

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

18 May 2016

Organisations referenced in this week's Field Notes include:

Bayer	Murray Goulburn
Bloomberg	New Zealand Veterinary
Crowe Horwath	Onions New Zealand
DairyNZ	Otago University
Duncan New Zealand	Otago Venison
Environment Southland	Packer Leather
Environmental Protection Agency	Placemakers
European Union	Quorn
Europool	Rabobank
Federated Farmers	Ruapehu/Wanganui Rural Support Trust
Fieldays	Rural Health Alliance Aotearoa New Zealand
Fonterra	Scion Research
Food and Drug Administration	Telecommunications Users of New Zealand
Green Party	The Warehouse
Green Pool Commodities	United States House of Representatives
Hollybeds	University of Auckland
Lincoln University	University of Waikato
Ministry for Primary Industries	Waikato Regional Council
Monsanto	Zespri

This week's headlines

Horticulture	One 'battered' sector helps another [12 May/ NZ Herald]
Fishing & Aquaculture	Fisheries failure: Half of NZ catch not recorded [16 May/ Otago Daily Times]
Rural Infrastructure	Continued investment required to connect rural New Zealand to its future [11 May/ Telecommunications Users Association of New Zealand Media Release]
Biosecurity	Dogs could be used in the fight against velvetleaf [16 May/ Business Day: NZ Farmer]
Agri-Tech	Analysis system helping farmers [12 May/ NZ Herald]



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**HOT OFF THE PRESS:
KPMG AGRIBUSINESS
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Horticulture

One 'battered' sector helps another [12 May/ NZ Herald] Kiwifruit Industry Representative, Ian Greaves and Zespri Chief Operating Officer, Simon Limmer would speak at the DairyNZ Farmers' Forum this month. The speakers would share the lessons learned from the Psa disease. They will discuss how it affected growers, the production crisis, and the industry's pathway forward to a bright future. Mr Limmer said he welcomed the opportunity to share the experience of the kiwifruit industry with the dairy sector. Mr Greaves said many dairy farmers were going through hard times right now and needed to look after each other. A DairyNZ spokesperson said the event would give dairy farmers insight into how to adapt their businesses in challenging times, and how the global environment would shape the future of New Zealand milk production.

NZ onion growers celebrate eye-watering rise in returns [14 May/ Business Day: NZ Farmer] Onions New Zealand Chief Executive, Michael Ahern said returns on the crop were expected to be 50 percent higher compared to last year. Mr Ahern added that a push in the industry to increase productivity was the reason behind the increase in returns from \$81 million to \$125 million. Mr Ahern said New Zealand onion growers had 45 markets worldwide, with about 85 percent of production being exported. Mr Ahern noted that the industry was readily scalable, provided the sector had appropriate access to markets.

Viticulture

Climate change impact faced head on [12 May/ NZ Herald] According to the New Zealand Climate Change Centre, New Zealand's climate is changing, with long term trends toward higher temperatures, more hot extremes, fewer cold extremes, and shifting rainfall patterns. Lincoln University Viticulture Senior Lecturer, Glen Creasy said the changing climate would influence harvest times and wine styles as increasing summer temperatures. This meant a warmer growing season for grapes. Scion Research Principal Scientist, Tim Payn said more storms would lead to an increased risk of erosion for those in the forestry sector, potentially decreasing productivity. University of Waikato Agribusiness Professor, Jacqueline Rowarth said farmers were trying to adapt to climate change and prepare for weather events that may or may not happen.

Fishing and aquaculture

Fisheries failure: Half of NZ catch not recorded [16 May/ Otago Daily Times] University of Auckland Business School New Zealand Asia Institute Lead Researcher, Glenn Simmons' report showed that the total weight of fish caught between 1950 and 2010 was 38.1 million tonnes, compared to the reported catch of 14 million tonnes. The report explained that the main reasons for this difference were unreported commercial catches and fish that were discarded because they were either too small, uneconomic, or over a fisher's quota. Mr Simmons said that to be able to maintain sustainable fisheries and seafood businesses, the number of fish being caught needed to be known. Ministry for Primary Industries Director of Fisheries Management, Dave Turned said an initial review of the report had raised concerns about its methodology and conclusions.

