

AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network

23 November 2016

Organisations referenced in this week's Field Notes include:

AgriHQ	Mars
Algama	Massey University
Arla Dairy Co-operative	Ministry for Primary Industries
Blue Wolf Capital	Morrison's
Burkhart Estates	Rabobank New Zealand
Dairy Farms NZ	Sanford Group
DairyNZ	Scion
Environment Southland	Seadragon
European Commission	Synlait Milk
Federated Farmers	ReFED
Fonterra Co-operative Group	T&G Global
Forest Owners Association	Tenon
Genesis Private Equity	TracMap
Greenpeace	Walmart
Horizons Ventures	WH Group
Irrigation New Zealand	Wine Marlborough
Lewis Road Creamery	Zespri Group
Lincoln University	

This week's headlines

Viticulture	Marlborough wine companies assess damage and count losses following 7.8 magnitude earthquake [17 November/ Marlborough Express]
Fishing	Temporary fishery closures around Kaikoura [21 November/ Press Release: Minister for Primary Industries]
Dairy	Fonterra lifts payout by 75 cents as milk supply falls [19 November/ NZ Herald]
Biosecurity	Fruit fly larvae intercepted at Wellington Airport [21 November/ Radio New Zealand News]
Economics and trade	Talks start on China FTA upgrade [21 November/ Rural News]
Farmers and producers	Fisheries closure possible as \$5 million relief package for farming and fishing industries confirmed [18 November/ NZ Herald]



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Hot Off The Press:

**KPMG Agribusiness
Agenda 2016 Vol. 2**

Horticulture

Fruit for Fiji – Zespri and T&G join forces [18 November/ Rural News] Victims of Cyclone Winston in Fiji will receive a further donation of nine tonnes of Zespri Green kiwifruit over the next two weeks. The team from T&G Global in Fiji will distribute the fruit through schools in the most affected areas. The ability to distribute the fruit has been achieved by a collaboration between Zespri, T&G Global, Weatherall's Transport and Maersk. Nik Kirton, External Relations Manager at Zespri, says that the donations are a way that the companies can support the communities in the Pacific that provide workers for horticulture in NZ each season. T&G Global's Fiji Managing Director added that it is easy for New Zealanders to think that things are back to normal in Fiji but there is a real need to continue to support these communities as they seek to rebuild their lives, homes and schools.

Zespri adapts marketing strategy to accommodate local customs [21 November/ Business Day] Zespri has learnt much about marketing kiwifruit in the Middle East since it ramped up its marketing efforts in the region in 2012. The challenges of marketing new season fruit during Ramadan, when the mainly Muslim population does not eat or drink during daylight hours, will remain a challenge through to 2020, although Ben Hughes, the Regional Market Manager for India, Middle East, Africa and the Americas, notes that the group has adapted, focusing promotions towards Iftar, when the fast is broken after night fall. Zespri aims to increase sales to 2.3 million trays over the next few years, a growing position in a market that does not grow much fruit itself. The group set up an office in Dubai in 2015 and now employs four staff who are focused on communicating directly with consumers, a different strategy to most other fruit traders who are commodity sellers, with initiatives including social media communications and in-store tastings. Green and gold fruit is sold in most markets in the Middle East, although only SunGold is sold in Saudi Arabia, where consumers have a strong liking for the sweet, juicy taste.

Viticulture

Marlborough wine companies assess damage and count losses following 7.8 magnitude earthquake [17 November/ Marlborough Express] Experts in the Marlborough region are saying that last Monday's 7.8 magnitude North Canterbury quake was a more damaging event than the 2013 Seddon quakes, which caused an estimated \$100 million of damage to wine companies and grape growers. General Manager of Wine Marlborough, Marcus Pickens, said that having inspected more than 20 wineries he had been impressed by the resilience being shown by staff, adding that most companies had suffered wine loss or tank movement. He said some companies were considering moving wine from Marlborough as a precautionary measure against further earthquakes. Mr Pickens said that maybe 1% of production had been lost, meaning it was not a catastrophic event that has stopped the wine industry. Some vineyards had suffered damage as the earthquake had shifted the land, leaving cracks in the land and zig-zagged plantings making it impossible to drive equipment through the rows; Trevor Burkhart of Burkhart Estates suggested that it could be three years before vineyards are back in full production if it is necessary to throw away vines and replant.

