



AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

10 August 2016

Organisations referenced in this week's Field Notes include:

Agriculture, Forestry and Fisheries Ministry	Meat Industry Association
Aquafil	Mercer Mushrooms
Ballance Agri-Nutrients	Ministry for Primary Industries
Beef + Lamb New Zealand	National Dairy Council
Bionascent	National Trust
Canterbury Regional Council	New Zealand Horticulture Conference
Cavalier Corporation	Organisation for Economic Co-operation and Development
Centre for Science in the Public Interest	Overseas Investment Office
Commonwealth Scientific and Industrial Research Organisation	Oxitec
DairyNZ	Pipfruit New Zealand
European Union	Ravensdown
Farmers Health and Safety	Robotics Plus
Fonterra Co-operative Group	Shanghai Maling
Foodstuffs	Silver Fern Farms
Global Dairy Trade	Sunfed Meats
Global Farmer Network	Supermeat
Greenpeace	T&G Global
Grubby Farms	Tru-Test Corp
Invivo	United States Food and Drug Association
KPMG	Waimea Nurseries
Landcorp	Zespri
McDonald's	

This week's headlines

Horticulture	Zespri suspends shipments to China to put new checking measures in place [5 August/ National Business Review]
Horticulture	NZ plants another million apple trees [8 August/ Rural News]
Dairy	Greenpeace: Landcorp dropping palm feed is a 'wake-up call' for Fonterra [8 August/ TVNZ]
Economics and trade	Key dismisses Zespri China trade woes as 'technical issue' but calls for diversity [8 August/ Business Day]
Water	Irrigation restrictions possible in Canterbury [3 August/ Radio NZ Rural]



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Horticulture

Scrutiny a technical issue: Zespri [2 August/ NZ Herald] Chinese authorities have increased quarantine and inspection requirements after the *Neofabraea* fungus was detected in four containers of Zespri fruit that arrived at the port of Tianjin. Zespri Chief Operating Officer, Simon Limmer said the fungus had no implications on food safety and was found in a range of plants in countries including the United States, Australia and New Zealand. Primary Industries Minister, Nathan Guy said there was nothing that indicated the increased Chinese scrutiny of kiwifruit was anything other than a technical issue. Mr Limmer said the company would work their way through the requirements to understand what the implications were.

Zespri suspends shipments to China to put new checking measures in place [5 August/ National Business Review] Zespri has temporarily suspended exports to China while it puts in place a new checking protocol. Zespri said in a statement that it would resume exports once the Ministry for Primary Industries had approved its measures. A Zespri spokesperson said the company's rigorous quality control systems for checking and rechecking its fruit meant only a tiny fraction of the fruit would be affected. The spokesperson added that Zespri had forecasted sales of another 8 million trays of kiwifruit to China this season, with around 1 million trays of these trays now being reallocated to other markets.

Production halt at Mercer Mushrooms could cause significant supply issues [4 August/ Business Day: NZ Farmer] Mushrooms could be in short supply after the temporary closure of one of New Zealand's biggest mushroom growers, Mercer Mushrooms. The company has been forced to stop production due to issues importing substrate, one of its main growing ingredients, after a threat of a judicial review by a competitor. Mercer Mushrooms Chief Executive, Jeff Hadwin said the business would close later this month while it worked with the Ministry for Primary Industries to secure a new import permit. Mr Hadwin added that the facility could be closed for four to six months, putting up to 70 jobs at risk. Foodstuffs Head of External Relations, Antoinette Laird said the company did not expect the temporary closure to affect mushroom supply to supermarkets as they sourced them from multiple suppliers.

New Zealand horticulture well positioned for opportunities in changing fruit and vegetable market [5 August/ Rabobank Media Release] Rabobank Senior Fruit, Vegetable and Floriculture Analyst, Cindy van Rijswick said New Zealand's fruit and vegetable sector was well positioned to take advantage of opportunities arising from changing international horticulture markets. Ms Rijswick explained that consumers were looking for value rather than volume and were often willing to pay more for tastier, convenient and sustainably produced products. Ms Rijswick added that increased European consumption of fruits such as kiwifruit and branded premium apples represented good news for New Zealand's horticultural sector as it had a good reputation with high quality fruit, efficient growers and strong exporters. Ms Rijswick noted that the shift of consumers to more premium products had seen strong growth in the berry, stone fruit and avocado industries.