Dairy

Dairy farmers' campaign gets All Black backing [13 May/ Business Day] Fonterra has launched a new advertising campaign fronted by former All Black captain, Ritchie McCaw. The advertisement shows farmers talking about things they wanted the public to understand better, such as what a co-operative meant and that New Zealand farmers produced some of the best milk in the world. Fonterra Group Director of Co-operative Affairs, Miles Hurrell said the campaign had cost less than \$1 million and was funded from existing budgets. Mr Hurrell said farmers told Fonterra that they wanted New Zealanders to better understand the good things they were doing for our communities, the environment and the economy.

Fonterra advised to better inform [16 May/ NZ Herald] Federated Farmers Otago Dairy Chairman, Stephen Crawford said Fonterra's milk price signalling needed to improve drastically to allow farmers to make faster decisions regarding options for winter and discretionary spending. Mr Crawford added that it was important that farmers kept an eye on and supported neighbours and new entrants to the industry. Mr Crawford said another focus needed to be on managing effluent ponds and keeping them to low levels. Mr Crawford noted that the Otago Regional Council would not go easy on farmers just because of the current financial situation.

Global dairy recovery could begin at the end of 2016 [17 May/ Business Day: NZ Farmer] Rabobank Australia and New Zealand Head of Food and Agribusiness Research, Tim Hunt said whole milk powder prices could begin to recover by the end of 2016, but were unlikely to increase over the next two quarters. Mr Hunt said there was a possibility that all seven of the world's main dairy exporters would have slowed production by the second half of 2015 and that while most of the problems that caused the downturn were beginning to recover, he was most concerned about the overproduction of milk in the European Union.

Fonterra shareholders to vote on governance changes next month [17 May/ NZ Herald] Fonterra's farmer shareholders would have the chance to vote on whether the size of the board should be cut from 13 members to 11 members, and whether a new director selection process should be implemented. The special meeting would take place on 10 June in Hamilton. The proposed board would consist of seven farmer directors and four independent directors, while the suggested director selection process would see a nominations committee put forward candidates who would need 50 percent support to join the board. Fonterra Chairman, John Wilson said the recommendations had unanimous support from the board. If the proposal received the 75 percent support required, the board size would be reduced over the next two years.

Fonterra pays dividend early [17 May/ NZ Herald] Fonterra has announced that it would pay a dividend of 10 cents per share on 7 June, rather than in the last quarter of the year. The announcement came as an attempt to help farmers who were struggling with cash flows due to low global milk prices. Federated Farmers Northland Dairy Chairman, Ashley Cullen said the dividend and stock sales were what farmers would survive on until August, as there would be little milking in the next eight weeks. Fonterra Board Chairman, John Wilson said the earlier payment met the co-operative's goals of getting cash to farmers earlier in winter when they needed it. Mr Wilson added that the co-operative intended on declaring another 10 cents per share dividend in August, subject to its financial performance. The opening 2016/17 season forecast farmgate milk price would be announced at the end of May.

Meat

Rick Powdrell: Chinese markets hold export key [12 May/ NZ Herald] Federated Farmers Bay of Plenty Provincial President, Rick Powdrell said removing barriers on chilled meat exports to China was extremely positive for New Zealand's meat industry, even if John Key's timeframe was optimistic. Mr Powdrell said China was already consuming large quantities of New Zealand meat, but the opportunity for exporting chilled products would assist in increasing the range of higher value cuts entering the Chinese market. Mr Powdrell added that New Zealand meat companies' marketing divisions would need to continue to grow their strategies and relationships to fully access the rewards this opportunity presented.

Brazil on the rise – South American beef export tells NZ producers [14 May/ Rabobank Media Release] Rabobank Senior Analyst, Adolfo Fontes said Brazil was intent on lifting productivity to increase competitiveness in global beef markets, and the potential was huge due to improved genetics and grain-fed systems which boosted carcass weights. Mr Fontes added that New Zealand's pasture-fed beef industry should not be concerned as the country's position as a producer of premium quality beef was likely to protect its market share. Mr Fontes explained that New Zealand had a fantastic reputation around the world for producing top quality beef, supported by the highest standards of food safety and a disease-free status. Mr Fontes noted that Brazil was on track to become the biggest supplier of beef into China and was about to secure access to the United States fresh beef market, with the first shipment anticipated by the middle of the year.

Venison outlook 'positive' [16 May/ NZ Herald] Duncan New Zealand Marketing General Manager, Glenn Tyrrell said the company invested in a second venison processing plant because it was confident about the future of New Zealand venison. The company bought out the other shareholders of Otago Venison to become the sole owner of the Mosgiel processing plant. Mr Tyrrell said continued diversification, promotion, lower export volumes, stable market prices and a lower New Zealand dollar would all improve returns to deer farmers. Mr Tyrrell added that Duncan had a vision to create a sustainable future for New Zealand and it believed it could create a market leading brand.

