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



AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

29 June 2016

Organisations referenced in this week's Field Notes include:

Aldi	Marine Farming Association
Alliance Group	Meat Industry Association
Analog Devices	Monsanto Growth Ventures
Arla	Mount Albert Grammar School
Balance Farm Environment Awards	National Farmers Union
Beef + Lamb New Zealand	National Institute of Water and Atmospheric Research
Blueberry New Zealand	Nestle
Cavalier Wool Holdings	OMF
Client Earth	Quayside Holdings
Coles	Rabobank
Dairy United Kingdom	Resson
Danone	Royal FrieslandCampina
European Union	Senate Agriculture Committee
Federated Farmers	Shanghai Maling
Fonterra	Silver Fern Farms
French Government	South Dakota State University
General Mills	Starfish Bobby Calf Rescue
Godfrey Hirst	Statistics New Zealand
HoneyLab	Suning Commerce Group
Icelandic Provisions	Tegal
KPMG	Western University
Landcorp	Whole Foods
Lidl	Woolworths
Malaysian Palm Oil Council	Zespri

This week's headlines

Horticulture	Tenders for SunGold kiwifruit fetch high bids and boost Zespri profits [23 June/ Business Day: NZ Farmer]
Red Meat	Silver Fern Farms dampens down speculation that investor has walked away [27 June/ Business Day: NZ Farmer]
Environment and emissions	Showcase for the big smoke [27 June/ Farmers Weekly]
Economics and trade	Brexit: NZ beef-up, or sacrificial lamb? [25 June/ Radio NZ Rural]
Agribusiness Education	Bridging the divide [27 June/ Farmers Weekly]

NEW! KPMG International Insights

**ConsumerCurrents: Issue 21**

In this issue of *ConsumerCurrents* we look at the ways that consumer companies are achieving growth and competitiveness during an era where demographics are shifting, data is prolific, brand values are in question and innovation is constant. In particular, we explore the rapidly changing market of Africa, arguably the greatest opportunity facing retailers and brands today. We talk to the CEOs of Pioneer Foods and Danone Africa to discover firsthand what strategies are being deployed by organically grown and foreign-owned enterprises. Articles in this issue include:

Off the shelf: China's foray into fashion; KPMG Capital acquires Label Insight

Customer first: creating a profitable customer strategy

Africa: exploring big business opportunities in a complex continent

Inside business: what can we learn from Japanese retailer, Muji

Predictive analytics: how data can transform corporate performance

Brands: disruption is forcing brands to work hard, think smart and move fast

Case study: Pioneer Foods CEO, Phil Roux, reveals his ambitious Africa plans

Lessons from other industries: Inspiration in innovation from Picasso

The publication can be downloaded by clicking the following link:

<https://home.kpmg.com/xx/en/home/insights/2014/06/consumer-currents.html>

KPMG Agribusiness Agenda

Complacency costing NZ agriculture [21 June/ Rural News] According to the KPMG Agribusiness Agenda, complacency and the inability to keep up with the pace of change in the world was a huge threat facing New Zealand's primary sector. KPMG Global Head of Agribusiness, Ian Proudfoot said many people in New Zealand's primary sector believed that the country would continue to be a world leading primary exporter, while in fact other countries had caught up and were passing us. Mr Proudfoot explained that the Irish were well ahead of New Zealand with their Origin Green brand, while, in key ways, the French were further ahead because their farmers were so passionate about the world class products they produced. Mr Proudfoot added that one cause of complacency in New Zealand was due to some company directors still living in the analogue rather than the digital age. Mr Proudfoot noted that the problems were in the mindsets of board members rather than their age. Mr Proudfoot said Landcorp was a good example of how a very traditional company recognised the future would look different, and was taking practical steps to move in that direction.

