



AGRIBUSINESS

# FIELD NOTES

Weekly news update from the KPMG Agribusiness network

15 June 2016



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**HOT OFF THE PRESS:  
KPMG AGRIBUSINESS  
AGENDA 2016 VOLUME 1**

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

Amazon	Inocucor Technologies
An Bord Bia	Marlborough District Council
Arla Dairy Co-operative	Massey University
Beef+Lamb New Zealand	Ministry for Primary Industries
Blue Duck Station	Murray Goulburn
British Columbia Investment Management Corporation	Nelson Marlborough Institute of Technology
Cavalier Wool Holdings	New Zealand Winegrowers
CBH Group	Poultry Industry Association
Chorus	Silver Fern Farms
DairyNZ	Skretting
Employment Relations Authority	Soylent
Fonterra Co-operative Group	Talley's Group
Freemind Enterprize	Winegrowers of Ara
Giesen Wines	Wood Council
Glencore	World Resources Institute
IFCN	Zespri Group
Ingredion	

**This week's headlines**

Horticulture	<b>Kiwifruit licenses going for Gold</b> [NZ Farmers Weekly/ 13 June]
Forestry	<b>Carbon credit price hikes raise hopes</b> [NZ Farmers Weekly/ 13 June]
Dairy	<b>Fonterra governance change vote falls short</b> [NZ Herald/ 10 June]
Agribusiness Education	<b>Sports stars to help push agri careers</b> [NZ Herald/ 13 June]
Animal welfare	<b>Tougher rules around bobby calves introduced</b> [NZ Herald/ 10 June]

### Release of the KPMG Agribusiness Agenda 2016: Volume 1 – Thriving in exhilarating times

To thrive in the Fourth Industrial Revolution, New Zealand's primary sector must constantly innovate and reinvent itself to meet the rapidly-changing needs of consumers.

The latest edition of KPMG's *Agribusiness Agenda* has highlighted how the fusion of new digital and biotechnologies with traditional physical practices will place the agri-food sector at the centre of change.

New Zealand's primary sector must be prepared to completely transform itself – because the future will look radically different within 5-10 years. What has delivered us success in the past will not bring success in the future.

Change will be coming at speed from all quarters; including innovation from competitors, new disruptors entering the market, and changes demanded by our consumers.

KPMG sought input from over 150 primary sector leaders during a series of roundtable discussions.

The current dairy downturn has challenged leaders to think more deeply about their future. People are speculating over whether we've reached peak dairy, and focusing on how we can realise more value from the attributes of grass fed milk. They're also thinking about the other available uses for the country's land - particularly irrigated land - that may deliver higher returns in the future.

Boosting the sector's innovation capability was a key priority identified by sector leaders. There's no shortage of good ideas in New Zealand – but we often lack the commercialisation skills to take the solution from the lab to the world market. One suggestion is to create a standalone capital fund that takes early-stage investment positions in transformational technologies.

Another important topic was the role of governance in our primary sector organisations. There is a concern that many boards have a disproportionate focus on risk and compliance, at the expense of growth strategies. The new era of disruption will also require people with fresh thinking and mission-critical skills – which may require some companies to rebalance the mix of skills available to the board.

Other themes highlighted as key priorities in the latest *Agribusiness Agenda* include:

- *There is a growing recognition among leaders that doing what is right by the environment is the only responsible course of action. Some industry leaders suggesting it is untenable for agriculture to remain outside the Emissions Trading Scheme (ETS) in the medium term.*
- *For the sixth Agenda in a row, biosecurity was again ranked as the number one priority by industry leaders, with leaders highlighting the need to focus on preventing risks from reaching our borders.*
- *Industry leaders were in favour of the increased market access opportunities provided under the Trans Pacific Partnership (TPP) agreement; and voiced concern over Labour's apparent shift away from the long-held bipartisan approach to trade.*
- *The Agenda calls for the creation of an independent body that will facilitate the 'hard conversations' the country needs to have. Such topics include New Zealand's policy on genetic modification, future land use, the role of foreign investment, and intensification of farming.*

The report, together with the full results of the industry leaders priority survey and short video clips discussing the report are available on KPMG New Zealand's website by clicking the following link [www.kpmg.com/nz/agribusiness](http://www.kpmg.com/nz/agribusiness)