Fishing

Sanford annual profit more than doubles on weaker kiwi [17 November/ National Business Review] NZX listed fishing company, Sanford, announced its annual results for the year to 30 September last week, reporting increased net profit (at NZD34.7 million compared to a profit of NZD13.8 million in the prior year) on the back of a weaker kiwi dollar and cheaper fuel costs. Revenue increased 2% (to NZD463.5 million) despite the catch reducing 11%. The company noted that it extracted more value from its catch. The result was despite restructuring costs of NZD5.6 million as the company completed its exit from its 'unsustainable' Pacific tuna fishing business. CEO, Volker Kuntsch, noted that the company has made good progress on its journey from being a fishing company towards a value added seafood company with attendant increasing profit returns. Dividend has been held at 23 cents per share for the year, as Chairman, Paul Norling, noted that profitability is not yet at a level where the company can prudently fund an increase in the dividend. The company noted that it will continue to scale back the 'commodity nature' of portfolio as it recognises the great potential to use New Zealand's seafood to add substantially to a more prosperous economy.

Seadragon first half loss widens to \$3.4 million as it continues transformation to Omega 3 production [18 November/ NZ Herald] Fish oil refiner, Seadragon, has more than quadrupled its first half loss as the company saw revenue fall by 35% as it continues to transition from Omega 2 products to higher value Omega 3 fish oil products. The company reported a loss of NZD3.4 million for the six month period, compared to a loss of NZD688,000 in the prior year. The company has spent much of the period exiting stocks of Omega 2 products as well as processing smaller quantities of oil through its new Omega 3 refinery to produce samples for prospective customers. The company added that it was capable of processing Omega 3 oil to supply customers in Europe, the US, Australia and Asia and is in discussions with customers but said that there is no guarantee of contracts being entered into at the current time. The company raised NZD10.9 million from a rights issue in September and October provided the capital to enable the company to secure supplies of unrefined oils so that it can respond to customer demand rapidly once supply negotiations are completed.

Temporary fishery closures around Kaikoura [21 November/ Press Release: Minister for Primary Industries] The Minister for Primary Industries, Nathan Guy, has announced a temporary closure of the shellfish and seaweed harvesting along the earthquake impacted coastline around Kaikoura, for an initial period of one month. The government is also providing a \$2 million package to investigate the impact of the earthquakes on these fisheries, in particular assessing the remaining fisheries resources and developing a strategy to support the recovery of the fishery. Mr Guy said that the quake has had a devastating impact on almost 100 kilometres coastline, lifting it by almost four metres in places, causing major mortality for paua and some crayfish. The decision to temporarily close the fishery has been made following consultation with local stakeholders and is supported by the latest scientific information. Mr Guy added that the Ministry for Primary Industries is very aware of the importance of the Chinese New Year period to local cray fisherman and said focus was on identifying whether the stock could support some extraction for this event given the importance of the income to the local community. Finfish and scampi are excluded from the closures as they are not believed to be adversely affected.

Forestry

Tenon shareholders approve sale of US business, allowing \$100 million capital return [18 November/ National Business Review] The sale of Tenon's US distribution business to New York based Blue Wolf Capital has been approved by more 99% of Tenon's shareholders at the company's annual general meeting in Auckland. The sale of the business for the USD110 million, does not include the New Zealand assets owned by the Taupo based company. The sale will enable the company to make a NZD100 million capital return to shareholders via a share cancellation mechanism, which is expected to be completed by the end of December. Tenon will retain ownership of its Clearwood unit based in Taupo which will continue to supply product to the US business, however that unit is remains under strategic review.