Robots and drones the future in horticulture [5 August/ Business Day: NZ Farmer] Technological developments such as the use of robots, drones and automated systems were the focus of the second day of the New Zealand Horticulture Conference. New Zealand Young Grower of the Year, Hamish Gates said drones could be used in a number of ways to benefit growers and horticulturists. Mr Gates explained that drones could be programmed to inspect an orchard, provide detailed feedback about the health of each individual plant, and address problems by spraying crops. Mr Gates added that growers should embrace new drone technology as it would improve their operations. Robotics Plus Founder, Steve Saunders said there was a huge scope for robotics within the industry as it could solve problems such as labour shortages, sustainability issues and yield security. Mr Saunders explained that the shortage and struggle to attract and retain suitable labour into the horticultural sector had driven many of his company's projects.

T&G Global announces half-year result [6 August/ Rural News] T&G Global has announced a profit after tax of \$22.7 million for the six months to June 2016, compared to a profit after tax of \$12 million in the same period last year. A one off gain from the sale of the company's crate business contributed to the result. T&G Chief Executive Officer, Alastair Hulbert said he was pleased with the result in a complex and competitive global market. Mr Hulbert added that the company was continuing to invest in its people and business infrastructure globally and had recently opened offices in Washington and Bangkok.

NZ plants another million apple trees [8 August/ Rural News] Pipfruit New Zealand Chief Executive, Alan Pollard said a million more new apple trees were being planted across the country as international demand for New Zealand apples continued to soar. Mr Pollard said all of the country's growing regions were experiencing increased industry investment and were putting hundreds of millions of dollars back into local economies. Waimea Nurseries Managing Director, Mike Simpson said the company had doubled production and was now employing more than 100 full time staff with a plan for further growth. Mr Simpson added that there was real excitement around the opportunities coming out of Asia for sweet red apples, along with continued demand coming out of Europe and the United States.

Barry Soper: The horticultural revolution [9 August/ NZ Herald] New Zealand Horticulture Conference 2016 MC, Barry Soper, wrote in an opinion piece that the conference focused on new technological systems such as drones, robotics and smart phones. Mr Soper said drones would commonly fly down rows of produce identifying trouble areas and spraying plants. Mr Soper added that there was talk of robotic honey bees that did the same job as real bees, while vertical indoor farms also featured in discussions. Mr Soper said there seemed to be an app on your smartphone for everything from safety to plant spraying. Mr Soper added that New Zealand should be leading the world in selling the health benefits of the food being produced by our horticultural sector. Mr Soper noted that the government had to get a move on in liberalising some restrictive aspects of the law.

Viticulture

Invivo and Graham Norton collaboration prompts doubling in production [3 August/ NZ Herald] Invivo launched Graham Norton's 2016 Sauvignon Blanc on 5 August, with Graham Norton's 2016 Shiraz to be released in September. Winemaker, Rob Cameron and Invivo Co-founder, Tim Lightbourne travelled to Ireland to have a blending session with the United Kingdom talk show host, Graham Norton, and create the wines. Mr Lightbourne said last year's Graham Norton's Own Sauvignon Blanc was probably the most successful wine launch in New Zealand, with almost 2,000 stores in Ireland, the United Kingdom, Australia and New Zealand selling out of the wine. Mr Lightbourne explained that this was because Mr Norton was so hands on with the process and owned 2 percent of the company. Mr Lighthouse noted that Invivo sales had more than doubled this year when compared to last year.

Dairy

Dairy prices make gains [3 August/ Radio NZ Rural] The average dairy price increased by 6.6 percent to USD 2436 per tonne at the recent Global Dairy Trade auction. The price of whole milk powder, which heavily influences payments to New Zealand farmers, rose by 9.9 percent to USD 2265 per tonne. KPMG Farm Enterprise Specialist, Julia Jones said farmers could take some comfort with the gains in the auction. Ms Jones added that it was still really tough on the farm at the moment with farmers having come out of a difficult season and potentially heading into another one.