Horticulture

No blues for these berries [22 June/ Rural News] Blueberry New Zealand Chairman, Dan Peach said the country's 50 blueberry growers have produced 1.37 million kilograms of blueberries for local and export markets this year. Mr Peach added that production had been around 1 million kilograms during the past few seasons and was now steadily rising. Mr Peach noted that production had risen due to land conversions and farmers planting new varieties to boost yields. Mr Peach said sales of blueberries had increased dramatically in recent years due to promotion and more awareness of the health benefits. Mr Peach added that demand was especially high in Asian markets as they had an appetite for blueberries due to the wide range of health benefits they offered.

Tenders for SunGold kiwifruit fetch high bids and boost Zespri profits [23 June/ Business Day: NZ Farmer] Kiwifruit growers have paid a median price of up to \$200,000 each for licences to grow the SunGold variety. The revenue from the tender for 400 hectares of the variety would boost Zespri's corporate profits to a forecast \$70 - \$75 million after tax, up from \$25.8 million in 2015-16. The tender was the first stage in expanding SunGold volumes, with a further 400 hectares to be released each year over the next three seasons. Zespri Chairman, Peter McBride said the high median price reflected strong confidence in the future of SunGold, which has proven to be a success in the market to date.

Apiculture

Quayside Holdings Takes Significant Stake in HoneyLab [HoneyLab Quayside Media Release] Quayside Holdings has announced that they have taken a major stake in HoneyLab. HoneyLab was a Bay of Plenty healthcare company which developed products utilising the active properties of honey to benefit skin conditions, pain, nutrition and the common cold. HoneyLab Chief Executive Officer, Laurence Greig said Quayside presented the company with an investor that added so much more than just capital. Mr Greig added that Quayside's understanding and support for HoneyLab's strategy of developing licensed intellectual property was instant. Quayside Holdings Chief Executive, Scott Hamilton said the company was excited by the potential for HoneyLab and its focus on innovation.

Aquaculture

Marlborough marine farmers won't pay coastal occupancy charges until 'cloud of uncertainty' is lifted over industry [27 June/ Business Day: NZ Farmer] Marine Farming Association President, Rob Pooley said marine farmers would refuse to pay new coastal occupancy charges until the Marlborough District Council provided more certainty around their ongoing consenting process. Mr Pooley explained that if marine farmers had certainty of tenure they would pay the annual fee as long as the charges were fair and equitable. The new rules in the proposed Marlborough Environment Plan proposed that owners of moorings, jetties, wharves, boat sheds, boat ramps and marine farms in the region would be charged coastal occupancy charges.

Red meat

Meat trade rides on result of EU vote [23 June/ NZ Herald] Beef + Lamb New Zealand Trade Policy General Manager, Ben O'Brien said the United Kingdom referendum result could have a substantial negative impact on New Zealand's sheepmeat sector as the United Kingdom and Europe were the largest export destination for the sector. The New Zealand sheepmeat quota to the European Union was around 228,000 tonnes, representing over half New Zealand's exports. The United Kingdom took half of that quota. Mr O'Brien said given the dairy downturn, New Zealand could not afford for its second largest export industry to have to deal with uncertain times in the United Kingdom and European markets.

Mid Canterbury meatworks hit by Silver Fern Farms' decision [24 June/ NZ Herald] Silver Fern Farms have decided to shift the majority of their bobby calf kill from the co-operative's Fairton plant to its Pareora plant. The shift would put the jobs of almost 500 workers at the Fairton plant in limbo for another three months. Silver Fern Farms spokesperson, Justin Courtney said the company had put the option of running both plants on the table but workers would not agree to include weekends in their five day working roster without compensation in the form of penalty rates. Mr Courtney added that the two plant option was not viable under the current employment agreement, and in order to run both sites the penalty rates would have to be removed from Saturday and Sunday work. Ashburton Mayor, Angus McKay said the decision was the company's to make, but he was concerned about the loss of work in a tight job market.

