



AGRIBUSINESS

# FIELD NOTES

Weekly news update from the KPMG Agribusiness network

22 June 2016

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

A2 Milk	Livestock Improvement Corporation
Agcarm	Mars
Agri-Food and Veterinary Authority	McDonald's
AgriHQ	Ministry for Primary Industries
ANZ Bank	New Plymouth District Council
BNZ	New Zealand Avocado
Boll & Branch	New Zealand Guild of Agricultural Journalists and Communicators
Burger King	New Zealand Kiwifruit Growers
Chetna	New Zealand Winegrowers
China National Cereals, Oils and Foodstuffs Corporation	Open Farm Sunday
DairyNZ	Origin Green
Davenport Chocolates	Overseas Investment Office
Environment Canterbury	Park Farm
European Union	PGG Wrightson
Federated Farmers	Rajlakshmi Cotton Mills
Fieldays	Rural Support Trust
Fonterra	Seeka Kiwifruit Industries
Food and Drug Administration	Shanghai Maling
Forest & Bird	Silver Fern Farms
Global Dairy Trade	Splice Fruit
Greenpeace	Taranaki Investment Management Limited
Kiwifruit New Zealand	Tourism Industry Aotearoa
Kiwifruit Vine Health	Trident
KPMG	Waimate District Council
Lincoln University	Westpac
Linking Environment and Farming	Whole Foods Market

**This week's headlines**

KPMG Agribusiness Agenda	<b>How the Fourth Revolution will transform primary industries</b> [15 June/ National Business Review]
Horticulture	<b>New Zealand avocado thefts grow as demand surges</b> [15 June/ BBC News]
Viticulture	<b>Wine sales surging towards \$2 billion</b> [18 June/ NZ Herald]
Research and Development	<b>Government supports new science for agriculture</b> [17 June/ Rural News]
Fieldays	<b>Fieldays attendance 'defies gravity', says organiser</b> [20 June/ NZ Herald]



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



## KPMG Agribusiness Agenda

**Primary sector still growing despite dairy woes, says Minister** [15 June/ NZ Herald] KPMG have released their KPMG Agribusiness Agenda, Volume 1 after discussions involving over 150 primary sector leaders. The report highlighted how the fusion of new digital and biotechnologies with traditional physical practices will place the industry at the centre of change. KPMG Global Head of Agribusiness, Ian Proudfoot said New Zealand's primary sector must be prepared to completely transform itself because the future will look radically different within 5 to 10 years. Mr Proudfoot explained that changes would be forced through innovation from competitors, new disruptors entering the market, and changes demanded by consumers. Mr Proudfoot noted that what had delivered the sector success in the past would not bring success in the future. Mr Proudfoot added that there was no shortage of good ideas in New Zealand, but we often lacked the commercialisation skills to take the solution from the lab to the world market.

**NZ water quality not on list of priorities of agribusiness leaders** [15 June/ Business Day: NZ Farmer] KPMG's Agribusiness Agenda showed that the agribusiness community did not rate water quality as a priority. After discussions with more than 150 primary sector leaders, biosecurity was identified as the most important issue, followed by food safety, market signals, broadband, brand creation, customer innovation, trade agreements, research and development, developing future leaders and investing in irrigation and water storage. KPMG Global Head of Agribusiness, Ian Proudfoot said that while water quality was raised often, it sat within other priorities such as irrigation or native revegetation. Mr Proudfoot added that some leaders raised concerns about the cost of waiting too long before including agriculture in the emissions trading scheme.

**Editor's Insight: How the Fourth Revolution will transform primary industries** [15 June/ National Business Review] KPMG Global Head of Agribusiness, Ian Proudfoot said the fourth revolution would see the fusing of physical, digital and biological technologies, and farming would be at the centre of this change. Mr Proudfoot said many in the industry were blind to new developments emerging from laboratories, as they believed the impact of cultured and artificial foods, alternative proteins, nutraceuticals and local foods were overestimated. Mr Proudfoot added that the role of governance in primary sector organisations would play a part in the change. Mr Proudfoot explained that there was a concern boards had a disproportionate focus on risk and compliance, at the expense of growth strategies. Mr Proudfoot added that the new era of disruption would require people with fresh thinking and mission-critical skills, which may require some companies to rebalance the mix of skills available to the board.