Greenpeace: Landcorp dropping palm feed is a 'wake-up call' for Fonterra [8 August/ TVNZ] Landcorp has announced that it would phase out the use of palm kernel expeller (PKE) on its farms after June 2017. Landcorp Chief Executive Officer, Steven Carden said the move would be virtually cost-neutral. PKE was used on many New Zealand farms as a cheap feed supplement during winter and in seasonal droughts, but it had been criticised by Greenpeace as the imported product played a part in deforestation and habitat destruction in southeast Asia. Greenpeace Forest Solutions Team Leader, Grant Rosoman said Landcorp phasing out PKE was a big deal and Greenpeace was now waiting for a response from Fonterra. Fonterra Farm Source Chief Operating Officer, Miles Hurrell said sustainably sourced PKE still had a place in supporting animal health when grass quality declined over a season or during droughts.

Red meat

TB differential levy [3 August/ Rural News] The Meat Industry Association issued a statement explaining that its member meat processors had agreed to collect a TB eradication differential levy on dairy cattle, but did not agree with the method of levying being used. The statement said New Zealand's meat processors have collected a single uniform biosecurity levy on both beef and dairy cattle at meat processors to pay for the costs of TB eradication over the last few years. The Government and DairyNZ have recently agreed that dairy farmers should pay more towards TB eradication through a differential levy paid only on dairy cattle at meat processors. The statement added that meat processors believed the payments should be made by dairy farmers through a charge on their dairy production, rather than through a complex system of differentiating dairy cattle from beef cattle at the meat processing stage.

Meat companies asked to jointly market emerging markets after scrapping pricy plan [4 August/ Business Day: NZ Farmer] Beef + Lamb New Zealand Chairman, James Parsons said a proposed market development plan was expected to be operational within weeks. Mr Parsons added that the proposed plan would focus on emerging markets as it was much easier to achieve collaboration between meat companies compared to markets where there were already established relationships and customers. Mr Parsons said the industry had not told the story that most sheep and beef farms were multi-generational family farms and how New Zealand farmers were stewards of the environment. Mr Parsons explained that the proposed plan would identify emerging markets to focus on, as well as new types of products in more established markets.

SFF most trusted meat brand [8 August/ Rural News] Silver Fern Farms has been voted New Zealand's most trusted meat brand by consumers polled in the Reader's Digest 2016 Most Trusted Brand survey. Silver Fern Farms Marketing General Manager, Sharon Angus said the company was thrilled to be recognised as the most trusted brand in such a highly competitive category. Mr Angus added that it was wonderful to have become so familiar and trusted by New Zealanders in such a short time as the company had only been known as Silver Fern Farms since 2008. Silver Fern Farms Chairman, Rob Hewett said it was great to see the company becoming firmly established in the minds of New Zealanders.

OIO considers data for Silver Fern proposal [8 August/ NZ Herald] Overseas Investment Office Group Manager, Annelies McClure said the organisation had received the information it required from Silver Fern Farms regarding its prospective joint venture with Shanghai Maling. Ms McClure added that the application was now being considered. A special meeting of Silver Fern Farms shareholders would be held on 12 August to discuss the deal, but Silver Fern Farms Chairman, Rob Hewett, said there was no turning back and that the board remained unanimous in its view that the partnership was in the best interests of shareholders and the co-operative.

Farmers to discuss the way forward [9 August/ Otago Daily Times] Beef + Lamb New Zealand would hold a series of meetings this month to review the organisation's constitution and discuss a proposal for a new approach to market development. The most significant aspect to be discussed was whether farmers wanted to retain the two industry directorships on the board. Beef + Lamb New Zealand would also propose a new approach to market development that would result in a focus on targeting new segments in new and traditional markets, rather than a focus on maintaining traditional markets. Farmers were expected to vote on any changes to the organisation's governance at a special meeting in October.

