

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

11 May 2016



FIELDNOTES.CO.NZ

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

Organisations referenced in this week's Field Notes include:

AgriHQ	Murray Goulburn
ASB	Napier Port
BNZ	New Zealand First
Burra Foods	New Zealand King Salmon
Christchurch High Court	New Zealand Merino Company
Clearview Estate	New Zealand Nutritionals
Clearwaters Organic Dairy	New Zealand Wool Services International
Comvita	NZX
Dakang Australia Holdings	Ogilvy & Mather
Danish Council of Ethics	Olives New Zealand
Environment Canterbury	Overseas Investment Office
Farmlands	Paymark
Federated Farmers	Prestige Carpets
Fonterra	Royal Society of New Zealand
Foreign Investment Review Board	Seeka Kiwifruit
Forsyth Barr	Silver Fern Farms
Global Dairy Trade	Splice Kiwifruit
Greenpeace	Tegal
Inner Mongolia Fuyuan Farming	The Village Press
Isaacs Electrical	Upland Consulting
KFC	Waikato Milking Systems
Landcorp	Waikato Regional Council
MachineryLink Sharing	Waitangi Tribunal
Marlborough District Council	World Bank
Metro Vancouver	Zespri
Ministry for Primary Industries	

This week's headlines

Honey	Comvita posts record profit of \$17.2 million [10 May/ Business Day: NZ Farmer]
Environment & Emissions	Solar-powered pump sells to 20 countries [9 May/ Radio NZ Rural]
Farmers & Producers	Winner a woman of many talents [9 May/ NZ Farmers Weekly]
Economics & Trade	Tribunal finds TPP deal does not breach Treaty of Waitangi [6 May/ NZ Herald]
Wool	Landcorp wool destined for premium Australian carpets [9 May/ Rural News]

AgriHQ Pulse: Ian Proudfoot's latest opinion piece

Murray Goulburn's predicaments highlight the challenges of really adding value to products

Until last Wednesday, Murray Goulburn was a leading participant in the rejuvenation of the Australian dairy sector. They had developed and executed a value add strategy, achieved a successful listing of investment units on the stock exchange, delivered profits and sustained a milk price above a point that all economic fundamentals suggested was achievable.

Last Wednesday the success story started to crumble. The co-operative went into a trading halt before announcing an 85 cent per kilogram cut in their forecast milk price for the current season and a reduction of over 30% in the forecast profit for the current year. The company has seen almost a 50% reduction in its unit price on the stock exchange, the departure of both its CEO and CFO and two Directors.

Not surprisingly the board is facing intense scrutiny over what has gone wrong and how such significant shifts in milk price and profitability had not been detected earlier. Questions are being raised over the accuracy of the disclosures made in the prospectus and whether the Directors had met continuous disclosure regulations. There has been talk of class actions being launched against the co-operative.

It is interesting trying to unpick what has happened given the limited information that is currently available in the market. Murray Goulburn's former CEO had been very clear in his view that his co-operative had clearly adopted a different strategy to Fonterra. He suggested they were adding value to more of its milk and this was enabling the co-op to maintain a significant premium over the commodity milk price, however questions are being raised over whether the value added strategy was delivering all that it had been expected from it.

Last year's KPMG Agribusiness Agenda explored the theme of adding value to primary products and reached a conclusion that it was very easy to talk about adding value to production but much harder to actually achieve. Most organisations adopting value add strategies fail to meet their return expectations because they do not have the culture to deliver what they hoped to achieve. Our work suggests that too often companies underestimate the investment required to successfully grow value; it is not just about building a processing plant but significant time and money needs to be invested into a range of intangible value drivers. Components including developing people, brand and consumer experiences and solution focused innovation, all contributing to overall success. Without the intangible investments it is more likely that a company will add cost in excess of the additional revenue that is created.

