

AGRIBUSINESS

# Field Notes

Weekly news update from the KPMG Agribusiness network

30 November 2016

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

a2 Milk Company	Headwaters Group
Agricultural Leaders' Health and Safety Action Group	Landcorp
Alliance Group	Lincoln University
Anzco Foods	Longview Estate
Australasian Food Corporation	Meaningful Chocolate Company
AVOCO	Ministry for Primary Industries
Bayleys	Monsanto
Beef + Lamb New Zealand	Nautilus Pacific
Beyond Meat	NZX
Cadbury	Omega Lamb Project
Crown Irrigation Investments	PGG Wrightson
Eurolactis	Rabobank
European Commission	Shanghai Maling
European Parliament	Silver Fern Farms
European Union	Synlait Milk
Fairtrade	The Climate Corporation
Federated Farmers	Unilever
Fonterra Co-operative Group	United States Food and Drug Administration
Forest Growth Holdings	VitalFields
Fornerod	Whole Foods
Havelock North Fruit Company	Zespri
Hawke's Bay Regional Investment Company	

**This week's headlines**

Horticulture	<b>Avocado exporters reaping good sales in Korea</b> [25 November/ NZ Herald]
Dairy	<b>New adult nutrition products could be bigger than infant formula – a2</b> [28 November/ National Business Review]
Red meat	<b>New meat venture starts early</b> [28 November/ NZ Farmers Weekly]
Economics and trade	<b>Trump's TPP withdrawal leaves open door for China, says trade envoy</b> [24 November/ NZ Herald]
Health and safety	<b>Farmers' health and safety group launches</b> [24 November/ Radio NZ]



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Hot Off The Press:

**KPMG Agribusiness  
Agenda 2016 Vol. 2**

## Horticulture

**Zespri releases more SunGold** [23 November/ Rural News] Zespri has announced that 400 hectares of new SunGold licences will be released in 2020, adding to the 400 hectares which are to be released each year in 2017, 2018 and 2019. Zespri Chairman, Peter McBride said the decision reflected the strong confidence of the markets in SunGold, with sales expected to reach \$900 million this season after a 68 percent increase in trays sold. Mr McBride added that the release of 400 hectares each year until 2020 would generate an additional \$500 million in sales at current prices.

**Rockit apple ownership dispute ends in confidential agreement** [25 November/ Business Day: NZ Farmer] Havelock North Fruit Company Shareholder, Phil Alison has reached a confidential agreement with the other shareholders in the company to buy them out. Mr Alison and the other shareholders had not previously been able to agree on what price the shares would be sold at. Mr Alison saw the potential in the company's Rockit apple product. The apples were not much larger than a golf ball, packaged in cylindrical tubes and have been marketed around the world as a healthy snack for kids. Rockit growing licenses have been sold to 18 different countries, with a limit of one license per country to control quantity.

**Avocado exporters reaping good sales in Korea** [25 November/ NZ Herald] According to AVOCO, New Zealand's largest avocado exporter, the number of avocados exported to South Korea this season will triple to 209,000 trays. New Zealand exporters were beginning to benefit from the Free Trade Agreement ratified with Korea in September last year, under which the 30 percent tariff on New Zealand avocados decreased to 24 percent in January 2016. The tariff would decrease annually and be eliminated in 2024. The New Zealand avocado industry was expected to export a total of 5.1 million trays in the 2016-17 season, up from 2.5 million trays in the 2015-16 season and exceeding the 4.5 million tray record from two years ago.

## Viticulture

**White Diamond wine rises from \$30 to \$598 a bottle** [25 November/ NZ Herald] Longview Estate's White Diamond wine was selling for \$30 a bottle at the start of the year, but was now selling for \$598 a bottle. The Whangarei vineyard was sold to Australasian Food Corporation and two Chinese investors in March, with the new owners finding that the international price was much higher than the local price. Australasian Food Corporation Director, Brent King said the wine appealed to the Chinese palate as it was fruity. Mr King added that while it was disappointing the wine was no longer being drunk locally, the directors had a responsibility to shareholders to sell the wine for the best price possible. Mr King noted that demand from China was greater than the new owners could supply.