**New era dawning for the primary sector — Feds** [16 June/ Rural News] The latest KPMG Agribusiness Agenda showed that the primary sector needed to do more to meet the changing needs of consumers and the wider public. Federated Farmers President, William Rolleston said the younger generations of consumers were thinking differently, and there was a lack of understanding about our food chains. Mr Rolleston said the industry needed to explain that food did not just come from the supermarket, but that a lot of work was needed to produce it. Mr Rolleston added that the sector needed to attract young people into agriculture not only to become our future farmers, but also future industry leaders. Mr Rolleston explained that one of the ways to promote the industry was to get agriculture back onto the school curriculum through science and growing things on school grounds.

**Radical and total reform needed** [20 June/ Farmers Weekly] The KPMG Agribusiness Agenda concluded that there were multiple immediate actions required in the primary sector. New Zealand needed to create an independent body to facilitate the too-hard discussions, such as genetic engineering, intensification of farming and the role of foreign investment. The Agenda said the sector must invest in rural communities to retain social services, high value businesses, talented people, and high-speed connectivity. The Agenda added that a compelling vision had to be created for New Zealand primary industries to counter those who believed in the power of doing nothing. The sector also had to participate in helping the world feed itself, so such initiatives could contribute to our product stories.

## Horticulture

**Kiwifruit marketers to oppose Zespri's appeal of High Court decision** [14 June/ Business Day: NZ Farmer] In May, the High Court ordered the regulating body, Kiwifruit New Zealand to review applications by Splice Fruit and Seeka Kiwifruit Industries that they had previously turned. The applications were for permission to collaborate with Zespri in marketing and exporting kiwifruit. Recently, Zespri appealed the High Court decision, claiming that it was open to different interpretations. Seeka Chief Executive, Michael Franks said the company would oppose Zespri's notice of appeal. Mr Franks added that the company was looking to co-operate with Zespri to get through the legal process as efficiently as possible.

**New Zealand avocado thefts grow as demand surges** [15 June/ BBC News] Hundreds of avocados have been stolen from orchards, with thieves using rakes to drag fruit from trees before selling them on for between \$4 and \$6 per fruit. New Zealand Avocado Chief Executive Officer, Jen Scoular said the thefts were small scale and opportunistic. Ms Scoular explained that there had been a large increase in demand for avocados recently and thieves knew they would be able to get a good price for the fruit. Although the thefts had been taking place over a large area, Sergeant Aaron Fraser said the police had just one suspect in mind.

**NZ the pick of world apple orchards** [20 June/ Farmers Weekly] The United States World Apple Report has ranked New Zealand as the most competitive apple producing country for the second year. The report ranked Chile in second and the United States in third. The report warned that Russia's import ban, huge production increases in China, and the subdued global economy might put pressure on world market prices for apples. Russia's import ban due to the dispute over Crimea was the biggest reason for pessimism about export demand for fresh apples.

## Viticulture

**Wine sales surging towards \$2 billion** [18 June/ NZ Herald] The ANZ Agri-Focus report showed New Zealand wine sales reached 1.97 billion last year, with earnings having doubled in the past decade. ANZ Agri-Economist, Con Williams said the fashionable sauvignon blanc was driving New Zealand wine sales, making up 80 percent of the country's exports. Mr Williams added that there was likely to be further upside for New Zealand wine, as sauvignon blanc remained the preferred wine in established markets and was appealing to new customers in developing markets. To cope with the demand, there has been a significant increase in plantings, dominated by sauvignon blanc grapes.

**Grape vintage up a third from last year** [20 June/ Business Day: NZ Farmer] The 2016 New Zealand grape harvest of 436,000 tonnes was 34 percent higher than last year but 2 percent lower than 2014. Wine Commentator, Michael Cooper said the quality would be a mixed bag because heavy yielding years generally had less concentrated flavours. New Zealand Winegrowers Chief Executive Officer, Phillip Gregan said most growing regions had benefited from excellent summer and early autumn weather. Mr Gregan added that New Zealand wine exports were now valued at \$1.56 billion, meaning the industry was on track to achieve the goal of \$2 billion of wine exports by 2020.