NZ export log prices rise, domestic market strong [21 November/ National Business Review] New Zealand export log prices have achieved a third consecutive month of price increases driven by stronger demand from the Chinese market. The price of \$117 a tonne in November was up \$4 on October prices and well ahead of the \$92 a tonne reported last November. Chinese demand is said to be holding at a positive level, aided by lower inventory levels and demand from the country's construction sector, fuelled by a surge in Chinese property prices. A report from AgriHQ noted that authorities have imposed further tightening measures on the property sector to moderate price gains and that there were already reports being received of property sales volumes starting to decline. The report notes that the export price for pruned logs had also advanced by \$4 to \$163 a tonne and that increasing construction activity in the domestic market is boosting demand for structural logs. The report concludes that the forestry industry is continuing to enjoy a spell which has regularly been described as the strongest in at least 20 years, although notes that the impact of the 14 November earthquake road closures is still to be fully understood.

Dairy

Fonterra losses bid to overturn court ruling [16 November/ NZ Herald] Fonterra has failed in a Court of Appeal action to overturn a High Court ruling against it in relation to the terms the co-operative offered to suppliers of the failed New Zealand Dairies (NZDL) business in South Canterbury. The High Court ruled that Fonterra breached its DIRA obligations by imposing less favourable terms on farmers that had supplied NZDL. Fonterra agreed to buy milk from these farmers on a growth contract rather than fully shared back supply; the suppliers alleged that Fonterra had not given them the chance to 'share up' in their first year of supply despite being qualified to become fully-fledged shareholders in the co-operative. The Court of the Appeal upheld the decision, rejecting Fonterra's assertion that the agreements were supply contracts without share backing and that they should have been covered by DIRA; the appeal judges noting in their decision "it is difficult to escape the Judge's conclusion that [the terms] were imposed as a penalty for the respondents' perceived disloyalty".

Milk collection in doubt after earthquakes [16 November/ NZ Herald] The North Canterbury earthquakes have resulted in some farmers having to dispose of milk and take steps to maintain production due to road closures and structural issues with farm infrastructure. Fonterra's Farm Source Chief Operating Officer, Miles Hurrell, said it was contacting and supporting as many of its farmers in affected areas as possible, but added that power issues and road closures may result in around 30 farms needing to dispose of their milk, while others will have late collections as tankers are re-routed. Fonterra noted that it had suffered no major damage at any of its manufacturing sites (the Kaikoura Cheese factory had been closed earlier this year). Synlait Milk also collects in North Canterbury and said it was working with suppliers in affected areas to manage any disruptions, although these were not expected to be significant.

Dairy prices rise again at auction [16 November/NZ Herald] Dairy product prices rose the seventh time in eight auctions at last week's Global Dairy Trade (GDT) auction, although product sold fell from 27,735 tonnes at the last auction to 23,902 tonnes at the most recent event. The price index rose 4.5% to USD3,519 per tonne, with the key whole milk powder price increasing 3.2% to USD3,423 per tonne. Analysts suggested that Fonterra's recent announcements on production shortfalls may have left a few buyers with low stocks putting more urgency into the market, although they noted that the rise was less than expected. The auction saw buttermilk powder jump 13.3%, cheddar 11%, skim milk powder 9.8%, while butter increased 1.1% and rennet casein 0.6%.

PKE-free milk: new craze or passing promotion? [17 November/ Dairy News] Lewis Road Creamery founder, Peter Cullinane, told Rural News that he is talking to Landcorp about obtaining certified PKE-free milk to enable all the company's products to be PKE-free. Landcorp CEO, Steven Carden, said in August that the company would cease feeding PKE to its 78,000 cows, noting that PKE is not consistent with the high value positioning of the company's Pamu brand. Mr Cullinane said the companies had been working on a deal for some months, describing Landcorp's commitment to go PKE-free as fabulous and courageous, adding he sees PKE as contradictory to how New Zealand promotes itself, as a clean green country. Mr Cullinane said that New Zealand's great strength is grass-fed, however if you introduce just a handful of PKE into a farming system the claim vanishes, making it short sighted to encourage or allow PKE within our milk production system; he suggests that a little PKE is as bad as a lot of PKE.

