and companies office documents showed that the Overseas Investment Office was not competently carrying out its good character test obligations. Mr Cunliffe added that the situation was a further nail in the coffin of the Overseas Investment Office's credibility and New Zealand's international investment reputation.

Deer

Eketahuna duo admit poaching stag from farm [28 April/ Business Day: NZ Farmer] Two men have been charged \$750 for shooting and taking a stag that belonged to a farm. The men said they did not realise the stag they poached from the farm was not wild until they cut its ear tag off. Judge, Gregory Ross said the men should have known what they were doing as the stag was in a gated paddock beside a road with a house nearby. Mr Ross said the biggest concern was that children in the house near the shooting had been left frightened by what had happened. The men said they knew what they had done was wrong, but just wanted the meat.

Animal health

Keep a close eye on your cows' calcium intake [28 April/ Bay of Plenty Times] DSM Ruminant Technical Manager, Joe McGrath said it was important for farmers to look at their cow's skeletons when assessing their health rather than just their body condition score. Mr McGrath explained that the calcium loss in a cow's skeleton was impossible to see and therefore made it difficult to measure bone health. Mr McGrath added that a cow could not be force fed calcium, but rather required a constant trickle to maintain bone health. Mr McGrath noted that DSM had developed a product called HyD which was a form of vitamin D that better enabled calcium absorption in a cow's diet.

Agribusiness education

Conference time for dairy women [28 April/ Bay of Plenty Times] The Dairy Woman's Network has 8,500 members nationally, split into 33 groups. Each group was led by volunteer leaders who organised events which covered topics such as budgeting, health and safety, human resource management and calf rearing. Dairy Woman's Network Chief Executive, Zelda De Villiers said the network's annual conference to be held in Hamilton would be an opportunity to meet and network with like-minded women. Ms De Villiers said the conference would cover a range of topics including herd improvement, growing great calves and the milk price roller coaster. Ms De Villiers added that one of the speakers was Diane Foreman, the creator of the Emerald Foods Family of brands including Movenpick, Killinchy Gold and NZ Natural. The conference would take place from 4 May to 5 May.

Sweet opportunities for locals [1 May/ Rural News] The Northland College Manuka Initiative has meant 11 Work and Income clients have begun developing a 30 hectare manuka plantation on Northland College land. Ministry for Primary Industries Senior Regional Officer, Ben Dalton said the manuka honey industry had been identified as a growing industry in Northland, meaning there would be more demand for skilled workers in the future. Mr Dalton said the 11 people had learnt foundation forestry skills through training programmes and would gain 16 weeks of practical work experience through the development project. Mr Dalton added that this meant they would be ready when new jobs opened up. Mr Dalton noted that the initiative did not only provide immediate work opportunities, but also provided Northland College students with the opportunity to study apiculture through Lincoln University and gain practical experience on site.

Water

HortNZ welcomes dam progress [30 April/ Rural News] Horticulture New Zealand Natural Resources and Environment Manager, Chris Keenan said the organisation welcomed the announcement that progress had been made in securing funding for the Ruataniwha Dam project in Hawke's Bay. Mr Keenan added that the horticulture industry was reliant on sensible management of freshwater in New Zealand, and the provision of water for future generations of primary sector businesses was essential. Mr Keenan said the Ruataniwha Dam would allow for increased production in Hawke's Bay and therefore add to the security of food supply for New Zealanders.

Arable

Feed grain dairy demand down 70% [2 May/ NZ Farmers Weekly] The Arable Industry Marketing Initiative autumn report showed there was 147,000 tonnes of unsold grain on the market, far higher than the 75,000 tonnes in the previous season. Federated Farmers Arable Chairman, Guy Wigley said farmers would look to reduce prices as a result of the surplus. Mr Wigley added that New Zealand was a big importer of wheat, and substituting these imports with local grain would help balance supply and demand. Mr Wigley noted that negotiations were underway to get Canterbury grain to the North Island. Mr Wigley said cropping farmers had the option to increase plantings of oil seed rape and grass seeds that were selling at the same price as last season.

Fieldays

Collaboration theme for Fieldays 2016 [3 May/ Coast and Country] 'Collaborate to accelerate innovation' has been announced as the theme for the New Zealand National Agriculture Fieldays in 2016. New Zealand National Fieldays Society Chief Executive Officer, Peter Nation said the theme highlighted and celebrated New Zealand's culture of working together in the rural sector in order to advance agriculture, both domestically and around the world. Mr Nation added that the dairy industry had been hard hit recently, but through collaboration the sector would be able to survive the downturn. The launch of the theme was attended by guest speakers including Primary Industries Minister, Nathan Guy and KPMG Global Head of Agribusiness, Ian Proudfoot.

Poultry

Burger King moves to free range eggs [2 May/ Rural News] Burger King New Zealand Chief Executive, John Hunter said the company would start to use free range eggs in its restaurants throughout the country from 1 September. Mr Hunter said Burger King would become the first large burger chain to move to 100 percent free range eggs New Zealand wide. Mr Hunter noted that the company took its responsibility in maintaining market leading practices on animal welfare seriously.

Wool

Carpet maker Cavalier Bremworth to cut 65 jobs [2 May/ NZ Herald] Cavalier Bremworth announced that it would cut around 65 jobs across its three carpet manufacturing plants in Whanganui, Napier and Christchurch. A downturn in demand for woollen carpets meant the company would shut down its operations in Christchurch and move them to the Wanganui plant. The wool spinning operation in Whanganui would move to Napier.

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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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