## Dairy

**Synlait looks to build its shareholding base in Australia** [25 November/ Business Day: NZ Farmer] Synlait Milk has begun trading on the ASX in order to build on its large shareholding base in Australia. The company was already listed on the NZX but wanted to provide more liquidity and access to a larger and more diversified shareholder platform. Synlait Chief Executive, John Penno said interest from Australian investors had grown over the past few years and 72 percent of the company's institutional shareholding was now based in Australia. Mr Penno noted that Synlait had launched its next growth phase of a \$300 million capital expansion programme that would span three years.

**Fonterra to launch 'Candy Cheese' in Hong Kong** [28 November/ NZ Herald] Fonterra has diversified its product range in certain markets with a low salt cheese being released in Korea and 'Candy Cheese' being sold in Hong Kong. Fonterra Global Consumer and Foodservice Chief Operating Officer, Jacqueline Chow said tastes varied from region to region and Fonterra was working closely with its customers to make sure it delivered the products to match these tastes. Ms Chow explained that Korean customers were very conscious of the amount of salt in their diets, so Fonterra had created a low salt cheese for the market. Ms Chow added that Anchor Candy Cheese in Hong Kong was created in response to the demand for healthy snack options for children in the region.

**New adult nutrition products could be bigger than infant formula – a2** [28 November/ National Business Review] a2 Milk Company Chief Executive, Geoff Babidge said the company planned on launching several new adult nutrition products in 2017. Mr Babidge added that they had the potential to grow even faster than the company's infant formula which had seen sales increase from \$17 million in the six months ended December 2014 to over \$140 million in the six months ended June 2016. The a2 Milk Company's fresh milk products had gained about 9.5 percent of the market in Australia and the company was working on developing a similar position in the United Kingdom and the United States. Mr Babidge said the company was identifying different segments that may be appropriate for its products.

## Forestry

**Big private forestry portfolio for sale** [26 November/ Otago Daily Times] Forest Growth Holdings has put its 3,000 hectare forestry portfolio up for sale. The freehold land was one of New Zealand's largest privately owned forestry portfolios and was currently leased to an Australian forestry company for \$216,000 a year over the next 60 years. The portfolio consisted of five blocks of land which could be purchased individually, in parts, or all together. Bayleys Southland Salesman, Hayden McCallum said the 60 year lease term was one of the longest terms for a commercial occupancy anywhere in New Zealand. Mr McCallum noted that only the land was for sale, not the plantations.

**Marlborough Sounds barge company taps into increased log harvest** [28 November/ Business Day: NZ Farmer] Nautilus Pacific Operations Manager, Beau Simonsen said the company had purchased a new 39.5 metre barge capable of carrying 1,200 tonnes in order to increase its capacity in the Marlborough Sounds and around the national coastline. Mr Simonsen explained that the company was mainly contracted to carry logs in the Marlborough Sounds, but had also been involved with house relocations, wharf construction, and delivery of oversize and overweight cargo. Mr Simonsen added that the log market was increasing in size and the company was looking to pursue more coastal shipping operations after already making shipments to Bluff, Whanganui and Wellington. A Marlborough Forest Industry report showed that the Marlborough region harvested about 750,000 cubic metres of logs in 2008, with the figure expected to increase to 1.5 million cubic metres by 2023.

**Red meat**

**New meat venture starts early** [28 November/ NZ Farmers Weekly] Directors would be appointed to the new Silver Fern Farms board in early December after the completion of the partnership between the current Silver Fern Farms and Shanghai Maling was brought forward a month. The current Silver Fern Farms would change its name to Silver Fern Farms Co-op and appoint five directors to the new Silver Fern Farms board, while Shanghai Maling would appoint the other five directors. Silver Fern Farms Chairman, Rob Hewett, and Shanghai Maling Chief Executive, Shen Wei Ping would be co-chairmen of the new Silver Fern Farms. Shanghai Maling would pay \$267 million for a 50 percent stake in the new Silver Fern Farms, \$6 million more than originally announced.