Murray Goulburn had embarked on a number of value add strategies utilising the A\$500 million it raised in its float last year. These include the development of nutritional powders predominately targeted at the Chinese markets, dairy beverages and cheese products. Prior to its IPO, the co-operative had also invested heavily into liquid milk processing as part of its value add strategy, building two plants that were producing white milk for sale in domestic supermarkets. This is an investment that critics are challenging, as the plants had been developed in response to the co-operative entering into a low margin, high volume contract to supply one of the major Australian supermarket chains with house brand milk.

This contract illustrates the challenge of adding value after capital, input and processing costs have been taken into account. It also illustrates that in our fast changing world a contract that is conceived as value add can quickly become commoditised if it is not built on a basis of unique intellectual property.

The coming weeks will undoubtedly provide further analysis on the specific issues that have arisen at Murray Goulburn. If there are immediate lessons for other companies in the industry, to my mind, they are not to overlook the cost, complexity and time that is involved in adding value to a product and to recognise that value add is not static but continuously evolving.

This can be exemplified in the fishing industry. The way to maximise the value of a fish is to take it out of the water alive and do nothing to it other than add a story about sustainably harvested, natural seafood as it is delivered to a white table cloth restaurant. The reality is that doing nothing to a fish is significantly more complex and expensive than processing and freezing the fish after it is caught. However when the fresh product is backed by the right investment into its intangible attributes, the ability to transform its value is great and this can deliver premiums that justify the time and cost involved. The key to sustaining these premiums is to ensure the product offering and underlying story is continuously evolving to meet the changing needs of the ultimate consumer.

Ian Proudfoot

KPMG Global Head of Agribusiness

This article was first published in the AgriHQ Pulse service on 6 April 2016. AgriHQ Pulse can be accessed from www.agrihq.co.nz

Horticulture

NZ olive oil growers competing against imported 'fakes' [5 May/ Business Day] Olives New Zealand Chief Executive, Gayle Sheridan said a large proportion of extra virgin olive oils sold in Australia had failed to meet international standards, while legal action was being taken in the United States against importers of fake olive oils. Ms Sheridan added that these inferior oils were now coming to New Zealand. Ms Sheridan said Olives New Zealand ran a certification programme where producers which met the olive oil standards were given a red sticker to place on their bottles indicating their company was verified. The Village Press Chief Executive, Wayne Startup said his company was part of the Olives New Zealand certification scheme but did not make the effort to use the red stickers. Partly because the colour red had negative connotations overseas. Mr Startup added that he would be in favour of a New Zealand standard, as long as it was followed by everyone.

Zespri ordered to reconsider collaborative marketing proposals [6 May/ National Business Review] The High Court has told Kiwifruit New Zealand to reconsider its decision that disallowed Splice Fruit and Seeka Kiwifruit to export kiwifruit to Austria and China. Only Zespri was allowed to export kiwifruit to countries other than Australia without seeking approval from New Zealand's kiwifruit regulating body. Kiwifruit New Zealand said the reason for their decision was that the export proposal was not consistent with Zespri's marketing strategy of creating brand value and premium returns for New Zealand suppliers. The court hearing was fast-tracked because the 2016 season had already commenced.

Harvest time keeps port booming [10 May/ NZ Herald] Napier Port has handled some of the highest export volumes in the last decade due to a large Pipfruit harvest and growth in the regions forestry and viticulture sectors. Napier Port Chief Executive Officer, Garth Cowie said last month was the busiest April ever with 28,513 twenty foot equivalent containers being handled. Mr Cowie said the port was planning on building a new wharf to handle the projected volume growth and enable larger vessels to visit Napier. Mr Cowie added that Napier Port was a critical link between local producers and the world market and future proofing that link was vital for the regional economy.

Viticulture

Winemakers braced for top vintage [5 May/ NZ Herald] Clearview Estate Co-owner, Tim Turvey said the 2016 red vintage was amazing and could even be better than the 2013 vintage. Mr Turvey added that the syrah grapes lasted about two weeks longer than they normally would, meaning they were packed with flavour. Clearview Estate Winemaker, Matt Kirby said the long summer-like warmth had helped enhance the quality of the syrah grapes. The quality across the whole region was a huge bonus for the local wine industry and would gain global attention.