#### Fishing and aquaculture

**Frustrated by fishing industry accusations** [20 June/ Business Day] Nelson Fisher, Darren Guard said a backlash against the industry, along with recent negative coverage about the snapper monitoring system, Trident, had seen his children questioned at school about his involvement in the industry. Mr Guard explained that his children came from school after a session with a local environmentalist and told him that it was bad to be a fisherman and he should not catch fish anymore. Mr Guard said he disagreed with Greenpeace's view that Trident shouldn't have been awarded the snapper monitoring contract. Mr Guard explained that it was crucial for the organisation monitoring snapper catches to have knowledge in the fishing industry, despite Trident owning 14 of the companies that it was monitoring.

#### Red meat

**Meat lovers' chocolate proves a hit at Fieldays** [17 June/ Business Day: NZ Farmer] Pieces of meat chocolate at Fieldays have proven popular, with 2,000 pieces having been sampled. AgResearch Senior Scientist, Mustafa Farouk said Davenport Chocolates were exploring funding options based on the massive level of interest shown in the product. Mr Farouk added that although some people suggested removing the word 'meat' from the name, the overall feedback was positive. Mr Farouk said many people from the meat industry had applauded the idea as it added value to beef.

**Silver Fern on collision course with shareholders** [20 June/ NZ Herald] The Overseas Investment Office has stopped work on the application from Silver Fern Farms regarding their deal with Shanghai Maling, claiming that it was still waiting for the applicants to supply further information. The deal has a deadline of 30 June, and required a recommendation from the Overseas Investment Office and ministerial approval before it could proceed. The terms of the transaction contemplate a time extension, but a delay would risk the deal becoming entangled in a special shareholders' meeting to be held on 11 July. If the deal goes ahead, Shanghai Maling would pay \$261 million for half of the company and allow it to repay all of its debt.

#### Dairy

**A2 upgrades profit forecast; insulated from Chinese infant formula regulatory crackdown** [16 June/ National Business Review] A2 Milk has upgraded its profit forecast for the year ending 31 June 2016 to between \$52 million and \$54 million, over four times the \$12 million forecast made in July 2015. The company was forecasting revenue of between \$350 and \$360 million, compared to the July 2015 forecast of \$267 million. Shares in A2 Milk increased by 12.7 percent from \$1.57 to \$1.77 after the upgrade. A2 Milk Chief Executive, Geoffrey Babidge said the company was alert and well placed to respond to potential changes in the regulatory environment.

**Dairy product prices steady, whole milk powder drops** [16 June/ NZ Herald] Dairy product prices were steady at the Global Dairy Trade auction, with the price index increasing slightly from USD 2,329 to USD 2,339 per tonne. Despite the overall stability, the price of whole milk powder, which helps determine the milk prices paid to New Zealand farmers, decreased by 4.5 percent to USD 2,118 per tonne. AgriHQ Dairy Analyst, Susan Kilsby said the Global Dairy Trade auction indicated that the market was still weak. Ms Kilsby said this was concerning as supply would likely increase in the coming months as more new season product was offered. Ms Kilsby added that it was difficult to see the price moving substantially higher before the end of the year. The AgriHQ forecast milk price increased to \$4.75 per kilogram of milk solids due to stronger prices for dairy commodities futures, while Westpac continued to forecast a \$4.60 per kilogram of milk solids payout this season.

**Fonterra unveils management reshuffle** [17 June/ NZ Herald] Fonterra Chief Executive, Theo Spierings said he has reshuffled the roles of some of his top managers in order to sharpen the co-operative's commercial and customer focus. The new roles include Jacqueline Chow as chief operating officer of the new global consumer and food service unit, and Judith Swales as the chief operating officer of Velocity. Mr Spierings said Ms Chow would provide a wealth of consumer and business experience to create the co-operative's new world class unit. Mr Spierings added that the reshuffle was the right step in the evolution of the co-operative as it kept farmers at the heart of the business while focusing on meeting the expectations of global customers and consumers.

**Farmers show resilience as low price for milk persists** [17 June/ NZ Herald] Prices at the Global Dairy Trade auction have remained steady, with the exception of whole milk powder which dropped by 4.5 percent to USD 2118 per tonne. ANZ Bank Rural Economist, Con Williams said the next few auctions for whole milk powder were likely to be important in determining the trend of milk prices paid to New Zealand farmers for the rest of the season. Mr Williams added that farmers had become more resolute, focusing on factors they could control such as productivity, cost efficiency and management efficiency. ANZ Agri General Manager, Ross Verry said the bank's internal data showed payments made by farmers, aside from interest payments, were decreasing as they cut back on costs.