International

Taking some junk out of junk food; Happier Meal? McDonald's nixing some unpalatable ingredients [2 August/ The San Francisco Chronicle] McDonald's has announced that it would be eliminating some ingredients from its most popular menu items, including the removal of artificial preservatives from Chicken McNuggets and fructose corn syrup from its burger buns. Centre for Science in the Public Interest Executive Director, Michael Jacobson said the changes did not address the company's big problem of putting too many calories in their products. Mr Jacobson explained that replacing high-fructose with sugar did not make the burger buns any healthier.

Irish dairy campaign packs protein punch in hard times for sector [3 August/ Dairy Reporter] Ireland's National Dairy Council has put protein at the centre of its new Powered by Dairy marketing campaign as it targets sports enthusiasts and value added products such as protein milk. National Dairy Council Chief Executive, Zoe Kavanagh said the new campaign would run for the next few years and had two key messages. Ms Kavanagh said the first message was that dairy was a source of protein. Ms Kavanagh explained that consumers did not consider products such as yoghurt and cheese when thinking about protein content. Ms Kavanagh said the second message was that protein should be consumed throughout the day.

Farmers welcome partial backtrack on CSIRO climate cuts, but call for all jobs to be reinstated [4 August/ ABC Rural] Australian Minister for Industry, Innovation and Science, Greg Hunt said the Commonwealth Scientific and Industrial Research Organisation (CSIRO) would renew its focus on climate science, creating 15 new roles. Farmers have welcomed the news of the new roles, but have called on the Government to invest more in climate change adaptation research in agriculture. Mixed Farmer, Peter Holding said the organisation recently cut over 30 jobs, so the 15 new roles were nowhere near enough.

National Trust calls for complete reform of British farm subsidies [4 August/ The Guardian] The National Trust has called for a complete reform of the British farm subsidy system after the United Kingdom voted to leave the European Union. The proposed reform would end payments to farmers for owning land and instead only reward farmers who improved the environment and helped wildlife. National Trust Director General, Helen Ghosh said the vote to leave the European Union allowed the country to think radically about the future of the entire subsidy system. Ms Ghosh added that she did not expect the price of food to increase if subsidies for land ownership were removed.

'Directing' shoppers to healthy food increases spending in this sector: Study [4 August/ Food Navigator] Research published in the Journal of Nutrition, Education and Behaviour showed that consumers spent more on fruit and vegetables when large, green arrows were positioned on the floor of a supermarket to indicate where the fruit and vegetable section was located. According to the research, floor arrows increased the proportion of a customer's spending on fruit and vegetables. The study showed that fruits and vegetables made up 16 percent of grocery store profits, but only 10 percent of grocery store sales due to their high margins. The study explained that grocery stores could use marketing strategies such as the green arrows to increase the proportion of a consumer's budget that was spent on fruit and vegetables, resulting in increased profit margins for the grocery store.

Italy passes law to encourage all supermarkets to give unsold food to needy [4 August/ The Independent] The Italian Government has passed a bill which would remove hurdles for farmers and supermarkets seeking to donate food to charity and encourage families to use doggy bags to take home unfinished foods after eating out. The new laws allowed businesses to give away food that was past its sell-by date, while businesses which donated more would pay less waste tax. The aim of the bill was to decrease the five million tonnes of food wasted every year by at least 20 percent.

How the world can eat meat without killing animals [5 August/ The Independent] Supermeat, an Israeli start-up company, has claimed to have discovered a way to create real meat in a lab, rather than on a farm. Supermeat Founder, Yaakov Nahmias said the company's technology expanded cells taken from a small tissue biopsy which did not hurt the animal. Mr Nahmias said the meat generating machines could be placed in local supermarkets, restaurants or at your own home. The company's fundraising campaign had reached its USD 100,000 target, but it was seeking more funding to be able to afford its meat machine prototype.

Florida cleared to release genetically modified mosquitoes in Zika fight [5 August/ The Guardian] The United States Food and Drug Administration has approved the release of mosquitoes genetically engineered to produce dead offspring in an attempt to combat the spread of the Zika virus. Oxitec Chief Executive, Hadyn Parry said he was really pleased that the company's genetically modified mosquitoes had been approved. Mr Parry added that authorities should grant Oxitech emergency authorisation to release the insects in Miami, the first state in which the virus has been transmitted by mosquitoes. Oxitech has been releasing the insects on a trial basis in Panama, Brazil and the Cayman Islands, and has applied for experimental release permits in Sri Lanka and India.