Honey

Comvita posts record profit of \$17.2 million [10 May/ Business Day: NZ Farmer] Comvita announced that their profit after tax for the year increased from \$10.2 million in the 2014-15 season to a record \$17.2 million in the 2015-16 season. Comvita Chief Executive, Scott Coulter said the company was continuing to build scale and increase its sales base. Mr Coulter explained that this resulted in profits growing faster than sales, with earnings before interest and tax now at 18 percent of revenue. The company's financial results were unaudited as the company has change their balance date from 31 March to 30 June.

Fishing and aquaculture

'Serious interest' in Coromandel fish farming [4 May/ Radio NZ Rural] The Waikato Regional Council Strategy and Policy Committee has approved a council report that recommended the Marine Farming Zone in the Firth of Thames should be opened for tenders. The zone was set up in 2011 as an area where new types of marine farming could be tested and grown to a commercial scale. There had been little interest since. Waikato Regional Council Coastal Policy Advisor, Graeme Silver said there was now serious interest in fish farming so the council was releasing the space by calling for tenders. Mr Silver added that the tenders needed to be thorough because of the potential environmental impacts. Mr Silver noted that there would be one or more successful applicants who could then apply for resource consent.

Three Marlborough Sounds salmon farms in spotlight after failing to meet environmental guidelines [9 May/ Business Day: NZ Farmer] Three New Zealand King Salmon farms in the Marlborough Sounds have not met the best management practice guidelines set by the Government and Marlborough District Council. New Zealand King Salmon Environmental Compliance Manager, Mark Gillard said that the company was working with the council and the Ministry for Primary Industries to improve environmental outcomes for salmon farming. Implementing the best practices would be a challenge that may take up to eight years to solve. Ministry for Primary Industries Aquaculture Manager, Dan Lees said it was not acceptable that the company wanted so much time to implement the best practice guidelines across all of their farms.

Dairy

Dairy prices fall at Global Dairy Trade auction [4 May/ NZ Herald] The Global Dairy Trade price index fell by 1.4 percent from USD 2,263 to USD 2,203 at the latest auction, despite the price of whole milk powder increasing by 0.7 percent to USD 2,176 per tonne. AgriHQ Dairy Analyst, Susan Kilsby said the increase in whole milk powder prices was due to the lower volume on offer as New Zealand's milk production season came to an end. Ms Kilsby added that the AgriHQ farmgate milk price rose from \$4.09 per kilogram of milk solids to \$4.11 per kilogram due to an increase in the price of futures contracts on the NZX Dairy Derivatives market. Ms Kilsby noted that the AgriHQ 2016-17 farmgate milk price increased to \$4.76 per kilogram of milk solids.

Fonterra cuts Oz milk price [6 May/ NZ Herald] Fonterra Australia decreased their farmgate milk price from AUD 5.60 per kilogram of milk solids to AUD 5.00 per kilogram to better reflect the supply and demand imbalance affecting global dairy prices and the strong Australian dollar. A Fonterra Australia representative said the revised milk price would reduce the co-operative's cost of goods sold and therefore help reduce operating losses in the Fonterra Australia Ingredients business. Forsyth Barr Analyst, James Bascand said he expected Fonterra's earnings before interest and tax to increase by AUD 25 million, taking the co-operative closer to the breakeven point. Fonterra did not revise their earnings per share forecast of between AUD 0.45 and AUD 0.55 per share.

Fonterra writes big cheques for organic milk [6 May/ NZ Herald] Fonterra has announced that it would pay its organic milk farmers \$9.20 per kilogram of milk solids for the 2016/17 season. Fonterra Head of Co-operative Affairs, Paul Grave said that the organic milk opening forecast was far higher than the \$5.65 per kilogram of milk solids farms were currently receiving, reflected consistently higher prices for organic milk products in the global market. Mr Grave explained that organic milk prices had remained high since 2013 because demand was increasing faster than supply. Mr Grave noted that Fonterra's organics business had been consistently profitable and had paid back the co-operative's investment in the business.