Rural infrastructure

Continued investment required to connect rural New Zealand to its future [11 May/ Telecommunications Users Association of New Zealand Media Release] Telecommunications Users Association of New Zealand (TUANZ) has called on the telecommunications industry and the government to continue to increase investment in rural connectivity. TUANZ Chief Executive Officer, Craig Young said the government needed to be ambitious about their rural connectivity targets and collaborate with the industry to address rural connectivity issues such as mobile data coverage. Mr Young added that rural communities needed faster broadband much earlier than the 2025 goal set by the government.

Decent rural broadband to open up the way for better rural health [16 May/ Business Day: NZ Farmer] The Rural Health Alliance Aotearoa New Zealand (RHANZ) held a RuralFest conference in Wellington to raise awareness around mental illness and to promote the need for more Government resources. Issues discussed included research and data collection, broadband connectivity, better health facilities, and improving wellbeing to address stress. Improved rural connections would allow centralised health services to further expand into rural communities and deliver more innovative health solutions. Decent broadband coverage would also help those in remote areas connect with friends and family, improving their emotional wellbeing.

Environment and emissions

Call to reassess herbicide hazards [12 May/ NZ Herald] Green Member of Parliament, Steffan Browning said he wanted the Environmental Protection Agency to ban the use of glyphosate based herbicides, such as Roundup, in parks, streets and schools where children played. Studies had shown that glyphosate caused damage to cells and genes that could lead to cancer. Mr Browning added that neonicotinoid poisons should be taken off shop shelves because they had been linked to an international decline in honey bees. Placemakers and The Warehouse had already withdrawn the products from sale.

Biosecurity

Dogs could be used in the fight against velvetleaf [16 May/ Business Day: NZ Farmer] Search and Rescue Dog Trainer, John Taylor has trained his border collie to find the invasive velvetleaf weed. Mr Taylor was given a sample of the weed from Environment Southland and received permission to possess velvetleaf matter from the Ministry for Primary Industries so he could train his dog. Mr Taylor said one dog handler could cover a four hectare paddock quicker than 20 people could. Mr Taylor has approached the Ministry for Primary Industries about the possibility of working with them next season.

International

Government must free infrastructure to boost India's competitiveness [11 May/ Food Navigator] An Assocham study showed that India's cargo and logistics industry was likely to have a compound growth rate of about 16 percent per year over the next few years. The study added that the 'Make in India' campaign would connect India to global production networks, making it an attractive location to do business compared to other regions in the world. The study explained that growth in the logistics sector would improve service delivery and customer satisfaction, leading to an increase in export opportunities and the potential for more jobs. The report added that the government must put new infrastructure in place to bring down costs and keep pace with development in other countries.

Fungi-based protein can give soy and pea a run for their money, says Quorn [11 May/ Food Navigator] Quorn Marketing Coordinator, Emily Steingart said the primary reason customers bought the company's products was due to their health and wellness benefits, rather than for sustainability reasons. Quorn occupies a unique place in the meat-alternatives market as the product is not plant-based, but is instead a single celled micro-organism from the fungus family. Ms Steingart said most consumers thought the product was made from a vegetable base or a soy or pea protein, but fungi-based protein was a new category and the company was proud to be in it.

Monsanto shares surge on Bayer bid talk [12 May/ Financial Times] Monsanto's share price increased by 16 percent after Bloomberg reported that Bayer had held internal preliminary discussions about buying Monsanto. Monsanto has a market value of USD 40.4 billion, while Bayer has a market value of nearly EUR 84 billion.

Shortage of sugar sees global price climb higher [13 May/ ABC Rural] Sugar prices have continued to increase due to a global supply shortage and political turmoil in Brazil. Green Pool Commodities Analyst, Tom McNeill said there was a deficit after five years of surpluses, with production currently about 8.6 million tonnes below demand. Mr McNeill said the current indicative price for the 2016 harvest was AUD 520 per tonne, up from the AUD 383 per tonne received in 2015.

Farmers face ban on antibiotics for healthy animals [13 May/ The Daily Telegraph] A report to be released by the British Government on 18 May was likely to set limits on how much medication farmers and vets could give livestock. The report would explain that the overuse of antibiotics in farming was threatening the effectiveness of human medicine. The report was expected to suggest a global awareness campaign to encourage other countries to cut down on their use of antibiotics on animals. United Kingdom Chief Veterinary Officer, Nigel Gibbens said farmers should keep their livestock in better conditions. Mr Gibbens explained that if one animal which was kept in a group fell sick, the whole group would likely get the illness and have to be treated.