Fonterra lifts payout by 75 cents as milk supply falls [19 November/ NZ Herald] Fonterra has announced a further increase in its forecast milk payout to farmers, increasing it by 75 cents per kilogram of milksolids to \$6 per kilogram. The increase is a result of dwindling production in Europe, Australia and New Zealand. Fonterra Chair, John Wilson, said that the wetter than normal spring conditions across most regions of the country meant that many farmers would see their income impacted by lower milk production, meaning that the co-operative was focused on delivering the highest possible payout to farmer shareholders. The announcement also confirmed the forecast earnings per share of 50 to 60 cents per share. Fonterra announced that first quarter revenue increased by 6% to NZD3.8 million while operating expenses fell 2%.

Three seek Fonterra board seats [21 November/ NZ Farmers Weekly] Former Fonterra Director, Stuart Nattrass, has become the first person to use the self-nomination route to stand for the co-operative's board under the new electoral rules. Mr Nattrass was a Director of Fonterra between 2003 and 2009 and has collected the signatures of 35 suppliers to complete the self-nomination process. Also seeking election are sitting Director, Michael Spaans, and Donna Smit, who came through the new, formalised selection panel, assessment and nomination process. Mr Nattrass said he was not an anti-establishment candidate but had been asked by a number of farmers to stand again, adding that he had skills relevant to Fonterra's challenges in commodity trading, risk management and international finance. Mr Spaans said he provided stability in a time of unprecedented change in the board of the co-operative while Ms Smit brought diverse experience, knowledge and a governance record that she hoped will be sufficient for her to be elected.

Environment and emissions

“Under attack” Southland dairy farmers get relief as farm flyovers halted by council [17 November/ Stuff National] Environment Southland has announced that it will suspend aerial inspections of farms for compliance with effluent discharge consents on the back of evidence showing dairy farmers are improving their environmental performance. Figures presented to a regulatory committee showed that the number of farms with significant non-compliance had decreased from 6% to 1.7% over the last three years. Aerial monitoring was introduced because of the significant levels of non-compliance on dairy farms across Southland, however Council officials reported pleasing progress with much hard work having been done by the Council’s compliance team, farm workers and consent holders. Councillor Eric Roy said that the suspension of monitoring was a good news story for an arm of the agriculture industry that had been under attack, with a large percentage of farmers now behaving themselves environmentally. The report to Council noted that the cessation of aerial inspections will allow resources to be reallocated to higher risk activities.

Rural New Zealand and Greenpeace square off, again [17 November/ National Business Review] The latest advertising campaign from Greenpeace New Zealand claims that the government is allowing rivers to be destroyed and drinking water polluted by industrial dairy farming and massive irrigation schemes. Greenpeace claims 60% of monitored rivers in this country are unsafe to swim in. The industry has reacted strongly to the claims, with DairyNZ complaining to the Advertising Standards Authority, as the advertisement contains both factual errors as well as perception issues. Dairy Chair for Federated Farmers, Andrew Hoggard, said he was ‘pretty pissed off with the ad’ as it does not recognise that others in our community also contribute to environmental pollution. He added that farmers have put a lot of time and effort and money into reducing their environmental impact, something which should be recognised and credited rather than continually attacking them. A Greenpeace spokesperson argued that the ad is factually correct and that the link between industrial dairy farming and pollution has been made by many scientists.

Water

Irrigation ‘a dam’ good thing [21 November/ Rural News] Irrigation New Zealand Chair and South Canterbury Farmer, Nicky Hyslop, recently hosted a field trip on her family farm northwest of Timaru as part of the Grassland Association Conference. The farm has 208 irrigated hectares which are used to rear lambs and cattle, grow spring feed and specialist seed crops. Ms Hyslop said the Opuha Dam had brought \$126 million of economic value into the South Canterbury region and had increased diversity and vitality in the region. The farm before irrigation created a gross income of \$1,683 per hectare, however post Opuha water becoming available the farm is delivering a gross income of \$3,976 per hectare and supporting an additional family. The field trip also heard from Craig Mackenzie, founder of Agri-Optics, which advocates the electro-magnetic mapping of farms to understand their underlying soil characteristics to increase the efficiency of fertiliser application and irrigation activities.