Silver Fern Farms dampens down speculation that investor has walked away [27 June/ Business Day: NZ Farmer] Silver Fern Farms has rejected a report from Australian media that Shanghai Maling has walked away from the deal to buy the meat co-operative. Silver Fern Farms Chief Executive, Dean Hamilton said the company was in discussions with Shanghai Maling to extend the 30 June deadline to obtain Overseas Investment Office Approval. Mr Hamilton added that the company was confident of receiving approval from the Overseas Investment Office, and as a consequence the 11 July special meeting called by shareholders had been deferred and a new date would be set.

Banks put heat on meat co-ops [27 June/ Farmers Weekly] Silver Fern Farms and Alliance Group confirmed that their banks have told them to reduce seasonal and core debt. Alliance subsequently reduced their seasonal peak debt from \$350 million to \$120 million, resulting in an improved debt to equity ratio and lower interest costs. Alliance Chief Executive, David Surveyor said the co-operative's drive to reduce debt was not totally driven by banks, but also through a goal of improving equity to 60 percent. Mr Surveyor added that lower debt was a consequence of an efficiently run business and effective use of capital. Silver Fern Farms Chief Executive, Dean Hamilton said banks started to put pressure on meat companies following heavy losses in 2012 and 2013. Mr Hamilton explained that this highlighted the volatility in the industry and banks' desire to have capital structures rebalanced over time. Meat Industry Association Chairman, John Loughlin said he had no details of banks putting pressure on specific meat companies, but they appeared to be looking at companies on a case by case basis.

Dairy

Kiwi, European and Aussie milk production falling [23 June/ National Business Review] European Union Commission figures show milk production in the 28 country block was not increasing as fast as it had been in previous months. The figures showed that the European Union was producing 5 percent more milk in the six months to March 2016 compared to the same period in the previous year, but was only producing 1.1 percent more milk in April 2016 compared to the same month in the previous year. New Zealand and Australia milk production decreased by 3 percent in April compared to the same month last year. OMF Financial Director, Nigel Brunel said the figures were good news for dairy farmers globally as there had been a lot of milk produced in recent year.

Dairy farmers need to reconsider 'smart level' of debt - Federated Farmers chair [27 June/ NZ Herald] Federated Farmers Dairy Chairman, Andrew Hoggard said dairy farmers needed to ask themselves what a smart level of debt was, as the risk profile for their business for the next decade was likely to be different from the last decade. Mr Hoggard added that New Zealand dairy farmers had a very high debt level compared to other countries because they had more opportunities to expand. Debt in the New Zealand dairy industry was \$37.8 billion in 2015 compared to \$40 billion in 2010. The latest Reserve Bank Financial Stability report showed that dairy sector borrowing was expected to rise further in the coming months as farm incomes fell during winter, with many dairy farmers facing a third season of negative cash flow. Mr Hoggard noted that the effect on New Zealand's dairy sector from Brexit was up in the air, given that the country's dairy exports to the United Kingdom were minimal.

Environment and emissions

Showcase for the big smoke [27 June/ Farmers Weekly] Helensville sheep and beef farmers, Richard and Dianne Kidd were the supreme winners at the Auckland Region Ballance Farm Environment Awards, and this week have been awarded the 2016 Gordon Stephenson Trophy for national leadership in environmental farm management. These awards followed their son, David Kidd, winning the 2014 Young Farmer of the Year award. In addition, Ms Kidd recently received a Queen's Birthday honour. The national award means their future includes an overseas trip, a nationwide tour and an appearance before the Parliamentary primary select committee. Mr and Mrs Kidd said they would do their best to represent farming positively to the people of Auckland, the rest of New Zealand and overseas. Mr Kidd added that the awards gave them a high profile and they would do what they could to break down perceived barriers between urban and rural communities.

