



AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

5 October 2016

Organisations referenced in this week's Field Notes include:

AFCN Monitoring	National Farmers Federation
AgriHQ	New Zealand Merino
Alliance Group	Our Fishing Future
Beef + Lamb New Zealand	Rabobank
BrightFarms	Royal New Zealand College of General Practitioners
Central Plains Water	SeaDragon
Danish Chamber of Commerce	Shear Pace
Department of Conservation	Silere Alpine Origin Merino
East Coast Rural Support Trust	Silver Fern Farms
FarmIQ	Southern Produce
Federated Farmers	T&G
Fish and Game	Taratahi Agricultural Training Centre
Fonterra	Tatua Co-operative Dairy Company
Kellogg Rural Leadership Programme	Waranga Green Energy
MBP Solutions	Water New Zealand
MeyerRose Group	Westland Milk Products
Ministry for Primary Industries	Whole Foods

This week's headlines

Horticulture	T&G Global Markets Go Mobile [28 September/ T&G Media Release]
Fishing & Aquaculture	Prime Minister opens state of the art fish oil processing plant in Nelson [30 September/ Business Day]
Red Meat	Beef+Lamb closes offices in new marketing strategy [29 September/ Radio NZ Rural]
Water	Shareholders approve completing \$400m Central Plains irrigation scheme in 2018 [28 September/ NZ Herald]
Agri-tech	Sri Lankan FarmIQ pilot launched [3 October/ NZ Farmers Weekly]



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Horticulture

T&G Global Markets Go Mobile [28 September/ T&G Media Release] T&G Global has launched what could be the world's first online ordering platform for the wholesale produce sector. The platform is an easy, alternative ordering system which can enable New Zealand wholesale customers to order fruit and vegetables in real time from a desktop, tablet or mobile device 24/7. T&G New Zealand Executive General Manager, Andrew Keaney said customers had come onto the company's market floors to inspect produce for over 100 years, and while this option would continue, he expected a tipping point towards online ordering through the platform within a couple of years. The platform is currently only available to New Zealand customers, but T&G had received interest from overseas markets. The platform can be found at FirstPick.co.nz.

Increased avocado export co-operation pays off [29 September/ NZ Herald] Australian avocado growers have recently complained about Woolworths switching over to imported New Zealand avocados a month earlier than expected. However, New Zealand exporters have agreed to hold back on the Australian market to allow the locally grown produce to clear, showing the increased cooperation within the New Zealand industry. Southern Produce Director, Alistair Young said the company's customers in Australia did their best to determine the right date to transition to New Zealand grown avocados based on the information their suppliers gave them. Mr Young explained that sometimes there was confusion around this information, leading to an overlap, with New Zealand produce arriving while Australian fruit was still available. Mr Young added that the company had responded by decreasing volumes exported to Australia to allow the Australia fruit to sell. Mr Young noted that the company was not interested in creating an oversupplied market.

Fishing and aquaculture

We could sell seashells? For sure [29 September/ Radio NZ Rural] MBP Solutions Chief Executive Officer, David Magnussen said crushed shells from mussels and oysters could become valuable soil fertiliser. Mr Magnussen explained that it could not only be New Zealand's next export industry, but also a help to seafood producers in managing their waste. Mr Magnussen said the shells were a source of lime from a pure type of calcium which was going to waste. Mr Magnussen added that developing a new industry would require government funding.

Start of Snapper sustainability measures welcomed by local fishers [29 September/ Business Day] The annual review of fisheries sustainability measures for species in the top of the south came into effect on 1 October. The review set increased snapper catch limits of 250 tonnes for commercial fishermen and 250 tonnes for recreational fishermen. The total allowable catch for John Dory increased from 161 tonnes to 206 tonnes, while the total allowable catch for Paua reduced from 220.24 tonnes to 133.62 tonnes. Our Fishing Future President, Geoff Rowling said Primary Industries Minister, Nathan Guy had accepted the growing body of evidence that snapper levels were rising by increasing the allowance. Mr Rowling added that a key part of Mr Guy's decision had been to balance the allocations between commercial and recreational fishermen.