Biosecurity

Forest industry fears emerging forest disease [18 November/ Rural News] Phytophthora ramorum, a disease devastating trees in the Western US and Europe, presents a major threat to the New Zealand forestry industry. The disease has been causing sudden deaths of oak trees in California and Oregon is just one of many pests and diseases threatening the industry according to the Forest Owners Association. Bill Dyck, the associations Biosecurity Manager, said that there have been two species of beetles found in the last year that were previously unknown in New Zealand. The P.ramorum pathogen presents a major concern as it is infecting an increasing range of tree species; a Scion plant pathologist, said it was not clear if it could infect Pinus radiata but it has been found in Douglas Fir and Japanese Larch overseas, when it has previously been believed that it would not infect conifer species. The impact may not just be on the trees but also on the ability to export timber and other biological products, as countries could impose trade restrictions to reduce the risk of them importing the pathogen from New Zealand.

Fruit fly larvae intercepted at Wellington Airport [21 November/ Radio New Zealand News] Ministry for Primary Industries staff found four Queensland fruit fly larvae in a mandarin that arrived at Wellington Airport from Australia earlier this month. The fruit was detected in an X-ray scan of a passenger’s bag. The traveller was fined \$400 for failing to declare a piece of fruit. This was the 11 interception at the border this year as the Ministry continue to place a high priority on keeping fruit fly out of New Zealand.

Agribusiness education

Lincoln to shed 51 jobs and Telford [21 November/ NZ Farmers Weekly] Lincoln University is consulting with staff on some restructuring to its programmes, to enable it to address financial deficits and attract more students. Vice Chancellor, Robin Pollard, confirmed that Lincoln was likely to divest its Telford campus in South Otago and would no longer use third-party providers to deliver off-site sub-degree training. He also announced the establishment of transformation board to look at all options for university’s future, which would consider options including merging, partnering and academic co-operation. The membership of the board is to be considered at the next meeting of the University’s Council. The proposed cuts include the loss of 16 academic and 35 non-academic positions and a further 17 roles at Telford. Mr Pollard added that he believed the cuts were prudent and reasonable but the process to make the university viable was not yet over.

International

Horizons Ventures leads Algama round as uses for algae diversify [15 November/ AgFunder News] Amongst the emerging forms of food, microalgae is proving its potential to become a powerhouse source of nutrition and an alternative protein source. A French start-up developing a Spirulina based antioxidant, Algama, has just raised USD3.8 million in venture funding led by Li-Ka Shing’s venture arm, Horizons Ventures. Horizons Ventures has already invested in Impossible Foods, Perfect Day, Hampton Creek and Modern Meadows. Algama describes its core activity as ‘the creation of ingredients and innovative products derived from the properties of microalgae’, which could include nutrition, health, cosmetics and chemicals. Algama is not the only company betting on algae, there are also some that see the potential of the substance in clean energy, which could also result in the transformation of sustainability of agriculture in general. Other companies, are looking at developing scalable microalgae systems for urban, rooftop and community gardens while some researchers are looking at the impact that feeding cattle seaweed has on animal methane emissions. Investors have remained reluctant about investing into algae based ventures, given the new technology and high capital investment requirements.

Trade deal to hit beef sector, says EU Report [16 November/ The Irish Times] A European Commission study into trade agreements between the EU and third party countries found that beef and rice will be adversely impacted by international trade deals, including the Mercosur deal with South America. EU Agriculture Commissioner, Phil Hogan, noted that the study found that the effect of international trade on EU agri-food would be largely positive but sectors were vulnerable. He noted winners would include dairy and pig meat while there would be a need for counter parties to the deal to readjust their expectations about the level of beef they will be permitted to export into Europe. Irish farmers have expressed concerns for some time over the impact that the Mercosur deal could have on the Irish beef sector and Ireland's Minister for Agriculture said the report had vindicated Ireland's concerns. He added that the beef sector is not prepared to be a sweetener for trade deals. Mr Hogan said the report gave the EU a lot more ammunition in terms of negotiations with South American companies in the Mercosur bloc. The report was commissioned in response to growing public concerns around free trade.