International

China's plan to cut meat consumption by 50% cheered by climate campaigners [19 June/ The Guardian] The Chinese government has outlined a plan to reduce its citizens' meat consumption by 50 percent. New guidelines released by the government recommend each person consumes between 40 and 75 grams of meat each day. The measures were designed to improve public health, but could also provide a significant cut to greenhouse gas emissions. China National Centre on Climate Change Strategy and International Cooperation Director General, Li Junfeng said this kind of lifestyle change would transform the livestock industry and reduce carbon emissions. If the new guidelines were followed, the projected carbon dioxide equivalent emissions from China's livestock industry would be reduced by 1 billion tonnes by 2030. China consumes 28 percent of the world's meat, including half its pork.

Changes in Foreign Direct Investment Policy [20 June/ KPMG Flash News] The Indian Government has announced radical changes that will lead to further liberalisation of the Foreign Direct Investment (FDI) regime in India. The country was fast becoming one of the most open economies in the world in terms of its foreign investment regime. The new policy now permits foreign companies to own 100% of an Indian domestic business under the approval route for food products manufactured or produced in India. This would likely benefit farmers looking to upgrade infrastructure, as well as give end consumers access to good quality food products. The change would help control the wastage of food products and therefore help control food inflation. The new policy also removes the controlled conditions that were required to be met before FDI was permitted in the animal husbandry sector. The changes would now be ratified and issued by the Department of Industrial Policy and Promotion in due course.

Dutch giant bullish on dairy in China [20 June/ China Daily] Dutch dairy giant, Royal FrieslandCampina, and Chinese retail giant, Suning Commerce Group plan to launch online and offline stores to bring high quality Dutch dairy products to rural areas in China next year. Suning Vice Chairman, Sun Weimin said the company planned to build an e-commerce platform that would help drive rural economic growth. Mr Weimin added that the company expected the Chinese dairy market to grow significantly following the country's new two child policy. A Royal FrieslandCampina representative said that despite the high potential and room for growth in rural markets, rural consumers lacked scientific and health knowledge. The representative added that the company would organise seminars on nutritional diets and baby care, and send 20 nutritionists to provide nutritional consultancy services in rural Suning stores.

Lidl promises to buy more from British farmers with ethical 'fruit and veg pledge' [20 June/ The Independent] Lidl has signed up for a National Farmers Union scheme in the UK designed to connect farmers to the consumers of their food, following in the steps of rival British supermarket chain, Aldi. The scheme aims to improve the relationship between growers and suppliers, boosting the profitability of both in the process. National Farmers Union Horticulture and Potatoes Board Chair, Ali Capper said the fact that Lidl had signed up to the pledge highlighted the supermarket's commitment to long term supply relationships and equitable distribution of rewards along the supply chain. Lidl United Kingdom Commercial Director, Ryan McDonnell said Lidl's commitment to the National Farmers Union scheme cemented its relations with suppliers.

Monsanto leads \$11m Series B for agtech company [22 June/ Agri Investor] Monsanto Growth Ventures has led a USD 11 million raise for Resson, a Canadian agriculture technology company. Resson is developing products it claims will increase crop yields by combining cloud based analytics with drone and robotics technology and advances in genomics. The company planned to use the capital raised from the Series B round to develop products, expand its sales and marketing presence, and establish a new office in California. Monsanto Growth Ventures Venture Principal, Ryan Rakestraw said Resson's impressive data-driven technology would help improve yields while reducing costs across a number of crops.

Blood being spilt in battle of the meat price cuts [23 June/ The Sydney Morning Herald] Coles have been running an AUD 9 per kilogram of lamb special to rival Woolworths' AUD 10 per kilogram in what has turned into a meat price war between the major supermarket chains. Woolworths Meat Company Director, Pat McEntee said the discounts on lamb were developed to meet shopper demand for roast meat in winter. Butcher, Peter Bouchier said the supermarkets' pricing strategies were disgusting as it hurt a lot of the small players in country towns who could not compete with the major supermarkets. Mr Bouchier added that the major supermarkets did not have to make money off meat because they sold other products like toothpaste.