### Horticulture

**Bay kiwifruit employer owes \$226K after breaching employment law** [Bay of Plenty Times/ 9 June] Freemind Enterprize, a kiwifruit contracting business, has been ordered to pay \$226,000 by the Employment Relations Authority for breaches in correctly paying employees. The payment includes monies owed to workers and \$65,000 in penalties for breaching employment law. An investigation by the Labour Inspectorate of Ministry of Business, Innovation and Employment revealed a lack of employment agreements, a lack of time and holiday records for employees and incorrect payments to employees that worked on public holidays. It was also identified that one employee was denied minimum wages. The ERA noted in its ruling that the company director, Mr Gurmail Lally, should be jointly and severally liable for the amounts owing. A spokesperson for the inspectorate said that many of the employees are likely to have been temporary migrants, adding they are a particularly vulnerable section of the workforce as they may be reluctant to take action against their employer.

**Kiwifruit licenses going for Gold** [NZ Farmers Weekly/ 13 June] Real estate analysts are following the tender process that Zespri is running for the issue of 400 hectares of new Gold G3 Kiwifruit licenses with great interest and expect prices will reach the \$200,000 a hectare mark. This is the first year of four that Zespri expect to tender new licenses and this year the issue has been split with 200 hectares being reserved for green growers wanting to graft to Gold and the balance being an open tender, enabling growers looking to do greenfield development to tender for new licenses. One agent said he was aware of existing growers applying for small areas to top up existing orchards that were prepared to pay \$120,000 for a half hectare. Another agent suggested that larger growers were looking to bid at the \$100,000 to \$120,000 per hectare range, which would make conversion a viable option for many growers. The licenses have favourable payment terms with only 25% due this year and the balance spread over three years (2018 to 2020). Market prices for mature Gold G3 orchards are exceeding \$550,000 per canopy hectare, with a view expressed that the license tender prices could push this up towards \$700,000.

### Viticulture

**Wine company Giesen Wines buys Ara wine brand from Winegrowers of Ara** [Marlborough Express/ 10 June] Family owned wine company, Giesen Wines, has purchased the Ara wine brand from Winegrowers of Ara, a subsidiary of the Todd Corporation. The Todd Corporation sold their Marlborough vineyards earlier this year to Indevin. Alex Giesen, one of the founders of Giesen Wines, said that the acquisition of the Ara brand would allow the company to grow its global presence; particularly noting the footprint it provides in the UK, where significant work has been done with a group of key customers by the Ara team in recent years. A spokesperson for the Todd Corporation said they were delighted that the brand would be carried on by another premium New Zealand wine company. A representative of Giesen Wines noted that they were already working with Ara's chief winemaker to identify the vineyards best suited to supply the grapes to make future vintages and that production of the wine would take place at the company's winery at the Riverlands Industrial Estate.

**Wine research centre needs Marlborough District Council funding** [Marlborough Express/ 9 June] New Zealand Winegrowers believes that the proposed New Zealand Research Institute of Viticulture and Oenology is set to get the green light from the government and secure \$25 million of funding but it will need support from the local council. The centre will be a world class research facility, placing the district at the forefront of wine research, creating highly paid and skilled jobs to attract world class minds according to Simon Hooker, NZ Winegrowers General Manager of Research and Development. Mr Hooker said that government support was contingent on council funding and the centre needs \$150,000 a year from the Marlborough District Council, adding a nice letter would not be enough, cash is king. All grape and wine research would be driven from the centre, following a model similar to Nelson's Cawthron Institute in the aquaculture sector. The centre will have an annual budget of around \$7.3 million, of which NZ Winegrowers would be funding \$900,000. It is expected that 14 high earning full time staff will be based at the centre. The wine research centre is one of three proposals shortlisted by the government.