The Billion Dollar food waste market that investors are missing [17 November/ AgFunder News] Food waste issues are starting to get the attention they deserve. In 2015, only USD93 was invested into 'waste tech' start-ups, less than 2% of total investment into the agri-food sector, but waste food analysts, ReFED, believe that USD18 billion of investment is required into food waste over the next 10 years to reduce waste by 20%. It is not clear why waste technologies are still a small portion of the growing agtech investment universe given the scale of the problem, it could be the infrastructural element to many of the technologies (to facilitate collection, disposal, processing making them better suited to project financing), but it could also be how people are thinking about the problem. Many organisations seeking investment are looking at handling waste rather than technologies to keep food as food in the first place. This includes innovations for food producers, distributors and consumers that increase the shelf life of perishable foods or keep food from spoiling, work to develop secondary marketplaces for surplus foods (for instance food that never leaves the farm due to cosmetic imperfections) as well as upcycling edible food scraps into value added products (for instance through juicing recovered fruit and vegetables or by creating bioplastics). There are also untapped opportunities to expand compost markets into value added products that extend beyond agriculture.

Wal-Mart tackles food safety with trial of blockchain [18 November/ Bloomberg Technology] Walmart is currently using a number of produce SKU's to test blockchain technologies, with the potential that the trial could transform how the company serves its 260 million customers a week to deliver safe food at low cost. Blockchain makes it possible for Walmart to understand the precise product that has been consumed by a customer that has become sick, including the supplier, where it was grown, who inspected it and immediately recall the product in a matter of minutes rather than days. It also means that there is no need to withdraw all of a particular product, instead the recall can be strategically focused on the tainted packages. The test that Walmart is running includes thousands of packages shipped to multiple stores. Growers, distributors and retailers can record product details in the blockchain database securely, providing a trustworthy record of product origin and tools that enable more detailed analysis of supply chain efficiency for the retailer.

Foreign producers cash in on 'Milk for Farmers' plan [20 November/ The Sunday Telegraph, UK] Data shows that the majority of the proceeds from the 'Milk for Farmers' venture that was set up to support British dairy farmers has in fact been flowing to foreign milk producers despite the milk cartons being branded with the Union Jack flag, giving the consumer the impression they were supporting British producers. The scheme which is run by Arla Dairy Farmers Co-operative through Morrisons and Asda supermarkets provides for part of the price paid to be directed to the farmer. The premium from the Morrisons milk is going to Arla's 12,000 farmers in the UK, Sweden, Germany, Belgium and Luxembourg of which 2,700 of them are based in the UK; the UK farmers received a GBP290 supplement on average which would have GBP1,300 if the premium had only been paid to British farmers. Morrison's has denied the campaign is misleading, noting that all its milk is supplied by British farmers and claiming that it never said all the premium would be passed through to those farmers. Arla and Asda did not respond to the Sunday Telegraph when approached about this story.

WH Group ponders acquisitions [21 November/ South China Morning Post] Hong Kong listed, WH Group, which became the largest producer of packaged pork products in the world when it acquired US based Smithfield Foods in 2013, has set its sights on new acquisitions in 2017 with the goal of becoming the world's largest packaged meat company. Director, Luis Chen, said by the end of next year the Group's debts would have dropped to a comfortable level giving the group the capacity and cash flow to complete other sizeable acquisitions. WH Group's acquisition of Smithfield received significant regulatory attention from the US government with concerns being expressed over the ability of a Chinese company to manage a US firm, Mr Chen notes that three years on it has been proven that they have been able to create synergies from the merger and that the company was being run effectively by a US based management team. The Group is also the largest pork and packaged meat producer in China, with its Shuanghui brand being a household name. Analysts have commented that the US and Chinese businesses are complimentary, particularly given the differing supply and demand dynamics.