UK's out vote is a 'red alert' for the environment [23 June/ The Guardian] Pollution, farming, green energy and climate change faced an uncertain future as Britain entered uncharted territory after voting to leave the European Union. However, the protections for Britain's environment were likely to get weaker as it was uncertain which ones would remain in place. These protections included air pollution limits, orders to clean up beaches, and a revolution in recycling and waste. The European Union's Common Agriculture Policy was improving its approach to the environment and supporting the farmers who put food on the table. The European Union had also been vital in climate change, with the United Kingdom targets for renewable energy now put into limbo. Client Earth Chief Executive, James Thornton said Brexit left him shocked, disappointed and extremely concerned about the future of environmental protections in the United Kingdom.

Rabobank Global Beef Quarterly Q2 2016: Volatility Challenges Beef Markets [24 June/ Rabobank Press Release] The Rabobank global beef index increased in the first quarter of 2016 after declining for much of 2015. However, the Rabobank Global Beef Quarterly showed it may drop again as softening prices in the United States and Canada offset strengthening prices in Australia and Brazil. Rabobank Senior Animal Protein Analyst, Angus Gidley-Baird said volatility was the key theme across most markets at the moment. Mr Gidley-Baird added that a range of factors were creating a degree of uncertainty, including the economy and exchange rates influencing Brazil, seasonal conditions impacting Australia, the economy impacting China, and market volatility impacting the United States. The report showed New Zealand cattle supplies were now falling as the season moved into winter, while farmgate prices were expected to strengthen. The report added that the extent of the price increase would depend on how the United States market reacted.

Kids' nutrition determined by neighbourhood food choices [24 June/ Food Navigator] A Western University study showed that a child's exposure to fast food outlets during trips to and from school increased the chance that they would make an unhealthy food purchase. The study added that when a child was exposed to a fast food outlet, 5 percent of them bought food. Western University Human Environments Analysis Laboratory Director, Jason Gilliland said the study also suggested that trips by car, under adult supervision, were more likely to result in a junk food purchase.

Dairy reacts to Brexit vote [24 June/ Dairy Reporter] Dairy United Kingdom Chief Executive, Judith Bryans said the organisation would continue to liaise with the United Kingdom Government and other relevant organisations to promote the interests of the United Kingdom dairy sector and help steer the industry in the right direction following the referendum result. Arla Foods Head of Europe, Peter Giortz-Carlson said the outcome of the exit agreements would be crucial to the Denmark based company, as the United Kingdom was their biggest market. Mr Giortz-Carlson added that the United Kingdom may have decided to leave the European Union, but it would remain a key market for Arla. Danone said in a statement that the United Kingdom was a key market for the company, and it would aim to mitigate the effects through their hedging policy and continue to monitor the impact. A Nestle media spokesperson said the practical consequences of the referendum would become clearer in the coming months, and the company would continue to operate in the normal course of business and follow developments closely.

Deputy Prime Minister Barnaby Joyce unveils Coalition's \$240 million agriculture policy [24 June/ ABC Rural] Australia Deputy Prime Minister, Barnaby Joyce has announced the Coalition's AUD 240 million agriculture policy. Mr Joyce said AUD 20 million would be spent over five years to extend a research program focused on eradicating pests, AUD 4 million would be used to develop a northern rice industry, and AUD 2 million would be spent on developing a milk price index. If re-elected, the Coalition would commit AUD 8.3 million to implement the Livestock Global Assurance Program for the live export industry. The policy also included a previously announced AUD 2 billion water infrastructure loans fund. Labor Party Agricultural Spokesman, Joel Fitzgibbon said the Coalition policy was light on detail and Labor's agricultural plan would be announced before the election.