Provinces take big hit from lower dairy prices [9 May/ Business Day: NZ Farmer] According to Paymark figures, New Zealand's four most concentrated dairy regions experienced lower annual growth rates in recent quarters compared to other regions. The figures showed that the underlying spending growth rate in Waikato, Taranaki, West Coast and Southland was 6.2 percent, while the rest of the country had a growth rate averaging 8.3 percent. The figures indicated that the average dairy herd of 413 cows would have earned \$1.3 million in the 2013-14 season, but would only earn \$600,000 this season.

Red meat

No joint venture U-turn, SFF says [4 May/ Otago Daily Times] A Silver Fern Farms representative said the company was not re-seeking shareholder approval for the Shanghai Maling joint venture. The statement came after New Zealand First Leader, Winston Peters said the company had backed down from the investment after a shareholder revolt. Mr Peters added that he wanted the Overseas Investment Office to suspend its deliberations until after the special meeting was held. The Silver Fern Farms representative said the company was only calling a shareholders meeting because it had received a requisition requiring it to do so under the Companies Act, as over 5 percent of shareholders had requested one.

Chilled meat for China in short supply [9 May/ NZ Farmers Weekly] Silver Fern Farms Sales Manager, Grant Howie said China would have to compete with other overseas markets for New Zealand's best cuts of meat once it allowed chilled meat into the country. Mr Howie explained that the company had a limited supply of beef and if they were to send those cuts to China, they would be taking them away from other markets. Mr Howie said the company could not quickly upscale the size of the industry to meet the extra demand from a new market. Mr Howie noted that China offered great potential for chilled New Zealand exports, but the gains would come with time rather than immediately. The date on which chilled meat could be exported to China had yet to be announced. The industry had not been told if plants approved for frozen exports would automatically get a chilled licence, or whether they would have to go through the full inspection process.

Rural infrastructure

BNZ reports half a billion dollar increase in impaired dairy loans [5 May/ Business Day] The Bank of New Zealand's impaired dairy loans have increased by \$500 million as farmers have struggled with milk prices below the breakeven point. Bank of New Zealand Chief Executive, Anthony Healy said the increase in the bank's impaired loans from \$308 million last year to \$807 million this year was almost entirely due to dairy debt. Mr Healy added that although the loans were impaired, they were not expected to make a loss as the bank had good security. Mr Healy said the bank was providing further funding to farmers to get them through the downturn, and was working with them on strategies to cut costs and sell non-essential assets.

No rebate for Farmlands [5 May/ Otago Daily Times] Farmlands has announced that it would not return a rebate to farmers this year due to the tough conditions in the rural sector. Farmlands Chairman, Peter Teidie said the year had not been a good one for farmers or the co-operative. Mr Teidie added that the co-operative was focused on managing costs and adjusting to the market downturn. Farmlands distributed an \$8.2 million bonus rebate to shareholders in 2015 and a record \$17.6 million rebate in 2014.

Environment and emissions

Report highlights ag's climate change challenges [5 May/ Rural News] A Royal Society of New Zealand report showed that agriculture was responsible for approximately half of New Zealand's greenhouse gas emissions. The report added that a significant reduction in agricultural emissions would require a lower reliance on meat and milk. The report explained that selectively breeding cattle and sheep could also help reduce emissions. The report added that planting new forests was also a practical method to remove large volumes of carbon dioxide from the atmosphere in the short term. The report noted that there was a limit on how many forests could be planted due to availability of suitable land.

Solar-powered pump sells to 20 countries [9 May/ Radio NZ Rural] Isaacs Electrical has signed a deal to sell its solar powered water pumps in 20 countries through a distribution partnership with Waikato Milking Systems. The ePump could pump up to 20 litres of water per minute in daylight hours, and for a distance of up to 120 metres. Isaacs Electrical Spokesman, Gavin Streeter said the company had struggled to cope with demand as it had up to 30 enquiries a day. Mr Streeter added that the best solution to keep up with demand was to partner with a reputable global firm that offered strong distribution channels. Mr Streeter explained that Waikato Milking Systems had distributors through the United States, South America, Russia, Europe and Asia.