**Conley to replace Clarkson at Anzco** [28 November/ NZ Farmers Weekly] Anzco Foods Chief Executive, Mark Clarkson has announced that he will retire at the end of March and be replaced by Anzco Foods Harvest Chief Executive, Peter Conley. Mr Clarkson said he loved the industry and the business but the time was right for Mr Conley to take over as part of a succession plan that had been in place for a considerable amount of time. As chief executive of Harvest, Mr Conley already oversaw the traditional meat business from procurement and processing through to sales and marketing.

**Mataura meatworks gets new x-ray technology** [28 November/ Business Day] Alliance Group has invested \$2 million in new x-ray technology at its Mataura plant in Oamaru to measure fat content of beef. Alliance Group Processing General Manager, Kerry Stevens said customers buying beef would get a better product as the new machines were able to measure fat levels at a much higher level of precision than previously possible. Mr Stevens added that beef farmers would be able to more accurately measure the fat content of the meat and therefore sell their product for its true value and get a better return.

**Fatty lamb back in fashion** [28 November/ Radio NZ] The Omega Lamb Project aims to assist farmers in conditioning ewes and lambs to have a particular level of the healthy, taste enhancing fat. The project was part of a primary growth partnership between Alliance Group, Headwaters Group and the Government. Omega Lamb Project General Manager, Mike Tate said a decade of research had already been done to find the right combination of genetics and forage which produced the best tasting lamb. Mr Tate said the partnership aimed to position its lamb at the top end of the market, with chefs having already recognised it as a premium product.

**Environment and emissions**

**Improved environmental performance to provide long-term strategic value for New Zealand's agri sector – industry report** [25 November/ Rabobank Media Release] A recent Rabobank report showed that improved environmental sustainability would provide New Zealand's agricultural industry with two major types of value. Report Author, Blake Holgate said that while some food producers may be able to use sustainability as a basis to achieve a price premium, the majority of New Zealand's food producers would find the greatest value in the long term strategic value associated with being a globally trusted source of sustainably produced agricultural products. Mr Holgate added that in order for food producers to receive a price premium, they needed to go beyond compliance and be able to build sustainability into a larger story about their product.

**More funds for Gisborne erosion control** [28 November/ Rural News] The Ministry for Primary Industries has announced that it would implement two new improvements to the Erosion Control Funding Programme in the coming months. The Erosion Funding Programme was created in 1992 to reduce the severe erosion problem in Gisborne due to the regular high intensity weather events in the region. A review into the barriers preventing land owners from taking up the funding available found that the lack of upfront funding was the most common barrier. As a result, the Ministry for Primary Industries would change the payment structure to enable grant payments to be aligned with when grantees actually incurred the costs. Ministry for Primary Industries Investment Programmes Director, Justine Gilliland said the change would substantially reduce the financial borrowing burden for grantees.

**Biosecurity**

**Biosecurity army to fight big challenges** [28 November/ NZ Farmers Weekly] Primary Industries Minister, Nathan Guy has set a target of at least \$80 million of public and private investment in science related to biosecurity by 2025, with half of that being focused on critical biosecurity areas. Mr Guy added that such an investment would help face massive future biosecurity challenges. Between 2003 and 2014, New Zealand had seen a 37 percent increase in sea containers, a 47 percent increase in airline passenger numbers, and a 216 percent increase in parcels received. A new plant species became established in New Zealand every 39 days. It was estimated that New Zealand agricultural products earned a 28 percent premium due to the country being free from foot and mouth disease.