Bipartisan deal struck on GMO labelling [25 June/ The Boston Globe] Republicans and Democrats on the Senate Agriculture Committee have come to an agreement which could create the first nationwide US standard for foods containing genetically modified organisms (GMOs). Under the agreement, foods containing GMOs must include either text on the packaging, a symbol, or an electronic link to a website for more information about the product. The bill would also ban state imposed labelling requirements and allow producers with a 'certified organic' designation to display a "non-GMO" label on their products. Genetic engineering would be given a narrow definition that would not include new techniques such as gene editing. The Senate could vote on the measures as soon as this week, but the House was in recess until 5 July and would not be able to act in time to prevent the Vermont law from taking effect.

Brexit will cause UK food prices to rise, farmers warn [25 June/ The Independent] National Farmers Union President, Meurig Raymond said the United Kingdom's dependence on imports combined with a weakened pound would mean food prices could rise following the referendum result. Mr Raymond added that the United Kingdom only produced 60 percent of the food it consumed. Mr Raymond said the average income of a farmer was just over GBP 20,000 in 2014, with 55 percent of that being money from the European Union. Mr Raymond added that these payments helped keep the sector afloat. Mr Raymond said the United Kingdom exported 38 percent of lamb produced to the European Union, along with over 3 million tonnes of wheat and barley. The National Farmers Union has called an emergency meeting of its governing body to discuss how leaving the European Union would affect farming.

Food giant General Mills, SDSU partner for oats research [25 June/ NZ Herald] General Mills has partnered with South Dakota State University in an effort to improve the quality of oats and make the crop more sustainable. A new research laboratory would provide a place for the company's scientists to collaborate with the university's grain, environmental and seed experts, plant breeders and student researchers. General Mills Vice President, Jim Kirkwood said oats were an essential part of the company's profile as they were used in more than 600 products sold in the United States. South Dakota State University College of Agriculture and Biological Sciences Interim Dean, Daniel Scholl said the university had been developing new varieties of oats that thrived in the South Dakota environment. Mr Scholl added that the university's work had enabled growers to be very profitable contributors to domestic and global oat markets, but more research was needed as demand for the crop continued to grow.

Tomato 2.0 With sophisticated sensors, Analog aims to grow a superior product [26 June/ The Boston Globe] Analog Devices Senior Engineer, Bob O'Reilly is building a network of electric sensors to measure heat, light, and moisture levels for clues on how to improve the flavour and yield of tomatoes. Mr O'Reilly was also working with an Israeli company on a gadget that could judge the quality of a tomato by hitting it with a beam of light. Mr O'Reilly said that helping farmers grow a higher quality tomato could boost their revenue. Mr O'Reilly explained that he placed sensors above tomatoes as they grew, which then told him when they should be watered and harvested. Mr O'Reilly noted that this could make a big difference in terms of crop quality.

US launch of Icelandic Provisions skyr to capture those with 'high food IQ,' says chairman [27 June/ Dairy Reporter] Icelandic Provisions has launched its line of Icelandic skyr in the United States, bringing a new high protein dairy product to the market. Icelandic Provisions is the largest farmer owner co-operative in Iceland, representing over 650 Icelandic family farms and milk producers. The skyr line was sold in major United States retailers including Whole Foods, Wegmans, and Harris Teeter. Skyr is a form of yogurt with higher protein and different nutritional qualities.

French MPs drop palm oil tax – but accuse producer countries of blackmail [27 June/ Food Navigator] French politicians have voted to drop the proposed palm oil tax from the country's Biodiversity Bill, with some politicians saying the country has been blackmailed by producer countries. Socialist Party Politician, Delphine Batho said parliament was legislating with a knife at their throats due to the blackmail. Malaysian Palm Oil Council Chief Executive Officer, Yusof Basiron said the vote was a welcome relief for Malaysian palm oil farmers. Mr Basiron added that the French government should drop the unfair and unjust tax campaign against palm oil once and for all. The proposed tax had already been reduced from EUR 300 per tonne in 2017 and EUR 900 tonne from 2020 to EUR 30 per tonne in 2017 and EUR 90 per tonne from 2020.