**South Canterbury dairy factory expansion plans ready Fonterra for production growth** [17 June/ Business Day: NZ Farmer] Fonterra Global Operations Chief Operating Officer, Robert Spurway said the co-operative was in a better position to meet demand growth now that it had the consent it needed to expand its Studholme milk processing plant. The co-operative was granted consent to support a new 30 tonne per hour milk dryer, a coal-fired boiler, and a 36,850 square metre dry powder store at its current processing plant site. Resource Consent Commissioner, John Iseli said the proposal would provide for the economic, social and cultural well-being of the community. Waimate District Mayor, Craig Rowley noted that although consent had been granted, it would be a commercial decision from Fonterra as to whether it went ahead or not.

#### Environment and emissions

**Wilding pines number one biodiversity enemy** [19 June/ Radio NZ Rural] Thirteen weeds have been identified as priority targets for eradication after the government allocated another \$16 million to control the spread of invasive species in this year's Budget. Conservation Minister, Maggie Barry said wilding conifers covered 1.8 million hectares of land and were advancing at the rate of 5 percent a year. Ms Barry added that the weed transformed entire landscapes, ruined native ecosystems and took over productive land. Other weeds identified include the Japanese honeysuckle which smothers native plants, and Darwin's berry which replaces shrubland and regenerating forest.

#### Research and development

**Government supports new science for agriculture** [17 June/ Rural News] A Primary Production Select Committee report has favoured increasing the protection of research and commercial data required to register new crop protection and animal health products in New Zealand. The increase would allow 10 years protection for innovative products and five years protection for new uses, new formulations and reassessments. Agcarm Chief Executive, Mark Ross said the changes would encourage greater innovation and new science which was vital for New Zealand's farmers and growers. Mr Ross added that it would ensure New Zealand had access to the latest technology and could remain competitive against other agriculture nations. It was expected that the Bill would have progressed through Parliament by the end of the year.

#### Biosecurity

**Kiwiberry growers join GIA** [17 June/ Rural News] Primary Industries Minister, Nathan Guy has approved the application for New Zealand Kiwiberry Growers (NZKGB) to join the Government Industry Agreement (GIA) Deed for Biosecurity Readiness and Response. NZKGB would be represented in the partnership by Kiwifruit Vine Health (KVH). NZKGB Chair, Geoff Oliver said joining the partnership would give the kiwiberry industry the opportunity to influence decision making in the event of a biosecurity response. Mr Oliver added that the kiwiberry sector was going through a significant growth phase, with production expected to reach 200,000 export trays in 2016. KVH Chief Executive, Barry O'Neil said the company was pleased to represent the kiwiberry industry, and were currently determining what pests and diseases would be the biggest threat to kiwiberry and how to mitigate the risk of these threats.

**Border levy brings in the cash** [21 June/ NZ Herald] The border clearance levy implemented five months ago has generated \$7.5 million more than expected for Customs and the Ministry for Primary Industries. A representative from the Ministry for Primary Industries said the increased levy take was due to higher than expected passenger numbers. Tourism Industry Aotearoa Chief Executive, Chris Roberts said the tourism industry thought the levy was unjustified, and the Government had been lucky that it was introduced during a time of strong tourism growth. Mr Roberts noted that the levy was reducing the extent of tourism growth.

#### International

**Bumper crowds enjoy taste of the countryside 400-plus farmers 'share their stories' on OFS** [9 June/ Farmers Weekly] Open Farm Sunday took place across the United Kingdom on 5 June, with nearly 400 farmers welcoming 250,000 people onto their land to give them an insight into agriculture. The event, organised by Linking Environment and Farming (Leaf), included attractions such as tractor and trailer tours, a sheep show and sausage making. Defra Secretary, Liz Truss said the initiative provided an insight into the highly innovative and enterprising world that modern-day farming had become. Park Farm Director, Michael Sly said farmers derived a huge amount of satisfaction, fulfilment and pleasure from seeing the public engaging with them and having a good day.