Prime Minister opens state of the art fish oil processing plant in Nelson [30 September/ Business Day] Prime Minister, John Key has opened SeaDragon's new fish oil refinery plant in Nelson. The plant had the capacity to refine up to 5,000 tonnes of omega three fish oil each year, and had already produced about 100 tonnes since commercial production commenced in August. The plant was specifically designed to process fish oil from multiple species, compared to other plants which were designed for a single species. Mr Key said the plant was able to refine a low value product that was previously used in pet food, and transform it into a high value product with health benefits. Mr Key added that there were many people around the world who took fish oil and were aware of the benefits, including the growing middle income consumer base in Asia who cared about their health. SeaDragon Chairman, Colin Groves said the state of the art refinery was the largest and most sophisticated of its kind in Australasia.

PM adds mussel to NZ aquaculture development [30 September/ Business Day: NZ Farmer] Prime Minister, John Key said the Government was committed to growing New Zealand's aquaculture industry and wanted to help reduce the costs farmers faced when re-consenting their farms. Mr Key added that the industry was in a good economic space, but the current national environmental standards should be revised to help it progress. Mr Key explained that 70 percent of resource consents within the aquaculture industry were due for renewal by 2024 at a cost of \$ 48 million in total. Mr Key added that this was a waste of money, and the government would attempt to implement a revised set of national environmental standards to streamline the process. Consultation on the process was expected to occur in November, with the new measures rolled out in May 2017.

Red meat

Beef+Lamb closes offices in new marketing strategy [29 September/ Radio NZ Rural] Beef + Lamb New Zealand's new market strategy would see the loss of five positions and the closure of offices in the United Kingdom, South Korea and Japan. The organisation would retain offices in China and Brussels and target new and emerging markets. Beef + Lamb Chairman, James Parsons said the new overseas marketing strategy would focus on the development of a red meat sector story which captured the culture, values and integrity associated with New Zealand sheep and beef farmers.

Merino meat continues under new joint venture after SFF exit [29 September/ Business Day: NZ Farmer] The New Zealand Merino Company has entered into a joint venture with Alliance Group after ending one with Silver Fern Farms in September. New Zealand Merino Chief Executive, John Brakenridge said the new partnership would build on the Silere Alpine Origin Merino brand which supplied luxury meat to top restaurants in New Zealand and the United States. Mr Brakenridge added that the brand was at a point where change was required to fully realise the potential of the programme, and the partnership with Alliance would accelerate the brand's growth. Alliance Chief Executive, David Surveyor said the merino brand would form part of the co-operative's value added strategy.

Lamb export value drops 40 percent [4 October/ Radio NZ Rural] AgriHQ Analyst, Susan Kilsby said the value of New Zealand lamb exports decreased by 40 percent in August compared to the same month last year. Ms Kilsby explained that the \$75 million drop in value was largely due to lamb exports to the United Kingdom halving in August, resulting from weaker demand and exchange rates. Ms Kilsby added that prices in the United Kingdom market dropped by \$1.60 per kilogram compared to the previous year, while chilled lamb exports to the United Kingdom were at their lowest level in recent years.

Dairy

Westland Milk Products confirms \$3.87 payout [28 September/ Radio NZ Rural] Westland Milk Products has confirmed its payout for the 2015/16 season would be \$3.87 per kilogram of milk solids. Westland Milk Products Chairman, Matt Regan said the payout was below the breakeven point for most farmers, but the company had maintained farmers' cash flows by starting the season with a higher advance rate of \$3.80 per kilogram of milk solids. Westland Milk Products was forecasting a milk price of between \$4.55 and \$4.95 per kilogram of milk solids for the 2016/17 season, with an advance payout rate of \$3.80 per kilogram of milk solids from September to June. Mr Regan said the board recognised that the dairy market was moving, but it remained cautious due to price volatility.