Economics and trade

Brexit: NZ beef-up, or sacrificial lamb? [25 June/ Radio NZ Rural] Beef + Lamb New Zealand Chief Executive, Sam McIvor said New Zealand's 280,000 tonne sheep meat export quota to the European Union would continue, but there was uncertainty around how exports would be split between countries and where the demand would come from after the Brexit, as half of the quota was currently imported by the United Kingdom. Mr McIvor added that 90 percent of the United Kingdom's sheep meats were being shipped to the European Union, so if the United Kingdom lost sheep meat access to the European Union it would put a lot of product back onto their domestic market. Mr McIvor explained that this could open up other opportunities in the European Union for New Zealand. Federated Farmers Head, William Rolleston said the ongoing negotiations with the European Union for a free trade agreement had to continue, and another agreement with the United Kingdom could be necessary.

Trade surplus in May as exports of logs, fruit jump [27 June/ NZ Herald] New Zealand posted a larger than expected trade surplus in May as exports increased due to increased Chinese demand for logs and a growing international appetite for kiwifruit. The May trade surplus of \$358 million exceeded the \$164 million expected in a Reuters survey. Statistics New Zealand data showed exports increased by 5.1 percent to \$4.57 billion while imports increased by 5.7 percent to \$4.22 billion. Exports were driven by a 42 percent rise in logs and wood to \$373 million and a 22 percent jump in fruit exports to \$539 million.

Time to push NZ's cause - farm lobby [28 June/ Otago Daily Times] Federated Farmers President, William Rolleston said New Zealand diplomats and export companies had to be quick of the block and first in line to push New Zealand's agenda after Great Britain's decision to leave the European Union. Mr Rolleston added that whole the referendum result would create a considerable degree of political and financial uncertainty. It would provide new opportunities to work with lamb producers in the United Kingdom to get better outcomes for both countries. Beef + Lamb New Zealand Chief Executive, Sam McIvor said New Zealand should expect its overall level of sheep and beef access to both the European Union and the United Kingdom to remain the same.

Farmers and producers

Landcorp Ruapehu wins Supreme Award for 2016 Dairy Business of the Year [24 June/ Business Day: NZ Farmer] Landcorp's Ruapehu Farm has been named the supreme winner of the Dairy Business of the Year competition for 2016. The farm also won three category awards including the Environment Award, Best Farm in Manawatu, and Best Return on Farm for a high input farm. Landcorp Ruapehu Farm Manager, Glenn Weitenberg said the decision to lock in the guaranteed milk from Fonterra during the season paid off for the farm, with a superior return on capital in comparison to the other eight finalists. Judge, Cornelius Williams said Landcorp Ruapehu won the environment award due to superior nitrogen leaching performance and good infrastructure to control environmental extremities through the season.

Big bounce in farmer confidence [27 June/ Rabobank] The Rabobank Rural Confidence Survey showed overall farmer confidence has improved considerably from the previous quarter. The survey found that the number of farmers expecting the rural economy to improve in the next 12 months increased from 11 percent in the quarter to March 2016 to 25 percent in the quarter to June 2016, while the number expecting it to worsen decreased from 53 percent to 22 percent. Rabobank New Zealand Country Banking General Manager, Hayley Moynihan said the survey highlighted the growing optimism among farmers with an expectation that the dairy market was passing through the trough.

Agribusiness education

Bridging the divide [27 June/ Farmers Weekly] Mount Albert Grammar School are about to embark on a major renovation to their 8.1 hectare pastoral and horticultural farm as part of a redeveloped agribusiness curriculum. It will also acting as a display and demonstration farm for city schools and official visitors from overseas. Mount Albert Grammar School Foundation Chairman, Peter Thorp said the rationale behind the project was to try and make the urban youth of Auckland aware of opportunities in the agricultural and horticultural sectors. Mr Thorp added that the foundation hoped to increase the number of Mount Albert Grammar students who studied agribusiness each year from 150 to 500. The farm had a horticultural unit, six dairy cows, 30 sheep, 12 beef cattle, a small piggery and chickens. Mr Thorp said the development plans to include a market garden and a small vineyard would cost about \$1 million, with funding to be sought from industry and interested parties. Mr Thorp added that facilities allowing companies to display new technology and equipment would allow official overseas visitors the chance to view a working farm and orchard in Auckland rather than having to travel to places like Waikato. Consents would be lodged with the Auckland Council within the next month and then fund raising would begin.