Biosecurity

Govt calls off velvetleaf programme [6 May/ Radio NZ Rural] Ministry for Primary Industries Incident Controller, David Yard said the current programme to destroy the invasive velvetleaf weed had been called off. Mr Yard said discussions were underway over what the next phase of the operation would be and who would pay for it. Mr Yard added that more would be known after a meeting of stakeholders to be held within the next two weeks. Mr Yard noted that it would be very difficult to eradicate the weed.

International

Global water shortages to deliver 'severe hit' to economies, World Bank warns [2 May/ The Guardian] World Bank Lead Environmental Economist, Richard Damania said water shortages would severely hit economies of the Middle East, Central Asia, and Africa by the middle of the century. The World Bank projected that water shortages could decrease the GDP of countries in the Middle East by 14 percent, while countries in Central Asia could see their GDP decrease by 11 percent. Mr Damania explained that the shortages would be due to a growing population, a warmer climate, and increased demand from agriculture. A World Bank report said more efficient use of water could make a big difference, with two thirds of water currently being lost to old and leaky pipes in some countries.

Australia rules out sale of cattle empire to foreigners [4 May/ NZ Herald] Australian Treasurer, Scott Morrison said he would never sell Australia's largest cattle empire to foreigners as it would be contrary to national interest. The statement led to Chinese based Dakang Australia Holdings withdrawing its application to buy an 80 percent stake in S. Kidman & Co. Limited. Mr Morrison said the main reason he opposed the AUD 371 million sale was that the collection of cattle ranches being sold to the foreigners was too big. Kidman owned 10 cattle ranches, a bull breeding stud and a feed lot covering over 100,000 square kilometres, an area bigger than South Korea.

Denmark chews over carbon tax on foods [5 May/ Food Navigator] The Danish Council of Ethics has considered a carbon tax on foods as the sector accounted for a significant proportion of global emissions. A Danish Council of Ethics statement said that in order to decrease emissions, a clear signal had to be sent to consumers through regulations, rather than relying on consumers to be ethical. The statement added that it was necessary to act quickly in order to meet the Paris Agreement target of keeping the global temperature rise well below 2 degrees Celsius. Danish Council of Ethics Senior Consultant, Anne Lykkeskov said a tax had been effective in reducing consumption in other areas such as tobacco. Ms Lykkeskov added that Danes could reduce the climate impact of their food intake by between 20 percent and 35 percent by changing to diets that were less reliant on red meat.

China's Fuyuan taking over Burra Foods [5 May/ Dairy Reporter] Australian dairy ingredient processor, Burra Foods has announced that Chinese dairy farming company, Inner Mongolia Fuyuan Farming Co Ltd would be taking a majority shareholding in the company. Burra Foods Chief Executive Officer, Grant Crothers said the deal would give the company access to the Chinese market as well as capital to fund expansion projects. Mr Crothers added that the deal would ensure a future for milk suppliers and provide continued employment for staff. Burra Foods and Fuyuan would both provide directors for the new board once the Foreign Investment Review Board had approved the deal.

Agriculture Vancouver exploring incentives for freeing up farmland [5 May/ The Globe and Mail] Metro Vancouver Regional Planning Manager, Heather McNell said only about half of the farmland in the region was being used for farming. Ms McNell explained that the rest of the agriculture land was bought by people who built mansions and did not lease the surrounding land out for privacy reasons. Ms McNell added that some of these landowners ran very small farming operations which earned them thousands of dollars in tax benefits since their properties were classified as farms. An Upland Consulting report suggested that the farms were split into two classes. Under the proposal, serious commercial farms would receive larger tax benefits than the hobby farms. Metro Vancouver would use the Upland Consulting report and three others to figure out the best tax solution to free up land for farming.