### Fishing

**Fishing company Talley's Group fined over decapitation of worker** [NZ Herald/ 9 June] Talley's Group has been fined and ordered to pay reparations to the family of Leighton Muir. Mr Muir was decapitated when a rope snapped on board the Capt MJ Souza in July 2014 while the vessel was fishing in the Kiribati Exclusive Economic Zone. Talley's Group pleaded guilty to a charge of failing to take all practicable steps to ensure the safety of its employees while at work at the Nelson District Court. The Court was told the safety rope, which was connected to a full tuna fishing net at the time of the accident, had previously snapped three weeks before Mr Muir died but hadn't been replaced although a replacement was available. The 'horrific accident' highlighted what should have been done to manage the risks involved in deep sea fishing according to Maritime New Zealand, particularly the need to investigate fully while failures occur, in high risk areas. Talley's Group acknowledged that they were responsible for the actions of all crewmen while on duty in a statement, but highlighted senior officers on the vessel had failed in their duties and had not returned to New Zealand to co-operate with the investigations conducted by the company or the relevant authorities.

**Longfin eels get a foot hold on slippery slope to extinction** [Business Day: NZ Farmer/ 14 June] The Parliamentary Commissioner for the Environment, Dr Jan Wright, has welcomed the decision to fully separate longfin eels from the more common shortfin eels in the quota management system. The decision, made by Primary Industries Minister Nathan Guy, comes after a report by the Commissioner in 2012 found the species to be headed for extinction and enables quotas to be set for how many longfin eels can be caught from the rivers. Some though are sceptical that it would make any difference, saying the impact of fishing is negligible compared to the effects of environmental pollution, irrigation and hydro on eel habitats. Longfin eels grow to two metres long, live up to 100 years and are only found in New Zealand, they are classified as threatened and declining. There have been calls from fresh water scientists and environmentalists to stop harvesting the eels commercially while there is so much uncertainty on population numbers, the change in quota rules presents the opportunity to get accurate numbers and make the best management decisions for the species. Ninety five percent of eels consumed globally are farm grown with New Zealand contributing the remaining 5% of adults caught in the wild.

### Aquaculture

**Controversial Okiwi Bay fish farm gets backing from NMIT students** [Business Day/ 13 June] A group of students at the Nelson Marlborough Institute of Technology have started an online petition in support of the fish farm proposed by Skretting, the international fish food company, in Okiwi Bay. The proposal has drawn a lot of opposition from local residents, the students believe that there has been a lot of misinformation about the proposal, particularly about the impact it will have on the local environment and the risks associated with the development. Spokesperson for the students, Georgia Samuels, said that the proposal included many measures to minimise the visual, noise and smell impacts of the testing facility together with treatment measures ensure that water taken from and returned to the bay is filtered and clean. Ms Samuels added it would be a shame if the proposal is not approved as it would be a good thing for New Zealand. More than 200 submissions have been received in relation to the proposal.

### Forestry

**Carbon credit price hikes raise hopes** [NZ Farmers Weekly/ 13 June] The Forestry industry is welcoming the recent increases in the NZ carbon credit price. The price has recently pushed through the \$15 per tonne mark with spot pricing now at \$16.20 per tonne. Current prices contrast to prices per tonne of only 35 cents around two years ago as a result of cheap European sourced carbon credits flooding the market. A change announced in the budget will mean that emitters will no longer be required to only hold one tonne of credits for every two tonnes of emissions, increasing demand for credits and supporting prices. The rise sends a strong signal to the forestry sector about planting, given the greater likelihood of carbon values rising further, particularly as access to cheaper international credits is restricted. Modelling estimates that at a carbon price of \$50 around 50,500 hectares of new forest would be planted a year. Wood Council Chair, Brian Stanley, said that a timetable for phasing agriculture into the ETS would at least provide some certainty to the forestry sector that relies on long term policy stability to make long term investments in plantations.

### Dairy

**MPI happy to continue talks on raw milk options** [Otago Daily Times/ 9 June] Having ordered raw milk dairy farmer, Merrall MacNeille, to stop production after a heifer on his Port Chalmers property was found to have tuberculosis, the Ministry for Primary Industries has said it is happy to continue discussions with him on his options. Mr MacNeille has been supplying raw milk to Otago University for research and was keen to see a pilot programme set up involving him, the University and MPI to enable him to continue selling milk. An MPI spokesperson said that any alternative to pasteurisation must be proven to deliver the same results to ensure the safety of consumers. They added that there is a process to recognise alternative treatments but there is a need for scientific evidence to show the proposed method is safe. Given Mr MacNeille only supplies raw milk he has currently been instructed that he cannot supply milk for a six year period as animals exposed to the disease could develop symptoms during this period.