Animal welfare

Federated Farmers hit out at 'pathetic' tactics from animal rights activists [23 June/ Business Day: NZ Farmer] Federated Farmers Dairy Chairman, Andrew Hoggard said the actions of Starfish Bobby Calf Rescue were pathetic after the group bought a calf online and then arrived at the farmer's property with a camera to film it being collected. The farmer was uncomfortable with the filming but allowed the calf to be filmed while it was loaded onto the vehicle. The farmer later asked the filming to be stopped and the footage to be deleted. Mr Hoggard said no farmer wanted to be confronted with a camera on their farm regardless of whether they were following best practice or not, as the situation could be narrated out of context. Starfish Bobby Calf Rescue Founder, Lynley Tulloch said the group should have contacted the farmer beforehand and sought permission to film the farm. Ms Tulloch added that the group had no intention of tarring the image of those specific farmers, and the video footage had been deleted.

Water

Funding gives water studies certainty [27 June/ Farmers Weekly] National Institute of Water and Atmospheric Research (NIWA) Head Freshwater Scientist, John Quinn said researchers had been concerned about whether studies to provide long term data on the impact the dairy industry was having on water systems would continue to get funding, given the nature and lengthy period of the studies. However, the Strategic Science Investment Fund in the Government's Budget specifically provided strategic freshwater research with \$63 million over the next four years. Mr Quinn said he welcomed the funding as researchers had built up strong, long term relationships with landowners in the five areas in which trials were taking place. Mr Quinn added that the five areas had seen a decrease in suspended sediment concentrations in all of the streams, increasing water clarity and decreasing E. coli levels.

Wool

Cavalier Wool disappointed with new appeal [24 June/ Rural News] Australian owned carpet maker, Godfrey Hirst has decided to launch another appeal against Cavalier Wool Holdings' proposal to merge its wool scouring operations with New Zealand Wool Services International. A statement from Cavalier Wool said there was currently excess wool scouring capacity in New Zealand and the proposal was about consolidating assets and realising efficiencies in order to keep wool processing in the country. The statement said it was disappointing that despite the Commerce Commission ruling in favour of the merger and Godfrey Hirst losing an appeal against the merger in the High Court, they continued to draw the process out by launching another appeal.

Poultry

Record \$582m revenue, \$11.3m profit for Tegal [22 June/ Otago Daily Times] Tegal has exceeded most aspects of its prospectus guidance by recording a record \$582 million in revenue. The company's after-tax profit was \$11.3 million, \$2.6 million higher than last year's result and \$1.3 million ahead of the prospectus. Tegal Chief Executive, Phil Hand said all divisions had delivered strong sales growth and operational efficiencies to achieve the result. Mr Hand added that revenue growth continued to be driven by strong, growing demand for poultry in New Zealand and globally. Mr Hand noted that Tegal was well positioned to deliver the full year 2017 forecast.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 29 June 2016

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Agribusiness strategy

Coke's dairy move to ruffle feathers [28 June/ Dairy News] KPMG Global Head of Agribusiness, Ian Proudfoot said Fonterra should be worried if Coca-Cola entered the market by purchasing a dairy company as they would want to be number one. Mr Proudfoot said things were changing very rapidly in food with biological, physical and digital technologies creating new opportunities and solutions. Mr Proudfoot added that the biggest change would be in pharmaceutical companies as they were now becoming producers of food that had health benefits. Mr Proudfoot noted that the conversation around the environment was changing from one about doing the right thing to one centred around what the law required.

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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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