13 Food Giants pledge to 'redouble' climate change efforts at COP22 [21 November/ FoodNavigator.com] A letter signed by the CEO's of 13 of the largest food and beverage companies in the world (including Unilever, Mars, Danone and Kellogg) highlights the risk of rising agricultural emissions and the impact that this could have on destabilising the global food system, placing livelihoods, farming communities, agricultural supply chains and consumers at risk. The CEO's pledged to redouble their efforts in combating carbon emissions, carbon dioxide and deforestation. The companies also restated pledges made last year to halve food loss and waste, eliminate deforestation, improve soil management and reclaim and repurpose unused land for food production. A spokesperson for Mars said the company had decided to attend the COP22 meeting in Morocco to join the dialogue and share best practices with industry leaders as well as urging industry and political leaders to take bold action to implement the targets agreed to last year in Paris.

American's desire for international food remains strong despite rising nationalism [21 November/ FoodNavigator-USA.com] The renewed nationalism voters in the US have demonstrated in electing Donald Trump is not expected to flow into the food sector, where consumers are expected to continue to seek out international flavours and dishes in 2017 according to trendologists. It is predicted that flavours from the Mediterranean and Middle East will be particular popular in the coming year, along with a break out of Filipino fare, a cuisine described as bld, fresh and borderline addictive. Other predictions include Breakfast will continue to dominate the day (with higher end establishments following the lead of fast food operators to offer breakfast items on their menus all day), edible marijuana will gain traction as more states legalise cannabis and tasting menus become mainstream, plant based meat alternatives will take further strides into the main market, vegan cheese will gain more acceptance and fermenting foods offering other wordly flavours and functional benefits will become increasingly popular.

Agri-Tech

Genesis acquires stake in TracMap [17 November/ Otago Daily Times] Ashburton based private equity company, Genesis Private Equity, has taken a 25% in Mosgiel based TracMap, enabling the company to pursue its growth aspirations in Australia and California. TracMap was formed in 2006 when founder, Colin Brown, identified a gap in the market for a rugged and easy-to-use GPS guidance and mapping system, initially for use in ground spreading but applications have been pushed wider as the product has been developed. The company employs 29 people and now supplies precision guidance systems to primary sector companies wanting accurate task management and placement reporting for products, people and vehicles in the field. CEO, David Glen, said the new capital will allow us to leverage off our market leading position to transform the business.

Farmers not using new technology [21 November/ NZ Farmers Weekly] The Ministers of Primary Industries and Communications, Nathan Guy and Amy Adams, recently announced they will establish a new technical advisory group to speed up the pace of adoption of smart agri-tech in New Zealand. Precision farming expert, Professor Ian Yule from Massey University, has called on the group to look closely at how quickly other countries were advancing their technology and at the eye-watering amounts of money being invested. He noted that UK have recently invested GBP200 million into agri-tech hubs with industry expected to match the investment and there is similar levels of investment being made in the US. He said that it was necessary to prioritise our research and look closely at how we get farmers to adopt technology quickly. In launching the group Minister Adams noted that the role of Rural Broadband was important for connectivity but it was up to individuals to take advantage of the opportunities that connectivity provides. One commentator noted that you can have all the technology in the world but farmers will only adopt if you are delivering a value proposition to them.

Economics and trade

John Key urges leaders not to give up on TPP deal [20 November/ NZ Herald] Prime Minister, John Key, has joked that the TPP could be renamed the Trump Pacific Partnership to try and keep the President Elect on board the regional trade deal. More seriously, he argued that regional leaders should not give up on deal, suggested that for New Zealand the deal would still deliver two thirds of the expected NZD2.7 billion benefit if it went ahead without the US, because it would provide free trade access to Mexico, Japan, Canada and Peru, four countries NZ has no current agreements with. He said his preference was to keep the US in the TPP and he was less negative about the chances of convincing Mr Trump, particularly as it was more a question about whether Mr Trump wanted the US to be a leader in the region. Mr Key said it was important that APEC leaders did not fall into tremendous despair because of the result of the US election and completely give up, they should continue to pursue a free trade agenda regardless of the position that the US takes. He added that New Zealand really likes the US being a leader in the Asia Pacific region, they are great partners, great friends and they add something to all the countries by taking a leadership role, however if they choose to stand back their role will be filled, most probably by China, and the region would move forward.