**Chinese food trader COFCO aims to rival global giants** [14 June/ China Daily] China National Cereals, Oils and Foodstuffs Corporation Chairman, Zhao Shuanglian said a target had been set to source up to 50 million tonnes of grain from overseas markets by 2020 in order to further ensure China's grain security. Mr Shuanglian said these markets included South America, Australia and Europe. Mr Shuanglian added that the company had invested more than USD 3 billion in global markets over the past two years and expanded its investment activities from grain to other foodstuffs such as meat, oil and beverages. Other company goals included being able to process 30 million tonnes of corn, 20 million tonnes of soybean, 10 million tonnes of rice, and 5 million tonnes of sugar annually by 2020.

**F.D.A. Cites Whole Foods for Failure to Address Food Safety Problems** [15 June/ The New York Times] The Food and Drug Administration (FDA) has sent a letter to Whole Foods Market, telling the company that it had failed to address a long list of food safety issues at its food processing plant near Boston. Problems included condensation dripping from the ceiling near food and failure to separate dirty dishes from fresh salads. Whole Foods Executive Vice President for Operations, Ken Meyer said the letter identified issues that the company had already corrected. Whole Foods has approximately two weeks to provide evidence to the FDA showing that steps have been taken to bring the company into compliance.

**PM: Brexit poses 'massive threat' to farming** [16 June/ Farmers Weekly] United Kingdom Prime Minister, David Cameron has outlined three key reasons for the United Kingdom to stay in the European Union. Firstly, Mr Cameron said remaining in the European Union was in the best interest of British agriculture as it gave them access to a single market of 500 million people. Secondly, Mr Cameron explained that there was no certainty around the belief that the United Kingdom government would continue support payments to farmers should the public vote to leave. Thirdly, Mr Cameron added that it would be very difficult for the United Kingdom to overturn a trade ban on farm exports imposed by another country if there was another problem such as an avian flu outbreak.

**Mars in talks to take M&M's out of McDonald's and Burger King desserts to cut sugar intake** [16 June/ The Independent] Mars has been in talks with McDonald's and Burger King to remove M&M's from their McFlurry ice creams and Snickers pies. The move came after Mars promised to reduce the amount of sugar in its products in the United Kingdom and the United States. A Mars representative said the company was now working alongside suppliers and customers to bring this commitment to life.

**New farm land back on 20-year lease** [16 June/ The Straits Times] The Agri-Food and Veterinary Authority announced that all new agricultural land in Singapore would now be tendered on a 20 year lease instead of the 10 year term currently in place. The new lease periods would come into effect when the next batch of agricultural land comes up for tender next year. The decision to return to 20 year terms came after feedback from farmers showed 10 years was too short for investing in automation. Agri-Food and Veterinary Authority Chief Executive, Tan Poh Hong said the 20 year leases would provide more certainty to farms and enable them to invest in intensive, highly productive technologies that operate on minimum man power.

**Sourcing Organic Cotton From India, for a Cause** [18 June/ The New York Times] Boll & Branch Partners, Scott and Missy Tannen set up their business in the luxury bedding industry after noticing that consumers were increasingly concerned about the treatment of farmers and factory workers in the supply chain. In building Boll & Branch, the Tannens have tried to create a supply chain that improves the livelihoods of workers in India. The Tannens have worked with Rajlakhmi Cotton Mills, an organic and Fair Trade certified textile factory in India, along with Chetna, a non-profit organisation that works with Indian cotton farmers who grow crops without genetically modified seeds or pesticides. Boll & Branch was now purchasing over half of the organic cotton produced by Chetna's 15,000 farmers. The company was now three years old and on track to sell \$40 million worth of sheets and towels this year.

**Ireland leads sustainable selling** [20 June/ Farmers Weekly] Irish Ambassador, Noel White said a large part of Ireland's recovery from the 2008 downturn should be attributed to Origin Green, the country's sustainability initiative. Mr White said Ireland's strengths lay in their land resources and what they could grow and produce from it in a way that was sustainable and capable of making a difference to the country's wealth. Mr White explained that it also recognised a growing call from consumers globally for greater accountability about food sources, including growers' ability to sustain their production in an environmentally sensitive way and meet social responsibilities as good employees and suppliers. Mr White said he thought New Zealand farmers were ahead of the Irish when it came to innovation on the farm, but were behind when it came to marketing. Mr White added that an initiative like Origin Green could reinforce New Zealand's somewhat battered 100% Pure slogan.