Citizen scientists of the world unite; Community labs – Synthetic breast milk is just one the ideas flowing from the worldwide movement [6 August/ The Age] Bionascent Founder, Shane Greenup said his company would wipe out the infant formula industry with a new formula based on 14 proteins from human breast milk reproduced in a lab. Mr Greenup was currently knocking on doors to raise USD 2 million for the product's next stage of development, with the goal of gaining approval from the United States Food and Drug Administration by 2021. Mr Greenup said he envisaged a world where all babies, whether breastfed or formula-fed, were equally healthy, happy and strong.

Let them eat bugs: US startup sees future of sustainable food in creepy crawlies [6 August/ The Guardian] Grubby Farms has been breeding and selling the larvae of black soldier flies as a more sustainable protein and fat source for chickens, pigs and farmed seafood. Grubby Farm Founders, Sean Warner and Patrick Pittaluga believed bugs were the future as they could solve some of the planet's biggest environmental challenges. The cousins were initially targeting the chicken market because there was strong demand for high quality feed. The farm hoped to generate enough revenue and raise more money to buy equipment which could extract oil from dehydrated larvae and grind the larvae into a protein powder.

Brazil now China's biggest source of beef imports [8 August/ China Daily] Brazil has replaced Australia as the biggest seller of beef to China about a year after recovering from a scare related to mad cow disease. Beef exports from Brazil to China increased by 65 percent in the first half of the year as a production deficit in China meant imports were heading for a record high. According to estimates by the Organisation for Economic Co-operation and Development, consumption of beef in China would reach a record 3.864 kilograms per person this year, compared with 3.029 kilograms per person a decade ago.

Drones useful for aging farmers [9 August/ The Japan News] The use of drones in agriculture has been increasing, particularly among older farmers who were not so physically able. The Japanese Agriculture, Forestry and Fisheries Ministry included instructions for the use of drones in its guidance for farmers so that they could fly them safely and spray pesticides properly. The guidance recommended farmers fly drones at an altitude of about two metres as sprayed pesticides tended to drift to nearby areas due to the small downward air currents produced by drones.

Economics and trade

Key dismisses Zespri China trade woes as 'technical issue' but calls for diversity [8 August/ Business Day] Prime Minister, John Key said the Government's agenda was to broaden New Zealand's trade relationships with as many countries as possible. Mr Key explained that if New Zealand focused on trade relations with a concentrated group of countries, it would place itself in a more exposed position from an economic perspective. Mr Key did not link his comments to the recent reports of Chinese retaliation against New Zealand's agricultural industry.

Farmers and producers

Kiwi invited to world farming forum [3 August/ Business Day: NZ Farmer] North Otago Sheep and Beef Breeder, Jane Smith has been selected to represent New Zealand at the Global Farmer Network forum in the United States in October. Ms Smith's selection was just the second time a New Zealander farmer had been invited to participate in the event. Ms Smith and her partner, Blair Smith, owned Newhaven Perendale and Fossil Creek Angus Studs in North Otago and were national winners of the Ballance Farm Environment Awards in 2012. The couple represented New Zealand as ambassadors of sustainable farming when they visited China, South Korea, Taiwan and Singapore as part of their award for winning the national title.

Primary ITO chief executive announces resignation [4 August/ Rural News] Primary ITO Chief Executive, Mark Jeffries has announced his resignation from the organisation which was responsible for facilitating industry training across the agriculture, horticulture, equine, seafood, sports turf and food processing sectors. Primary ITO Chairman, Mark Darrow said the organisation thanked Mr Jeffries for his work over the last two years as he had been instrumental in facilitating the transitional changes of the recently merged organisation. Mr Darrow added that Linda Sissons had been appointed as the interim chief executive officer and started on 1 August. Ms Sissons recently held the role of interim chief executive officer at Taratahi Agricultural Training Centre.