KFC Hong Kong makes 'finger lickin' good' chicken-flavoured nail polish [6 May/ Business Day] KFC Hong Kong have released an edible nail polish which customers could put on their nails and then lick off. The fast food chain partnered with Ogilvy & Mather to produce and promote an original flavour and a hot and spicy flavour of nail polish. Ogilvy & Mather Creative Director, John Koay said the campaign was meant to be intriguing and fun to increase the excitement around KFC in Hong Kong.

Aussie farmers rebel against Fonterra Australia [10 May/ Radio NZ Rural] Fonterra Australia Dairy Farmers have been rebelling after the co-operative cut its milk price payout from AUD 5.60 to AUD 5.00 to match the cut by rival company Murray Goulburn. A representative of the Farmer Power group said they were preparing for war against Fonterra following the cuts. Victoria Fonterra Supplier, Karrinjeet Singh-Mahil said she the co-operative should have signalled that it was going to cut its milk price at the same time Murray Goulburn made its announcement. Fonterra Oceania Head, Judith Swales said Fonterra had signalled that price cuts were possible since August, and the co-operative had an agreement with farmers that they would match the price of the market leader, Murray Goulburn. Ms Swales added that the late timing was because it took time to produce the loan offer which would allow farmers to receive a cash equivalent of AUD 5.60 per kilogram of milk solids.

Meet the site that is like Uber - but for tractors [10 May/ NZ Herald] Last year, MachineryLink Sharing launched a website on which farmers could make money by renting their equipment to those who could not afford the cost of buying the machines. MachineryLink Sharing President, Jeff Dema said the platform had more than 1,200 users and hundreds of tractors, planters and combines available to rent. Mr Dema said tight timelines in the growing season meant it was difficult to lend equipment as everyone in the same area needed the same equipment at the same time. Mr Dema added that MachineryLink Sharing allowed farmers to lend equipment to people outside their neighbourhood, with renters being responsible for transporting the equipment. Mr Dema noted that the company used a rating system so lenders and borrowers knew they could trust the other party.

Economics and trade

Huge fee hike approved for Overseas Investment Office [5 May/ Business Day] The Overseas Investment Office has increased its fees and would hire up to 10 more employees to perform checks on foreign buyers of sensitive land and assets. Land Information Minister, Louise Upston said the decision was not related to the controversies surrounding the Onetai Farm sale. Ms Upston explained that the increase in fees had resulted from a review conducted over the last year. Finance Minister, Bill English said foreign investors had complained that the Overseas Investment Office took too long to reach decisions and its rationale for decisions was not always clear.

Tribunal finds TPP deal does not breach Treaty of Waitangi [6 May/ NZ Herald] The Waitangi Tribunal has ruled that the Trans Pacific Partnership did not breach the Crown's treaty obligations as it provided a reasonable degree of protection to Maori interests. The tribunal added that although a treaty clause was included, there were concerns that giving foreign investors the right to bring claims against the New Zealand Government may have an effect on the Crown's ability to meet their treaty obligations. Trade Minister, Todd McClay said New Zealand's approach to free trade agreements reflected the constitutional importance of the treaty to New Zealand. Mr McClay added that the specific recognition of the treaty in the agreement meant nothing would prevent the Crown from meeting its obligations to Maori. The tribunal noted that there should have been more consultation on the agreement before negotiations were completed.

Farmers and producers

Marlborough's dairy farms improving but progress slow [9 May/ Business Day: NZ Farmer] Marlborough District Council Environmental Protection Officer, Lauren Kensington said compliance among the region's 56 dairy farms was at its highest level in three years, with 91 percent of farms meeting council rules. Ms Kensington added that the majority of farmers were doing everything they could to comply with the rules using the resources they had available to them. Ms Kensington said the council was addressing significant non-compliance farms with follow up visits. Ms Kensington noted that most farms did not have effluent systems that met best industry practice, but they would be forced to upgrade when new rules were introduced around June.