**The Willy Wonka factory of booze** [20 June/ NZ Herald] Diageo, the manufacturer of alcohol brands including Smirnoff and Guinness, has been increasingly reliant on the products coming out of its experimental lab which modernised recipes for old brands. Diageo Chief Executive, Ivan Menezes said the company capitalised on its popular brands by bringing new variations to the market, such as Baileys Chocolat Luxe. Diageo Bartending Competition Manager, Daniel Dove said consumers used to choose drinks they were used to, but they now choose something new and showed a greater interest in the ingredients. Diageo Innovation, Research and Development Head, Sian Anderson said the company were still several steps ahead of the consumer and were already cooking up what we would be drinking in 2020. Ms Anderson added that the lab team would be ready to take on future issues in alcohol innovation such as responsible drinking and sugar consumption.

**Cheap food has a high price** [20 June/ Rural News] Lincoln University Farm Management Professor, Alison Bailey said her report into European farming policy showed there was overwhelming evidence that food systems needed to change. Ms Bailey explained that the current food model, which focused on producing more food than ever before at lower prices, had serious negative impacts such as the environmental costs of intensive farming and less biodiversity. Ms Bailey added that overall food production was a major cause of climate change. Ms Bailey said the United Kingdom needed to review its entire food system and adjust diets, regardless of the outcome of the upcoming referendum on European Union membership. Ms Bailey noted that New Zealand could well do the same.

#### Farmers and producers

**Winner, Landcorp Agricultural Communicator of the Year** [16 June/ The New Zealand Guild of Agricultural Journalists and Communicators Media Release] DairyNZ Chief Executive, Tim Mackle has won the 2016 Landcorp Agricultural Communicator of the Year award. The award came with \$2,500, the most valuable prize the Guild offered. Guild President, Ali Spencer said Mr Mackle was highly regarded among farmers and stood out in an industry with many spokespeople. Ms Spencer added that Mr Mackle's communication was meaningful as he provided advice and empathy to those being challenged by tough economic times. Mr Mackle would donate the prize money to the Rural Support Trust.

**More funds for rural mental health** [18 June/ Rural News] The Government has announced a continuation of last year's rural mental health funding by providing an additional \$600,000. Health Minister, Jonathan Coleman said the Rural Mental Wellness initiative would continue to raise awareness of mental health issues within rural communities and provide practical help to improve the skills of the health professionals who work alongside the rural sector. Primary Industries Minister, Nathan Guy said the funding would help strengthen local networks for farmers, workers and families in rural communities. Mr Guy added that it would provide more suicide prevention workshops and employ coordinators to work with Rural Support Trusts.

**Tasman farm sale reaps multi million-dollar profit for New Plymouth ratepayers** [19 June/ Business Day: NZ Farmer] The sale of Tasman farms by the New Plymouth District Council's Perpetual Investment Fund to a Chinese company for \$307 million earlier this year has made New Plymouth district ratepayers a \$92 million profit. Taranaki Investment Management Limited Chief Executive, Mike Trousselot said the 25 farms were purchased over a number of years from 2008 for a total of \$103 million, and the net proceeds from the sale after bills and tax were \$195 million. Mr Trousselot said the return on the investment was 11.7 percent per annum. Mr Trousselot noted that the proceeds would now be transitioned into diversified investments over the next 12 to 18 months, including equity and property.

**Farmers keeping the bankers happy** [20 June/ Farmers Weekly] BNZ National Agribusiness Manager, Scott Wishart said the extent by which farmers were cutting costs was an encouraging sign for the economy. Mr Wishart added that it was good to see farmers budgeting to break even, after needing an extra \$1 per kilogram of milk solids to break even last year. ANZ Bank Commercial and Agri Head, Mark Hiddleston said the bank was encouraging resilience and even more detailed financial planning by its dairy farming clients. Mr Hiddleston said ANZ's bad and doubtful debt provisioning for rural loans was increasing, but the bank was comfortable with the current exposure. Mr Hiddleston added that he expected the milk price at the end of the season to be just under \$5 per kilogram of milk solids.

#### Fieldays

**Fieldays attendance 'defies gravity', says organiser** [20 June/ NZ Herald] This year's Fieldays attracted 130,684 people over four days, just several hundred people behind the 2006 record. National Fieldays Society Chief Executive, Peter Nation said the event was one of the biggest in history, and supported the theory that gate numbers rose during an economic downturn, whether it be the global financial crisis or the dairy downturn. Mr Nation said the attendance numbers showed there was more to the rural industry than just dairy, with other areas such as honey and kiwifruit contributing to the success. Primary Industries Minister, Nathan Guy congratulated the National Fieldays Society for putting on another successful event which helped put the primary sector in the spotlight. Research showed that Fieldays contributed \$400 million to the New Zealand economy.