Big Phil in hot water with French farmers [13 May/ The Irish Times] European Union Commissioner for Agriculture, Phil Hogan has received backlash after telling French farmers that they had to modernise their industry. France Journalist, Jean Quatremer said Mr Hogan was adept at avoiding media and had only given two interviews since the farming crisis began in France. Mr Quatremer added that Mr Hogan had let problems in European agriculture deteriorate beyond reason. Mr Hogan was currently in the United Kingdom urging farmers to vote to remain in the European Union.

US to challenge fake olive oil but counterfeit foods remain a worldwide problem [13 May/ The Independent] Numerous studies have found that almost 80 percent of olive oil in the United States is fake. A United States House of Representatives Paper said olive oil was commonly marketed as being Italian, but was often grown elsewhere and just packaged in Italy. The report added that there was also concern that some products which claimed to be olive oil were coloured, mixed with chemicals, or blended with other types of oil before being sold. The report suggested that the Food and Drug Administration should sample imported olive oil to determine if it was adulterated or misbranded. Europol Intellectual Property Crime Team Cluster Manager, Chris Vansteenkiste said rising food prices and the global nature of the food chain offered opportunities for criminals to sell counterfeit and substandard food.

Hidden tariffs in China and Japan add to Australian imports despite free trade agreement [13 May/ ABC Rural] Packer Leather Owner, Graham Packer said he wanted to know why exporters of kangaroo leather, such as himself, faced tariff barriers in China and Japan when the country of origin could not be disputed. Mr Packer said his kangaroo leather faced a 14 percent tariff in China and a 7.5 percent tariff in Japan. Packer Leather's products were used in 19 international markets by footwear, clothing, whip and craft makers.

How dairy farmers have been 'thrown under a bus' [14 May/ The Age] Documents have been released that prove Murray Goulburn senior management knew what was happening in the market over the past year. Murray Goulburn's Weekly Trading Briefing Notes showed spectacular failures with actual sales not meeting budgeted forecasts since July 2015. Although management were sent these reports, they maintained that a milk price of AUD 6 per kilogram of milk solids was achievable, before drastically lowering the price to between AUD 4.75 and AUD 5.00 per kilogram of milks solids. Murray Goulburn Farmer, Rod Newton said his trust in the co-operative had been built on false premise and the farmers had been thrown under the bus.

Environment ministers to urge trading of greenhouse gas cuts [14 May/ The Japan News] The Group of Seven (G-7) countries were expected to release a joint statement which would encourage the use of the Joint Crediting Mechanism. Japan was the only country to currently use the Joint Crediting Mechanism. Japan provided energy saving technologies to developing countries, and in return they were allowed to count parts of that developing country's greenhouse gas emission reductions as their own. Japan Environment Minister, Tamayo Marukawa said he wanted to emphasize the importance of sharing advanced technologies globally for the purpose of countering global warming.

Meat fumes cause a reaction [14 May/ The Sydney Morning Herald] Janelle Williams had an allergy to meat and dairy products and began to feel unwell and developed hives a few hours after consumption. Ms Williams' allergy has become so bad that the inhalation of fumes at a barbeque causes a reaction. National Allergy Strategy Professor, Richard Loh said food allergies were increasing and that around 10 percent of infants under one year of age in Australia had documented allergies. Mr Loh added that children were not outgrowing allergies until later and more people were developing allergies in adulthood. Mr Loh noted that the organisation had to partner with the government to make allergic disease a national health priority.

Farmers and producers

Meetings to help farmers' resilience [12 May/ NZ Herald] Ruapehu/Wanganui Rural Support Trust Co-ordinator, Lyn Neeson said farmers needed to prepare for the next extreme weather event. Ms Neeson added that the recent flooding in Porirua and Palmerston North was a reminder that these sorts of weather events were going to become more severe. The Ministry for Primary Industries was funding meetings throughout the country where Rob Mcnab would speak about resilience when faced with these weather events.

DairyNZ standing in farmers' boot on welfare rules [13 May/ Dairy News] DairyNZ Technical Veterinarian Advisor, Nita Harding said the organisation's submission on the proposed new animal welfare regulations would be made from a farmer's perspective. Ms Harding added that the organisation was consulting widely within the dairy industry, with the Ministry for Primary Industries, and with other stakeholders in order to get a good perspective on what impact the proposed regulations would have on the dairy sector. Ms Harding said the regulations would improve animal welfare on the farm, and DairyNZ was committed to making sure animals in the industry were well looked after and managed.