Tatua Co-op sets 2015/6 dairy payout at \$6.30/kg [29 September/ NZ Herald] Tatua Co-operative Dairy Company has set its payout for the 2015/16 season at \$6.30 per kilogram of milk solids. The payout was lower than the previous season's \$7.10 per kilogram of milk solids, but far higher than its larger competitors such as Fonterra and Westland Milk. Tatua said in a statement that the co-operative was able to achieve a strong result in the face of the ongoing weak market due to its product mix and increased margins on its specialised value added businesses as a result of the low New Zealand milk price.

Rabobank says NZ milk price could hit \$6 next year [29 September/ NZ Herald] Rabobank Dairy Analyst, Emma Higgins said dairy prices could increase to just over \$6 per kilogram of milk solids, higher than the bank's previous forecast of under \$5 per kilogram of milk solids. Ms Higgins explained that declining milk production globally could lead to wholemilk prices reaching USD 3,300 per tonne by the second quarter of 2017 and USD 3,400 by the third quarter. Ms Higgins added that it would be fantastic news for farmers and the wider New Zealand economy if prices could reach these levels.

Chinese firm in NZ infant formula venture [30 September/ Radio NZ Rural] Westland Milk Products has signed a joint venture agreement with Ausnutria, a Chinese infant formula company, to create a new infant formula blending and caning company to be called Pure Nutrition. Westland Milk Products would own 40 percent of the new company, while Ausnutria would own the other 60 percent. Ausnutria would lend the company \$32 million to build and run a plant near Christchurch. Westland Milk Products Chairman, Matt O'Regan said the factory should be up and running by late 2017 and was expected to produce around 20 million cans of milk formula each year. Westland Milk Products could also use the facility to produce canned products for its own customers and markets.

Biosecurity

Pea weevil spotted in Canterbury [30 September/ Radio NZ Rural] Federated Farmers Biosecurity Spokesperson, Guy Wigley said a pea weevil had been spotted by a grower in Canterbury, after seeds from Wairarapa were brought into the region to be cleaned. The Ministry for Primary Industries had previously banned the growing of pea crops in Wairarapa for two years in an attempt to eradicate the pest. Mr Wigley said the pea weevil found in Canterbury would have been inactive at the time because the temperature was so low, but the ministry was still concerned. Mr Wigley noted that the ministry would intensively monitor the area to confirm there was no surviving population of pea weevils.

Fish and Game want DoC to do more over concerns around 1080 poison [3 October/ NZ Herald] Fish and Game Chief Executive, Bryce Johnson said the Department of Conservation had to do more to reduce the threat 1080 poison posed to people gathering food from waterways, after finding that trout would eat the poisoned baits. Mr Johnson added that anglers should wait a month after a 1080 drop before eating trout from a poisoned area, rather than wait just one week as the Department of Conservation had recommended. Mr Johnson said the organisation had asked the Department of Conservation not to drop 1080 into or beside rivers and streams. Mr Johnson added that the technology to avoid dropping on rivers and streams was readily available.

International

Farmers, Nats applaud seasonal workers u-turn; Backpacker tax - Treasurer agrees to compromise [28 September/ The Sydney Morning Herald] The Australian Federal Government has scrapped its AUD 500 million backpacker tax under which backpackers would have had to pay 32.5 cents in tax on every dollar earned. Instead, backpackers would pay 17 cents in tax on every dollar of income up to AUD 37,000, after which normal tax rates would apply. National Party Leader, Barnaby Joyce said the lower tax would reverse the decline in the number of backpackers coming to Australia to do seasonal work. National Farmers Federation President, Brent Finlay said he welcomed the new rates as the 32.5 percent tax would have hurt rural businesses.

IFCN says 40% fewer dairy farms in Western Europe by 2026 [28 September/ Dairy Reporter] According to IFCN Monitoring, the world milk price has increased by 35 percent since June 2016. The company added that world milk production was finally decreasing after two years of low milk payouts, with projections showing that world milk demand would grow faster than supply during 2016 and 2017. Data showed that the number of dairy farms in Western Europe would decrease by more than 40 percent in the next 10 years, but farms worldwide would be larger.