**International**

**Monsanto's Climate Corp Makes First Foray into Europe with VitalFields Acquisition** [21 November/ AgFunder News] The Climate Corporation, a subsidiary of Monsanto, has acquired VitalFields, an Estonian farm management software company. The acquisition was the first made by The Climate Corporation in Europe. VitalFields was an enterprise resource planning tool to help unburden farmers of the paperwork involved in farming, particularly around applying for European Union subsidies. The platform enabled farmers to easily enter data about their operations into their field book to meet the reporting requirements necessary in the European Union.

**Unilever is adding a vegetarian logo to 500 products, including Flora and Hellmann's, by the end of 2017 to boost interest among flexitarians** [22 November/ The Guardian] Unilever has announced that it would add a vegetarian logo to 500 of its products by the end of 2017. Unilever United Kingdom and Ireland Vice President of Foods, Andre Burger said the label would make it easier and quicker for customers to identify which of its brands were plant based so they could make more informed and healthier eating choices. Mr Burger added that the label was part of a plan to attract flexitarians, people who wanted to reduce their meat consumption, to the company's products.

**Record stocks to keep food prices low in 2017: Rabobank** [23 November/ Reuters] According to a recent Rabobank report, world food prices should remain low during 2017 due to record high stocks. The report explained that although prices would remain low, they would likely stop decreasing due to rising global demand and inflation in developing countries. The report added that prices would largely depend on what China did with its huge stocks of corn, wheat and soybeans.

**Seaweed: marine life coming ashore** [23 November/ The Guardian] The seaweed industry is worth GBP 5 billion worldwide, making the 700 species of seaweed growing in British waters one of the country's most underrated resources. Although using seaweed as a food went out of fashion until recently, increasing quantities of imported seaweed were now sold in supermarkets and used in restaurants. There was also demand for seaweed to be used in biofuels, pharmaceuticals, toothpaste, fertiliser and industrial gels. The cultivation of seaweed also provided environmental benefits as it soaked up carbon dioxide and locked it away.

**Backpacker tax: Senate votes in favour of 10.5 per cent rate** [24 November/ ABC News] The Australian Senate has rejected the Coalition's backpacker tax proposal and has supported a 10.5 percent tax rate instead. The Labor Party and the Greens both voted in favour of the lower rate. The decision would send the amended bill back to the House of Representatives where the Coalition had a majority in numbers. The bill is seen by the Australian agriculture sector as creating a risk to the supply of casual workers needed during harvest periods.

**Swiss companies create first donkey milk chocolate** [25 November/ Dairy Reporter] Eurolactis, a Swiss company that sold donkey milk, and Fornerod, a Swiss chocolate company, have teamed up to create the first donkey milk chocolate. Eurolactis Founder, Pierluigi Christophe Orunesu said the product took a long time to develop and required a large quantity of donkey milk powder to create. Mr Orunesu added that it had the sweet taste of milk chocolate but had the dietary aspects of dark chocolate. The chocolate would be available through a network of high level stores in Europe, Asia and the United States. A 25 gram bar would cost around EUR 9, reflecting the scarcity of donkey milk.

**Genetically modified mosquitoes could be released in Florida Keys by spring** [26 November/ The Guardian] Around 58 percent of voters in Florida's Monroe County have approved the release of genetically modified mosquitoes in the Florida Keys in order to control mosquitoes that spread the Zika virus. The modified male mosquitoes would mate with wild females, passing on a gene to their offspring which prevented them from reaching maturity. Only male mosquitoes which did not bite would be released. Oxitec, the company planning on releasing the mosquitoes, still had to apply to the United States Food and Drug Administration for approval. If approved, the experiment would be the first time a genetically modified animal was released into the wild in the United States.