**Fonterra governance change vote falls short** [NZ Herald/ 10 June] Fonterra's plan to alter its governance structure has failed to receive the required 75% support level to go ahead the co-operative announced at a special meeting in Hamilton. The proposal which would have seen the board cut from 13 to 11 directors, together with changes to the way candidates are voted on to the board, received support from 63.7% of shareholders voting on the resolution. Fonterra Chair, John Wilson, said the vote made it clear that the majority of farmers want change to the governance structure and as a consequence a revised proposal would be put before farmers before the end of the year. Mr Wilson noted that concern centred on the voting procedure, which would have required candidates to achieve 50% support under a ratification process. He added farmers have made it clear they want a system that gets the most knowledgeable and skilled candidates on the board, attracts the most capable farmer shareholders and encourages diversity. Duncan Coull, Chair of the Shareholders Council, said he was encouraged by the significant support the resolution received which suggests the proposal was on the right track.

**Kiwi dairy must outstay rivals** [NZ Farmers Weekly/ 13 June] A new campaign from DairyNZ, Pasture First, is intended to provide dairy farmers with guidance on how they can manage through a prolonged slump in prices. The campaign focuses on providing farmers with the confidence to embrace and master pasture management to assist them through the downturn, as it has done on previous occasions. DairyNZ's Research and Development Manager, David McCall, said that the industry must return to a cost structure that is low enough to make it the last dairy producing country standing. Mr McCall added that the low cost of feed and low dollar are all the industry has going for it at the moment, making it lunacy to take our eye of pasture at the current time. He said at a recent forum that all of NZ's farming strategies rest on pasture management, so DairyNZ are responding to concerns that many farmers, particularly younger farmers, lack the knowledge to maximise the benefits that they can extract from the pasture that they grow.

### Red Meat

**Beef+Lamb to change marketing tack** [Rural News/ 8 June] Beef+Lamb New Zealand Chair, James Parsons, says the industry good body is proposing to stay in market development but its activities will move away from work being done by the meat companies. Following a comprehensive review, Mr Parsons said it has been concluded that there is a role for Beef+Lamb in market development but it is a different role; based around defining the industry story rather than promoting functional attributes of the product. An approach more aligned to how wine industry good investment works. Spend will be directed towards creating a NZ red meat story and long term investments into new market opportunities; activities that as they develop will be naturally handed over to the meat companies at some point. Mr Parsons noted that \$5 million to promote a \$9 billion industry is not a lot, particularly when it is contrasted with the over \$100 million Zespri spend developing the \$1.6 billion kiwifruit sector. He added that the review had received overwhelming feedback that industry good spending should be directed towards maintaining the social license to operate and exploiting new opportunities in new markets, leaving existing markets to the processors. Mr Parsons said it was important that New Zealand defines and promotes its signature attributes.

**Chilled meat market to come** [Otago Daily Times/ 11 June] Despite the Prime Minister's announcement in June that the government had agreed protocols relating to chilled meat, Silver Fern Farms Chair, Rob Hewett says exports are likely to be some time away. Gaining access for chilled meat products could add up to 64% in value to meat exports to China, a market already worth \$1.6 billion in 2015. Mr Hewett said that he was struggling to find the value proposition given the cost and cool supply chain issues, making it hard to get product to the consumer quickly with high quality. He added though the Silver Fern Farms had to be ready when chilled products did take off, although this was likely to be two to three years away. A key issue is the shelf life of the product, it has 90 days immediately after processing but shipping currently uses almost half the product life whereas supermarkets want at least 70% of shelf life to minimise waste and maximise value.

### Environment and emissions

**The environment not agriculture is New Zealand's economic backbone** [Business Day: NZ Farmer/ 13 June] Nuffield Scholar and owner of Blue Duck Station, Dan Steele, has concluded in his recently published Nuffield report that it is the environment that provides New Zealand with its competitive advantage. Mr Steele said that farming and tourism both depend on New Zealand's environmental image to sell products offshore making the two inextricably linked. The report 'Why being true to brand New Zealand is the best option for New Zealand agriculture' suggests both industries will live or die on our environmental health and reputation. Mr Steele adds that environmental health is regressing and as a consequence our economy will regress if we don't have a clear unifying vision for the primary sector to enable better choices to be made around the environment and our international reputation. The report follows Mr Steele completing two study tours to visit 12 countries during 2015 to gather information on the relationship between agriculture, tourism and the environment. The study was inspired by his own business which links sheep and beef farming, manuka honey production and an eco-tourism operation, which attracts 8,000 domestic and international visitors a year. Mr Steele believes that New Zealand needs a collaborative strategy, an overall vision for the environment and how it interacts with farms and farming that is owned by a non-governmental multi-industry think tank.