Winner a woman of many talents [9 May/ NZ Farmers Weekly] Westport Dairy Farmer, Rebecca Keoghan has won the 2016 Dairy Woman of the Year award for an outstanding contribution to the dairy industry over the past 10 years. Ms Keoghan received a place on the Global Women Breakthrough Leaders Programme sponsored by Fonterra, a prize worth \$30,000. Ms Keoghan said the opportunity to take part in the programme was an incredibly wonderful opportunity. Dairy Women's Network Chief Executive, Zelda de Villiers said Ms Keoghan was an exceptional woman who was a great ambassador for the dairy industry at every level. The judging panel considered each entrant's commitment, drive and passion for the dairy industry as a whole and whether they were a good role model for women in the sector.

Poultry

Tegel management 'straining at leash' to push ahead [4 May/ NZ Herald] Tegel Chairman, James Ogden said the company was looking to push ahead with ambitious growth plans including domestic expansion and new export markets after \$300 million was raised through an initial public offering (IPO). Mr Ogden added that the money would also be used to reduce debt. Mr Ogden said the company's export expansion was a long term plan, while the domestic business was benefiting from population growth. Tegel has forecast the company's net profit to rise from \$10 million in the 12 months to 24 April 2016 to \$44 million in the following 12 months. Shares in Tegel were offered at \$1.55 each and first traded at \$1.69 on the NZX.

Goat

Goats' milk powder not made in NZ – court [3 May/ Radio NZ Rural] The Christchurch High Court has ruled that New Zealand Nutritionals has made misleading statements on two of their goat milk products by claiming that they were made in New Zealand when they were not. Justice, Geoffrey Venning said the labels were misleading because all the active ingredients were imported and a reasonable person would assume that the label meant the product was produced from local goat milk. A New Zealand Nutritionals representative said the products were manufactured in New Zealand and the labels were not a representation of where the goat milk powder was sourced. New Zealand Nutritionals has 20 days to appeal the decision.

Water

Feds disappointed by Greenpeace protest [4 May/ Rural News] Federated Farmers Water Spokesperson, Chris Allen said it was disappointing that Greenpeace opposed a scheme that had gone through a lengthy process and had stringent environmental conditions attached to it. Mr Allen added that Greenpeace seemed to oppose anything that improved New Zealand farmers' resilience against the climate. Mr Allen said the protest by Greenpeace, in which they dumped dairy effluent outside Wellington ACC offices, was a misguided publicity stunt.

Organics

Organic farming could help solve Kaikoura's water quality woes [10 May/ Business Day: NZ Farmer] South Canterbury Clearwaters Organic Dairy Spokesman, Bryan Clearwater said organic farming could be the answer to Kaikoura's water quality problem. Environment Canterbury's Land and Water Regional Plan showed that the Kaikoura flats area had poor water quality, meaning farmers faced greater restrictions and were prohibited from intensifying land to use for dairy. Mr Clearwater said farmers could expect to receive a premium price for organic milk if they were able to eliminate chemicals. Mr Clearwater added that a move to organic would halve stock numbers and therefore reduce the environmental impact of farms.

Wool

Wool up, dollar drifting higher [9 May/ Otago Daily Times] The price of wool has increased by 4 percent across most categories at the South Island wool sale. New Zealand Wool Services International Chief Executive, John Dawson said steady interest from Australasia and Western Europe was underpinning the market. ASB's Farmshed Economics report said wool prices would remain at current levels over the next six months. Beef + Lamb New Zealand estimated that production in the 2015-16 season would be 2.4 percent lower than in the 2014-15 season.

Landcorp wool destined for premium Australian carpets [9 May/ Rural News] Landcorp and The New Zealand Merino Company have signed a contract to supply wool to Australia's Prestige Carpets. The agreement would see 120 tonnes of wool despatched to Australia. Prestige Carpets General Manager, Simon Longton said the company chose to partner with Landcorp due to their fibre integrity and leading environmental management. Landcorp Chief Executive, Steven Carden said the agreement represented a significant boost to the company's wool growing operations.