Ecolabel market to grow by 66%, and will become more powerful than regulation, say Danish researchers [28 September/ Food Navigator] According to new Danish research, the global market for eco-labels would grow by 66 percent in the next 15 years. Danish Chamber of Commerce Environmental Policy Director, Jakob Zeuthen said the largest labelling schemes, such as organic and Fairtrade, would have to expand their scope to encompass issues such as carbon emissions, greener packaging, food waste and animal welfare. Mr Zeuthen added that the power of labels in the coming years would outstrip that of any new regulations.

Edible insects: Beyond the novelty factor [28 September/ Food Navigator] Whole Foods has dropped all insect based products from its shelves and has not responded to calls and emails to explain why. Some sources claimed that Whole Foods Global developed a structure for how to approve bug based products, leading the company to pull the products from shelves until it developed core standards around how to approve the new foods. Another source claimed someone high up at Whole Foods simply did not believe in the edible insects category, rather than it being a safety or regulatory issue.

What is the Cybersecurity Threat in Agriculture? [28 September/ AgFunder News] MeyerRose Group President, Dale Meyerrose said questions should be asked about the threat of cybersecurity in agriculture. Mr Meyerrose explained that whenever farmers used technology to create value, they could be exploited for evil purposes. Mr Meyerrose added that the four areas that presented a cybersecurity threat in agriculture were access to services, personal privacy, proprietary information and intellectual property. Mr Meyerrose said farmers should take care in setting up and using their network, enterprise systems and technology, as well as monitor who had access to these systems.

Pig poo power plant set to boost jobs and energy in northern Victoria [28 September/ ABC Rural] Waranga Green Energy Director, John Bourke has begun expanding his piggery and developing a glasshouse and power plant as part of an ambitious plan to turn Australian pig poo and food scraps into power. Mr Bourke said the power plant would use pig poo, straw and food waste to provide electricity to the piggery and greenhouse. The greenhouse would be used to grow leafy green vegetables throughout the year, filling supply gaps in the seasonal markets. The Waranga Green Energy project would require AUD 75 million which Mr Bourke was planning to raise through superannuation and foreign investments, while the Victorian State Government had already awarded the project with an AUD 1 million grant. The project would provide an additional 30 jobs and an estimated AUD 10 million per year for the local economy.

BrightFarms Funding Success: It's All In The Business Model [29 September/ AgFunder News] BrightFarms is an indoor farming operation which produced locally grown fresh food, such as tomatoes and leafy greens, for densely populated urban communities in the United States. The greenhouse operator recently announced it had raised USD 30 million in its latest round of funding, making it the largest controlled environment agriculture investment round on record in the United States. BrightFarms Vice President, Neal Parikh said it was the company's business model that set it apart from the competition. Mr Parikh explained that this business model included forward purchase agreements with clients and its proximity to customers.

Economics and trade

Kerry says TPP rejection would hurt US national security [29 September/ NZ Herald] Secretary of State, John Kerry said the credibility and national security of the United States would be badly damaged if it rejected the Trans Pacific Partnership deal. Mr Kerry added that China and North Korea would see rejection of the deal as a sign of weakness from the United States, while Beijing would see it as an invitation to continue aggressive activities in the South China Sea. Mr Kerry noted that signing the Trans Pacific Partnership would reinforce the United States' status as a world leader.

Agribusiness education

Kellogg Rural Leadership Programme Applications Open [29 September/ Kellogg's] Applications for the Kellogg Rural Leadership Programme are open for 2017. The programme has grown in strength, with a number of reports generated through the programme being picked up in the media, industry, and conference presentations. A new format also gave participants flexibility around their start date. The success of the programme was due to the quality of presenters, strategic and industry networks introduced, and discussions generated through the diverse mix of participants. Plans for 2017 included the inaugural Kellogg thought leadership forum to provide a vehicle for ongoing collaboration and exposure to new ideas and thinking. Applications for Course One starting in January were open until 17 October, with further information available at www.kellogg.org.nz

Taratahi hosts a gathering of nations [3 October/ NZ Farmers Weekly] Taratahi Agricultural Training Centre Chief Executive, Arthur Graves said the centre had experienced an increase in demand from all over the world for its authentic agricultural, on-farm education model. Mr Graves said visitors from Cambodia, Laos, Vietnam, Myanmar, Indonesia, China and the Solomon Islands were at the centre for various reasons, including short visits to understand what the centre did and what it could offer, both domestically and globally.