### Rural infrastructure

**Big leap for rural broadband speeds, connections** [NZ Herald/ 13 June] With the Rural Broadband Initiative (RBI) reaching its conclusion, Chorus is suggesting that the programme has been successful in raising connectivity speeds in rural New Zealand. As part of RBI, Chorus upgraded 1,200 broadband roadside cabinets improving access for 110,000 homes and businesses and supported a 73% growth in rural connections across the country. The Auckland region leads the way with rural connections (16,682) with Northland coming second (14,870) having seen the most cabinets upgraded. Growth in the Nelson region at 348% was the highest across the country. The connection speed has increased 148% from the 5.6Mbps across rural New Zealand before RBI. Chorus CEO, Mark Ratcliffe, said that the impact technology has on rural businesses and the economy has gained momentum because of RBI, enabling new businesses to emerge that could not have been contemplated a few years ago.

## Agribusiness education

**Sports stars to help push agri careers** [NZ Herald/ 13 June] The Ministry for Primary Industries will launch the Primary Industry Champions Initiative on the eve of the National Fieldays at Mystery Creek. Champions include former All Black captain, Ritchie McCaw, Olympic Gold Medallist Rob Waddell and legendary Golden Shears champion, Sir David Fagan, who with others have been chosen to illustrate the rich diversity of people that work in the primary sector in New Zealand. The campaign includes videos designed to attract young people to make a career in agribusiness and will be launched at a function to be attended by the Minister for Primary Industries, the Prime Minister and Minister for Economic Development. The theme for Fieldays is Collaborate to Accelerate Innovation, highlighting how the rural sector works together in order to advance agriculture. The event will see the launch of a number of key reports on the sector, including the KPMG Agribusiness Agenda and MPI's annual Situation and Outlook report for industry.

## International

**Canadian microbial crop input start up raises USD 6 million** [Agri Investor/ 6 June] Inocucor Technologies, a start-up that has developed a bio-stimulant it makes in a yeast and bacteria fermentation process, has raised USD6 million in a funding round from private investors, specialist biotech and agri-food investors and its board members. The bio-stimulant product, Garden Solution, is designed to improve yields through encouraging microbial diversity in soils and speeding up delivery of nutrients to plants. The product is approved for use on organic farms, with proven impacts on yields in field trials. Inocucor CEO, Donald Marvin, has previously noted that the large agri-biotech companies are looking for sustainable solutions for their product portfolios, making Garden Solution an option for conventional farmers growing high value produce such as kale, tomatoes and broccoli.

**Soylent debuts on Amazon Launchpad: 'We are growing very rapidly'** [Foodnavigator-usa.com/ 7 June] Soylent, the Los Angeles based start-up that produces a neutral tasting but nutritionally complete beverage, has announced that its products will debut on Amazon Launchpad, a showcase for innovative young brands. Soylent was launched in 2013 and has grown rapidly since, backed by \$20 million of venture funding raised in 2015. It was started by former software engineer, Rob Rhinehart, who quit his day job to bet his life on the idea that food could be empirically rebuilt. The shift to the Amazon platform is a significant step in expanding distribution and accelerating growth as until now the company had handled all sales directly through its own website and fulfilment platform. The success of Soylent has baffled trend watchers since its launch given that its sterile packaging, deliberately bland formula and utilitarian 'food as fuel' approach goes against all premium food trends towards natural, colourful, storied food. Most customers are not believed to be using Soylent to replace all other food, all though you could eat Soylent exclusively as it is a complete nutritional food, but are using it for meal replacement when they are busy or travelling. Mr Rhinehart has previously said that his goal is to make food so cheap that only the rich will cook.