Agribusiness education

Field Notes

Weekly news update from the KPMG Agribusiness Network – 11 May 2016

7

Students experience science first-hand [10 May/ Business Day: NZ Farmer] Plant & Food Research's summer studentship programme gives students considering a science career the chance to work on real research projects alongside world-recognised scientists. Applications were now open to all science undergraduates, graduates and masters or PhD students who were currently enrolled in a New Zealand university. University of Waikato Student, Anita Pearson said the programme had been incredibly useful for gaining insight into scientific research and the number of diverse science careers.

Climate change

Facing up to climate change [10 May/ NZ Herald] National Institute of Water and Atmospheric Research data showed that New Zealand's average temperature has increased by about 0.9 degrees Celsius over the past 100 years. Scion Research Principal Scientist, Tim Payn said the forestry sector would be affected by an increase in erosion due to more frequent storms. Mr Payn added that the government and the forestry industry were working together to research whether drought tolerant genotypes could be used to counter the effects of climate change. University of Waikato Agribusiness Professor, Jacqueline Rowarth said the unpredictability of the weather was a challenge for farmers who were preparing for weather events that may or may not happen. Ms Rowarth noted that a proper water debate needed to take place in New Zealand.

Animal welfare

Piggery faces cruelty charges [9 May/ NZ Herald] Kaimai Pork Limited has faced cruelty charges after 24 pigs were left injured and three were put down in the overcrowded site. Kaimai Pork Manager, Kenneth Julian McIntyre pleaded not guilty to three animal cruelty charges in the Hamilton District Court. Mr McIntyre would reappear in court next month and face a maximum three year prison term or a \$75,000 fine, while the company faced fines of up to \$350,000.

Tanekaha rapt to home kiwi [10 May/ NZ Herald] Twelve kiwi have been released on to pest-controlled farmland and bush in Tanekaha after years of hard work by farmers. Tanekaha Community Pest Control Area Co-ordinator, Edwin Smith said kiwi eggs were being removed from the area in 2012 because it was not safe for them to stay. The Tanekaha Community Pest Control Area was launched in 2012 with farmers signing an agreement with the Northland Regional Council to establish a pest control programme. Mr Smith said that after four years of pest control, the area was once again safe for kiwi. Mr Smith added that the aim was to release 20 kiwi into the area over the next few years in order to build a self-sustaining population.

Subscribe

To subscribe to future editions of Field Notes please [click here](#).

Contact Us

Auckland/ Audit Ian Proudfoot 09 367 5882 021 656 815 iproudfoot@kpmg.co.nz	Taxation Greg Knowles 09 367 5989 021 307 332 gknowles@kpmg.co.nz	Tauranga Robert Lee 07 571 1773 027 451 1035 relee@kpmg.co.nz	Wellington Graeme Edwards 04 816 4522 027 296 5050 gdedwards@kpmg.co.nz
Christchurch Andrew Hawkes 03 353 0093 027 508 0135 ahawkes@kpmg.co.nz	Financial Advisory Services Gary Ivory 09 367 5943 021 932 890 givory@kpmg.co.nz	Management Consulting Simon Hunter 09 367 5881 027489 9737 simonhunter@kpmg.co.nz	Hamilton/ Private Enterprise Hamish McDonald 07 858 6519 021 586 519 hamishmcdonald@kpmg.co.nz
Ashburton/ Private Enterprise Maurice Myers 03 307 0768 027 208 3405 mauricemyers@kpmg.co.nz	Farm Enterprise North Island Roger Wilson 07 858 6520 027 281 9575 rogerwilson@kpmg.co.nz	Julia Jones 07 858 6553 027 524 8901 julijones1@kpmg.co.nz	South Island Brent Love 03 683 1871 027 528 1537 blove@kpmg.co.nz

Field Notes

Weekly news update from the KPMG Agribusiness Network – 11 May 2016

8

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.

The information provided herein is of a general nature and is not intended to address the circumstances of any individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received nor that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2015 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved. The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.