Livestock

Falling cattle numbers attributed to dairy price slump [11 May/ Radio NZ Rural] According to the 2015 Agricultural Production Survey, the number of dairy cattle in New Zealand has fallen for the first time in almost a decade. The report added that sheep numbers had continued to decline and there was now only six sheep for every New Zealander compared with the 13 sheep per person 20 years ago. The report noted that New Zealand had 6.5 million dairy cattle and 29 million sheep in 2015.

Insider guide to meeting NVZ rules when expanding a dairy [12 May/ Farmers Weekly] For farmers in nitrate vulnerable zones (NVZs), environmental regulations were the main obstacle to increasing their herd size. However, dairy farmers who faced these restrictions have found novel ways to overcome the problem. Hollybeds Farm Owner, Tom Goodwin said he was piping manure to a piece of land outside the NVZ in order to meet nitrogen restrictions. Mr Goodwin said this enabled him to purchase more land and increase the size of his herd. Ireland Farmer, Noel Bernadette O’Toole said the environmental regulations did not hold back the expansion of dairy farms, but rather helped farmers which had the most efficient farms to grow their herd size.

Agri-tech

Analysis system helping farmers [12 May/ NZ Herald] The Crowe Horwath benchmarking analysis system enabled farmers to monitor the performance of their business over a five year timeframe, and benchmark this performance against farms of a similar class. Crowe Horwath Hawke’s Bay Managing Principal, Rick Cranswick said the farms using the analysis system had made good decisions to generate superior returns, taking advantage of favourable market and climate conditions. Mr Cranswick added that the use of technology on farms was essential for improving planning, saving time, and supporting better decision making.

Water

Call for total ban on stock in waterways after lack of prosecutions [15 May/ Business Day: NZ Farmer] Waikato Regional Council received 150 complaints about stock in waterways between 2011 and 2015, but made no prosecutions. A Waikato Regional Council representative said investigations were difficult due to poor quality information and delays in laying complaints. Massey University Freshwater Ecologist, Mike Joy said there were other reasons, such as the cost of lawyers. Waikato Regional Council Investigations Manager, Patrick Lynch said the threshold for prosecution was very high. Mr Lynch explained that investigators looked at a list of criteria including the potential effects on a waterway, the actual effects, profit gained by the pollution, and repeat offending.

Agribusiness education

New hub will promote ag careers at Fieldays [16 May/ Business Day: NZ Farmer] This year’s Fieldays will contain a dedicated space for young people to find out more about study opportunities and career paths. Fieldays Chief Executive, Peter Nation said the Careers and Education Hub fitted in with Fieldays’ objectives, which were to advance agriculture and bring town and country together. The hub would include about seven site holders including the University of Waikato, GrowingNZ, NZ Young Farmers and St Paul’s Centre of Excellence in Agricultural Science and Business.

Animal welfare

Rules to focus on bobby calves [13 May/ Dairy News] New Zealand Veterinary Dairy Cattle Branch President, Jenny Weston said the proposed new animal welfare regulations were a great step forward. Ms Weston added that the regulations on bobby calf welfare in particular were a great improvement and would facilitate the enforcement and education of farmers. Ms Weston said she was confident that there was now widespread acceptance that the animal welfare regulations were in place for a reason. Submissions on the proposed regulations close on 19 May.

Animal health

Research into rural disease transmission [13 May/ Radio NZ Rural] Otago University Researcher, Pippa Scott said her research would focus on the transmission of diseases between animals and humans. Ms Scott explained that around 60 percent of micro-organisms which caused human diseases entered the body in this way. Ms Scott said a big part of the research would involve collecting data from the farming community, such as samples off human noses and the skin of animals.

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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

Farm Enterprise

North Island

Roger Wilson

Julia Jones

South Island

Brent Love

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03 307 0768	07 858 6520	07 858 6553	03 683 1871
027 208 3405	027 281 9575	027 524 8901	027 528 1537
mauricemyers@kpmg.co.nz	rogerwilson@kpmg.co.nz	juliajones1@kpmg.co.nz	blove@kpmg.co.nz

Field Notes presents a summary of some of the media comment on the Agribusiness sector in the last week. The views expressed do not necessarily represent the views of KPMG but are summaries of the articles published.

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