**Farmers call for heads in milk debacle** [The Age, Melbourne/ 7 June] The repercussions from the profit and price downgrades made by Murray Goulburn at the end of April continue, with calls growing louder for ousting of chairman, Philip Tracy. One farmer has called for the chair and deputy chair to voluntarily stand down before the announcement of the opening milk price for next season, highlighting not only the downgrades but the 'absolute failure' of the co-op's internal governance and reporting procedures. The Australian Financial Review has reported that some farmers are working on a plan to call an extraordinary meeting to spill the board, introduce a new constitution and install an administrator to run the company in the short term. ASIC is also making inquiries into whether the company breached continuous disclosure rules while it is understood that a class action law firm is investigating launching an action alleging misleading or deceptive statements in product disclosure statements. The new dairy season starts in Australia on 12 July, Murray Goulburn will still be setting the price, but have a supply chain challenging every statement that they make and intense focus on how the interests of farmers and shareholders are balanced.

**Arla Dairy Co-operative seeks 1 billion litres of 'GM-free' milk over next year** [Irish Examiner/ 8 June] The growing demand from retailers for dairy products from cows being raised on GM-free feed has attracted the attention of Danish dairy co-op, Arla. The company wants to capture the premium that consumers are willing to pay given the opportunity it offers to add to value to farmers milk. Chair, Ake Hantoft, notes that Arla has the biggest organic milk pool in the world, for which the feed is by default GM-free, meaning that around 20% of Arla's milk pool already meets market demand but the co-op wants to attract more farmers to convert to GM-free feed. He added the focus was aligned to a commercial opportunity rather than indicating Arla was taking a different stance on the role of GM in agriculture, noting the co-op welcomes innovative solutions and new technology that can improve farming and help feed the growing global population. There is a cost to farmers that convert to GM-free production but the price premium for the product enables Arla to compensate farmers for the additional cost.

**Who are the world's top 20 milk processors?** [Dairyreporter.com/ 9 June] The international dairy research network, IFCN, has released its annual ranking of the largest global dairy processors, based on milk intake volumes. The top 20 processors collect 200 million tons milk equivalent, around 25% of the total milk grown globally. The largest processor is again Dairy Farmers America, with Fonterra and Groupe Lactalis of France again ranking second and third. DMK and Saputo both moved up the rankings as a result of acquisitions and a number of the Asian processors showed strong growth, with Amul (India) and Yili Group (China) moving up the rankings. Canada's Agropur and Schreiber Foods of the US were new entries to the top 20, with Bongrain (France) and Darigold (US) dropping out of the rankings.

**Amazon starts UK fresh food delivery** [The Guardian/ 9 June] Amazon has stepped up its battle against traditional supermarkets in Britain, launching fresh food deliveries in North and East London. The Amazon Fresh service will offer more than 130,000 lines to homes in London, including thousands of fresh produce, dairy and bakery items previously not sold. This is the first step outside the US for Amazon Fresh and will be provided to customers that have signed up to the Amazon Prime subscription service. The service is targeting one hour delivery for 69 postcode areas with prices slightly cheaper than supermarkets on selected lines. The product offering includes major brands (including Morrisons products, following the companies entering into a distribution deal recently) as well as artisan products from around 50 local suppliers. The move further ramps pressure on UK supermarkets that have been under pressure from discounters like Aldi and Lidl as well as the rise of internet retailing.

**‘Breakthrough’ global accounting tool for waste could save billions** [Foodnavigator.com/ 9 June] A new global standard to measure food loss and waste will help firms save billions and reduce greenhouse gas emissions. The tool, the food loss and waste accounting and reporting standard (FLW), has been developed by the World Resources Institute in collaboration with the UN FAO and the Consumer Goods Forum, as well as commercial organisations. The standard is heralded as providing companies with a consistent standard to measure, monitor and manage food waste. The tool will help businesses and governments save money, protect resources and ensure people get the food they need. It is estimated that food loss and waste in the European Union area costs around EUR826 billion a year and contributes to around 8% of total greenhouse gas emissions, making it difficult to comprehend the scale of the problem. The new standard will provide a baseline against which actions can be measured, making it a massive, global step in fighting food loss and waste.