## Water

**Millions of litres of water illegally taken: Is ECan doing enough?** [20 June/ Business Day: NZ Farmer] Environment Canterbury data, collected between 2013 and 2014, showed that approximately 20 percent of consented users were taking hundreds of millions of litres of water above their entitlements. The data showed that others were still taking incorrect measurements of how much they took, or not taking measurements at all, despite national requirements to do so. Minimal fines have been issued and no prosecutions have been made, even though some consent holders have ignored threats of enforcement and broken the rules two or three years in a row. Forest & Bird Senior Legal Counsel, Peter Anderson said these were serious environmental crimes that were punishable by fines and prison sentences under the Resource Management Act. Environment Canterbury seemed unwilling to do much more than issue warnings which it then failed to enforce. Environment Canterbury Principal Resource Management Advisor, Richard Purdon said the regional council had been focused on ensuring all water users correctly measured how much water they took. Mr Purdon added that attentions could now be turned to ensuring users were complying with the rules.

## Agribusiness Strategy

**Key says \$4.5 billion dairy export losses are being backed up by other agri-earners** [17 June/ Business Day: NZ Farmer] A Ministry for Primary Industries report showed that dairy exports were expected to decrease to \$13.2 billion in 2016, compared to nearly \$17.8 billion in 2014. Prime minister, John Key said the 4.6 billion loss in dairy export earnings would be absorbed by other parts of the economy. Mr Key added that the growth in agriculture, horticulture and forestry meant the rest of the economy was doing well and overall New Zealand exports were growing. Mr Key noted that the pressure of the dairy downturn was one of the reasons the Government had increased funding for a Rural Mental Wellness programme by \$600,000 to support farmers in tough times.

**Growth forecast for primary exports** [18 June/ Otago Daily Times] The Situation and Outlook for Primary Industries report released by the Ministry for Primary Industries (MPI) showed that primary sector exports were likely to grow 3 percent in the year to June 2017, as they did in the past year. The report added that New Zealand export growth was likely to be strongest in the dairy, forestry and horticulture sectors. Primary Industries Minister, Nathan Guy said the result was pleasing given the volatility in the dairy industry. Mr Guy added that dairy export revenue was down 6 percent, but MPI expected prices to gradually rise from December as global demand and supply began to rebalance.

## Agribusiness Education

**NZ farmers need to embrace food culture - chef Ray McVinnie** [15 June/ Business Day: NZ Farmer] Celerity Chef, May McVinnie said New Zealand should celebrate its food culture, as it was as dynamic as those in Singapore or Melbourne. Mr McVinnie explained that while other countries had a set of national dishes, New Zealand had a set of ingredients that could be used for all sorts of things. Mr McVinnie said farmers needed to fully understand the end use of their product, how it should taste, what it should be used for, and how to cook it. Mr McVinnie explained that this would allow them to connect with urban and other high end consumers.

## Rural infrastructure

**PGW exceeds expectations** [16 June/ Otago Daily Times] PGG Wrightson Chief Executive, Mark Dewdney said the company expected its full year operating profit to be between \$65 million and \$68 million, up from the previous guidance of between \$61 million and \$67 million. Mr Dewdney added that New Zealand earnings continued to exceed expectations, with strong autumn sales underpinning the performance. The company expected to announce its full year results on 9 August.

**Slow change for capital structure of breeding company LIC** [17 June/ Business Day: NZ Farmer] Livestock Improvement Corporation (LIC) Chairman, Murray King said there was no rush to change the capital structure of the co-operative. Mr King said it had been proposed that LIC was split into two bodies. The first body would focus on artificial breeding and an advisory service, while the second body would focus on high risk technology such as automation, software and hardware, and sensing systems for New Zealand and international sales. Mr King explained that the high risk part of the business would initially be a subsidiary of the co-operative, and with shareholder agreement it could be used as a vehicle to raise capital by bringing in non-farmer shareholders. Mr King said the proposal to create two companies would help the co-operative achieve a separation between investment shareholders and co-operative shareholders.

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## Field Notes

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

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