Agri-tech

Food startup wins competition [4 August/ NZ Herald] Sunfed Meats Founder, Shama Sukul Lee has won the Start Tel Aviv startup competition for her business which created a meat-free protein option from plants rather than animals. Sunfed Meats aimed to use clean technology and proprietary intellectual property to take protein from plants and make a chunk of meaty protein which tasted and felt like meat, but was healthier and better for the environment. Ms Sukul has raised \$1.5 million through investors from the United Kingdom, the United States and New Zealand. As the recipient of the award, Ms Lee would attend a five day, all expenses paid trip to Tel Aviv where she would join local Israeli entrepreneurs to participate in lectures and workshops.

Rural infrastructure

Fert company riding out dairy downturn [3 August/ Rural News] Ravensdown Chairman, John Henderson said he thought the dairy sector downturn was going to be a real challenge for the fertiliser co-operative this year, but it had not materialised. Mr Henderson added that farmers appeared to be reacting to reduced cash flows by looking after their pasture rather than buying in supplementary feed. Ravensdown announced a profit before tax and rebate of \$62 million for the year to May 2016, up from \$26 million in the year to May 2015. Mr Henderson said \$44 million would be returned to farmers and the rural economy in the form of rebates. Mr Henderson added that it was a very satisfying result after a three year strategy of focusing on the fundamentals to make incremental improvements.

Tru-Test posts annual loss on write down related to NZ dairy downturn [7 August/ National Business Review] Tru-Test Corp has announced a \$14.3 million loss in the 12 months to March 2016 after a \$4.3 million profit in the previous year. The agricultural technology company's loss was due to a \$16.8 million write down in the value of its Dairy Technology Services unit to reflect a downturn in the global dairy sector. Tru-Test Chairman, John Loughlin said the downturn in New Zealand's dairy sector meant its major customer for Farm Holding Tanks purchased a significantly lower number of units during the year. Mr Loughlin noted that the company had continued to increase sales in offshore markets.

Water

Irrigation restrictions possible in Canterbury [3 August/ Radio NZ Rural] Canterbury Regional Council Chief Executive, Bill Bayfield said Canterbury farmers would face strict water restrictions right through the winter and coming summer unless there was significant rainfall. Mr Bayfield added that it was difficult for people to realise the extent of the problem when there had been rain. Mr Bayfield said conditions had been the worst in 30 years, and if they continued water levels might be so low that irrigators would not be able to operate. Mr Bayfield noted that the August forecast was not looking great. Mr Bayfield suggested that farmers consider joining irrigation schemes which relied on stored alpine water, as they would not be affected.

Wool

Cavalier Bremworth catches sustainability wave with fishnet deal [5 August/ National Business Review] Cavalier Bremworth has discovered a sustainable way to produce stain resistant synthetic carpet from nylon which was recycled from fishing nets and other waste, after teaming up with Italian company Aquafil. Aquafil General Manager, Fabrizio Calenti said the nylon was 100 percent regenerated, meaning it had a much lower environmental footprint. Cavalier Chief Executive, Paul Alston said the company's customers cared about quality, service and the story behind what they were buying. Mr Alston added that Cavalier was responding to what its customers wanted and would drive positive change in the carpet category. Cavalier Corporation recently issued a positive earnings revision, resulting in the company's share price reaching a one year high of 95 cents.

Rural communities

Drug problems hit new high [8 August/ Farmers Weekly] Federated Farmers Health and Safety Spokesperson, Katie Milne said evidence of the rising use of methamphetamine in the rural sector had come as quite a shock for many farmers. Ms Milne added that while Federated Farmers had incorporated a drug and alcohol policy into new employment contracts, not all farmers were following up with testing. Ms Milne said some farmers who had been testing had returned positive results for illicit drug use in 75 percent of their staff. Ms Milne added that it was common for the number of applicants for a position on a farm to drop from 50 to five or even zero after mentioning drug testing. Rural Health Alliance Aotearoa New Zealand has formed an expert advisory panel which would develop a framework to improve mental health and addiction outcomes for rural people.

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