**Glencore sells further share of Viterra** [The Sunday Mail, Adelaide/ 12 June] Glencore has agreed to sell a further 9.9% share in its agriculture unit to Canada’s British Columbia Investment Management Corporation. The unit includes South Australian grain handling and marketing business, Viterra. The sale has raised AUD 625 million as part of a plan to reduce debt. Following an earlier sale of 40% of the business to Canada Pension Plan Investment Board, the transaction leaves Glencore holding 50.1% in its agriculture unit. Glencore CEO, Ivan Glasenberg, said that the commodities group plans to build the agriculture business with its new partners, indicating there could be further consolidation in the industry.

**‘Co-opetition’ a success in food sector and beyond** [The Irish Times/ 12 June] In a thought piece, Michael Carey, Chairman of An Bord Bia (the Irish Food Board) discusses the power of ‘co-opetition’ where organisations that sometimes aggressively compete find a way to work together to generate better outcomes for all. He suggests that it is about identifying opportunities to combine the advantages of all participants to expand the overall size of the prize and highlights that it is something that the Irish food sector has done with some success, due to the international competition its faces and its comparative lack of scale. If a single entity handled all of Ireland’s food exports, it would still only be the world’s 40<sup>th</sup> largest food and drink company. As a consequence the industry has sought innovative ways to achieve an illusion of scale, working collaboratively to establish a clear customer proposition for food and drink sourced from Ireland and building the Origin Green reputational brand; a unique proposition with thousands of farmers, processors and other stakeholders working co-operatively towards realising a common vision. The next step is seek collaborative ways to innovate, and Bord Bia will shortly launch an initiative called The Thinking House, a shared industry resource to support consumer insight-based innovations. The facility will provide access to world class knowledge and expertise and enabling the Irish industry to compete with the innovation centres the major global food groups operate.

**Western Australian grain handler CBH announces major structure and governance review** [ABC Rural/ 13 June] Western Australia’s main grain handler and marketer, the CBH Group, will undertake a comprehensive review of structure and governance models to assess whether its current non-distributing co-operative model is right for the future of the industry. Other models that will be considered and consulted on with growers include a distributing co-operative and a corporate entity. The review will include an unbiased education process and then growers, not the CBH board, will be provided the opportunity to decide the best structure for future. The next actions will depend on the outcomes of consultation, in particular whether a major structural change needs to be put a grower vote. The company noted that the review is not a direct response to the Australian Grain Champion proposal earlier this year to transition the co-operative to a corporate model.

## Poultry

**Poultry industry hails potential to avoid male chick cull** [Business Day/ 12 June] The New Zealand poultry industry is observing the development of new technologies which could eliminate the need to cull up to 3 million male chicks in the layer hen sector a year. The layer chickens are the wrong breed for eating meaning the male chicks are killed when they are a day old using practices approved under animal welfare standards but new genetic marker technologies are emerging that could enable the sex of a chick to be determined before the egg is hatched or the bird has any sign of consciousness. Michael Brooks, Executive Director of the Poultry Industry Association, said that the feedback he has received from the industry was that hatcheries would look to adopt the technology if it is proven to work. In-ovo sexing has been developed in Germany and it involves analysing chemical biomarkers to determine the sex of a chick on the ninth day of incubation, with other research under way in Australia and Canada. US egg producers this week pledged to stop the mass culling of male chicks by 2020 or as soon as it was economic feasible.

## Economics and trade

**Regional trade talks not easy** [NZ Farmers Weekly/ 13 June] Regional trade negotiators are meeting in Auckland this week to progress work on The Regional Comprehensive Economic Partnership (RCEP), a trade agreement between the 10 nation ASEAN Group, China, India, Japan, South Korea, Australia and New Zealand. RCEP is seen as another stepping stone towards a Free Trade Agreement of the Asia Pacific, however those close to the negotiations said that progress to date on reducing agricultural tariffs lagged gains from the TPP talks concluded last year. The RCEP talks have been viewed as a back up to the TPP if that agreement was unable to be ratified by all members, but to date countries have not been willing to offer as much under RCEP as they have already given up under TPP (given the different memberships). Mike Petersen, the government special agricultural trade representative, said that although all the gains to date were lower it is important for NZ to remain involved to take an active role in shaping the evolution of trade rules in the region.