Water

Shareholders approve completing \$400m Central Plains irrigation scheme in 2018 [28 September/ NZ Herald] Central Plains Water shareholders have unanimously approved the second stage of the major South Canterbury irrigation scheme which would irrigate 50,000 hectares of dairy, horticulture and stock land once it was completed. The total project was estimated to cost \$400 million, with \$250 million to be spent on the second stage. Central Plains Water Chief Executive, Derek Crombie said the scheme would provide significant environmental benefits by replacing current groundwater abstraction with river water. Mr Crombie added that the full scheme was expected to create over 1,000 new jobs and add more than \$1 billion to the economy annually.

Urban waterways need focus also [28 September/ Dairy News] Water New Zealand President Elect, Dukessa Blackburn-Huettnew said all New Zealanders had to play their part in keeping the country's rivers clean and healthy. Ms Blackburn-Huettnew explained that urban stormwater run-off from roads and carparks was not treated before it ended up in our rivers and underground waterways. Ms Blackburn-Huettnew said this meant pollutants such as sediments, heavy metals, litter, cigarette butts, petrol, oil and lead all ended up going into a local stream or river without being treated. Ms Blackburn-Huettnew added that tipping things like oil, petrol, cleaning products and paint down the drain poisoned plant life and the animals that fed off it.

Agri-tech

App goes the shears [3 October/ NZ Farmers Weekly] Shear Pace is a new app designed to help shearers improve their results by tracking times and tallies so they were free to concentrate on technique and pace. App Creator, Storm Baynes-Ryan said the app would lead to increased productivity for the shearer and higher quality wool for the farmer. Ms Baynes-Ryan added that she felt by providing some measuring and productivity tools, it might validate the profession and help shearers to improve. The Shear Pace free trial app was now available for download for free in the iTunes store.

Sri Lankan FarmIQ pilot launched [3 October/ NZ Farmers Weekly] Primary Industries Minister, Nathan Guy said he welcomed the announcement of a FarmIQ technology pilot programme in Sri Lanka. Mr Guy added that the FarmIQ management system had been developed through the Primary Growth Partnership and was cutting edge technology that could be applied to a range of farming activities. Mr Guy explained that it worked by capturing and analysing data throughout the value chain so farmers could better link on-farm practices to farm outputs and revenue.

Rural communities

Rural GP shortage expected as a generation of doctors retire [3 October/ NZ Herald] The Royal New Zealand College of General Practitioners said rural areas would be hit by a general practitioner (GP) shortage over the next decade, as nearly half of rural GPs intended to retire over this time. Royal New Zealand College of General Practitioners Chief Executive, Helen Morgan-Banda said New Zealand didn't have enough GPs because there was a missing generation of GPs in the 35-50 age bracket and GPs were not being replaced at the same rate as GPs intended to retire over the next 10 years. Kerikeri General Practitioner, Chris Reid said being a rural GP was enjoyable, but GPs' partners could have trouble finding good employment in rural areas.

New Tararua co-ordinator for Rural Support Trust [3 October/ NZ Herald] The East Coast Rural Support Trust has appointed Makuri Farmer, Jane Tylee as the new Tararua coordinator. Ms Tylee would replace Bill Wallace who had been the coordinator for the past six years. The East Coast Rural Support Trust was a charitable trust which facilitated support for rural people experiencing personal, financial or climatic difficulties. The trust also helped rural individuals and communities cope with extreme events such as flooding, drought and snow storms. Ms Tylee said there was growing concern among rural communities over the lack of rainfall since spring. Ms Tylee added that this was after a number of difficult years financially, and could cause stress among farmers.

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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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