Talks start on China FTA upgrade [21 November/ Rural News] While much of the APEC meeting in Lima, Peru was focused on the impact that President-Elect Trump will have on global trade flows, Prime Minister John Key was able to announce progress on the upgrade of New Zealand's Free Trade Agreement with China. Mr Key said that he was pleased to announce that New Zealand and China had reached the fifth first in their trade relationship, becoming the first developed country to launch an upgrade of an FTA with China. He added the agreement had exceeded all expectations over the last eight years, demonstrating the importance of trade liberalisation. The upgrade is an opportunity to deepen and broaden the comprehensive, strategic partnership between the two countries.

Farmers and producers

Cut-off farmers calling out for help [17 November/ Radio New Zealand Country] North Canterbury farmers cut off by the earthquake are increasingly frustrated that helicopters have been flying over their farms on the way to Kaikoura but nobody has been stopping to check on them according to Federated Farmers. Federated Farmers spokesperson, Katie Milne, said that they had managed to reach a number of remote farms by helicopter and had been greeted by some very relieved farmers, some of whom were running out of the basic needs for life. Ms Milne said while farmers are resilient it was being cut off that was starting to get to them, they did not know what was happening and had no communications to find out, which could be very frightening. Federated Farmers are working to provide help to farmers in the region, particularly those looking for assistance with stock as they address the issues with houses, sheds and water systems; Federated Farmers helpline is 0800 FARMING.

Dairy Farm IPO scheme faces scepticism [17 November/ National Business Review] Dairy Farms NZ, a dairy farming investment vehicle controlled by US billionaire investor, Sam Zell, has told shareholders in its 2016 annual report that it is planning to look to complete an IPO in 2017 on the NZX. The report said that with the recovery in milk prices the likelihood of a successful IPO has further improved, adding that company was also working on a pre-IPO capital raising of NZD30 million to buy more farms and repay bridging debt. The chairman of Dairy Farms NZ, David Belcher, said that the fund raising was well underway. Some brokers spoken to by the NBR questioned the viability of an IPO given the company's exposure to commodity price movements, however Mr Belcher noted he had only received positive feedback from the broking community towards an IPO.

Fisheries closure possible as \$5 million relief package for farming and fishing industries confirmed [18 November/ NZ Herald] In advance of making a decision on the ability to continue to operate the Kaikoura fisheries, Minister for Primary Industries, Nathan Guy, announced a NZD5 million support package for farmers and the fishing industry in the upper South Island. The announcement followed Mr Guy touring the quake damaged region the previous day to meet with industry participants and understand their needs. Mr Guy said the support package was a first step and included NZD4 million for Mayoral disaster relief funds in Hurunui, Kaikoura and Marlborough to help with non-insurable assets such as tracks, bridges and water infrastructure on farms, NZD500,000 to support rural recovery co-ordinators, NZD500,000 in addition support to rural support trusts and \$200,000 a month to support the mobilisation of skilled workers for farm recovery work.

Rural infrastructure

Henry van der Heyden appointed chairman of Rabobank NZ [17 November/ NZ Herald] Rabobank New Zealand has announced that Sir Henry van der Heyden will be replace the retiring John Palmer as the bank's chairman in New Zealand. Sir Henry has been a Director of the bank since 2012. John Palmer will be replaced on the board by Andy Borland, Managing Director of Scales Group. Wiebe Drajer, Chairman of the International Rabobank Group, said the bank was fortunate to have someone of Sir Henry's calibre to take over the chairmanship of its New Zealand operations.

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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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