## Farmers and producers

**Farm input prices down** [Rural News/ 12 June] The latest report from the Beef+Lamb New Zealand economic service identifies that input costs on sheep and beef farms decreased 2.1% in the year to March 2016, providing some relief for farmers facing lower product prices this season. Prices increased by 1.1% in the prior year. The key drivers of the cost reductions are interest charges and fuel prices with the increases being partly offset by a rise in repairs and maintenance costs and vehicle prices. Administration and wage costs also increased year on year. If interest is excluded, the report shows that there was no on-farm inflation in the year to March 2016, highlighting the significance of interest in the total farm expenditure position, as the second largest cost after fertiliser, lime and seeds.

## Agribusiness strategy

**Major parts of agriculture are in crisis** [Business Day: NZ Farmer/ 13 June] A new book, The New Zealand Land & Food Annual, from Massey University Press concludes that with the fall in dairy prices major parts of the New Zealand's primary industries are in crisis. The book, edited by Clare Massey (Agri-Food Director at the University), explores through a series of essays the state of milk, marketing and alternatives under the subtitle of 'Why waste a good crisis? The end of the white gold fever and rethinking agribusiness'. Ms Massey, who grew up on a family dairy farm that supplied the local co-op, recognises the pressures and challenges farmers face today are significantly greater than 50 years ago as they work to protect their social license to farm. She adds that it was time New Zealanders had a conversation about the intensification of agriculture, a topic discussed in the book, along with trade, sheep milking, protection from food fraud, water use, the environment and climate change. The book, which contains 22 essays, includes contributions from experts in their fields including farmers, bankers, scientists, economists, manufacturers and exporters.

Information about the book is available here <http://www.masseypress.ac.nz/books/all/all/the-new-zealand-land-food-annual>

**Clean, clear, connected and imperfect: Ingredient's food trend predictions** [Foodnavigator.com/ 13 June] Ingredient, a global ingredients solutions business, has issued its predictions of what food will look like in 2020 in a new report, 2020: The Future of Simple, Natural and Clean Label Food. Key trends in the report include the growing desire for imperfect products as consumers, especially Millennials, grow weary with carbon copy products the pressure to produce uniformly perfect products will fall, requiring many food organisations to have to rethink their processes which have been designed to deliver standardised products. The report notes a desire for home-made style food will support a growth in frozen products, which many consumers consider to be the next best thing to making the product from scratch. Ingredient suggest that scent will increasingly be used as a way to market food and connect with consumers, requiring food producers to place greater focus on the overall sensory experience of their products. There is also expected to be a significant simplification of labels in the next few years, with consumers favouring clean labels with clear and precise information about ingredients and sourcing; more information on the package but presented in a simpler and less busy way.

## Animal welfare

**Tougher rules around bobby calves introduced** [NZ Herald/ 10 June] Primary Industries Minister, Nathan Guy, has announced that some of the tougher rules around the treatment of bobby calves will take effect before the start of spring calving. New rules will include a requirement for calves to be at least four days old before they are transported for slaughter or sale, limits on the time of transport and bans on killing by blunt force trauma (except in emergency situations). Other rules will be introduced next year to allow businesses time to make the required changes; these include rules on shelter and the use of loading and unloading facilities. Mr Guy noted the regulations also provide MPI with a wider set of compliance tools. The rules have been developed by the Bobby Calf Action Group, which includes DairyNZ, DCANZ, Meat Industry Association, Federated Farmers, NZ Petfood Manufacturers Association, Road Transport Forum, MPI and NZ Veterinary Association.

## Wool

**Scour merger gets the green light from court** [NZ Farmers Weekly/ 13 June] Cavalier Wool Holdings has received High Court approval to merger its scour business with NZ Wool Services International scour division. The Commerce Commission decision to allow the merger had been appealed by Godfrey Hurst and the High Court has released its decision to reject the appeal (following a similar decision on a previous proposed merger in 2011). Cavalier said that the company was very pleased with the decision, adding they believed it would be a waste of time and money for further appeals to be lodged. The merged group will consolidate scours at sites in Timaru and Napier with two plants being closed and equipment transferred to the ongoing sites. While the Commission believes the merger will lessen competition they concluded the benefits exceeded the detriments.

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## Field Notes

Weekly news update from the KPMG Agribusiness Network – 15 June 2016

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