**Cadbury accused of fudge as it pulls out of Fairtrade** [28 November/ The Daily Telegraph] Cadbury in the UK has announced that it was dropping out of the Fairtrade scheme and starting its own sustainability programme. The company explained that the move was a ground-breaking commitment to help more farmers in the developing world as Cadbury built on its work within the Fairtrade scheme. Cadbury chocolate would still have the Fairtrade logo on the back of its packaging as part of a partnership with the foundation which would monitor its work. Meaningful Chocolate Company Founder, David Marshall said the fact that the logo would remain on the packaging would confuse consumers and it may put the Fairtrade scheme at risk. Fairtrade Foundation Chief Executive, Mike Gidney said the foundation would ensure Cadbury created a financial package that was at least as good as the farmers would get under the Fairtrade scheme. Mr Gidney added that the agreement to allow the non-Fairtrade bars to carry the Fairtrade logo would not mislead customers.

**MEPs oppose plant-based alternatives using meat terms** [28 November/ Food Navigator] Two members of the European Parliament have written to the European Commission asking for laws to prevent vegetarian alternatives from using names that were associated with meat. European legislation already prohibited food manufacturers from using dairy terms to market non-dairy products, but there was no equivalent rules for meat products. Socialists and Democrats Party Member, Paolo de Castro said it could be quite misleading to present a vegetable product just like an animal one from a nutritional point of view, as they had completely different nutrient profiles.

**Plant-based burger just another protein option, says Beyond Meat: 'All of a sudden, the meat aisle becomes the protein aisle'** [30 November/ Food Navigator] Beyond Meat Executive Chairman, Seth Goldman said the Beyond Burger, a plant based patty, would be available in all Whole Foods regions by the end of the year. Mr Goldman added that the company was also in talks with restaurant chains, such as Veggie Grill, which were interested in launching the product next year. Since launching its first products in 2013, Beyond Meat now sold products in over 11,000 stores. Mr Goldman explained that there was a large increase in sales when the Beyond Burger moved to the meat aisle and attracted a new audience of meat eaters who wanted to try something new. Mr Goldman said that the meat aisle would soon become the protein aisle if the trend towards plant based proteins continued.

## Economics and trade

**Organic food trade set to grow under New Zealand-China agreement** [24 November/ China Daily] Ministry for Primary Industries Plants, Food and Environment Director, Peter Thomson said New Zealand producers of organic food could expect a boost in exports after the Mutual Recognition Arrangement for Certified Organic Products was signed between New Zealand and China. Mr Thompson added that New Zealand consumers could have increased confidence in organic food imported from China because the Ministry for Primary Industries had assessed the Chinese system and found it to be robust. The arrangement excluded aquaculture, apiculture, and textiles. The arrangement would take effect from the middle of 2017.

**Trump's TPP withdrawal leaves open door for China, says trade envoy** [24 November/ NZ Herald] Special Trade Envoy and Former Beef + Lamb New Zealand Chairman, Mike Petersen said China may take the place of the United States in an Asia-Pacific free trade agreement if United States President Elect, Donald Trump followed with his promise to withdraw the United States from the trade deal. Mr Petersen added that government ministers from various countries had started conversations about possibilities of a trade deal without the United States. Mr Petersen said reports had come out of China about how the country was keen to be involved in a deal around the Asia-Pacific.

**Butter, logs and kiwifruit boost exports** [26 November/ Radio NZ] New Zealand's trade deficit in October 2016 was \$846 million, lower than the \$905 million trade deficit in October 2015. Exports rose by 2 percent to \$3.9 billion with strong sales of butter, logs and kiwifruit offsetting weaker sales in beef and lamb to China. Imports increased by 0.6 percent to \$4.7 billion, partially due to an increase in the number of large aircraft imported. New Zealand's trade deficit was \$3.3 billion in the year ended 31 October.



## Agribusiness education

**Ag courses under threat** [28 November/ NZ Farmers Weekly] Primary sector training providers have signalled that some sub-degree courses will be ending, effecting around 1,000 students. Lincoln University's Telford Division recently announced that it would scrap some of its courses taught off campus. The university added that it was removing 16 academic roles and 35 non-academic roles across its two campuses. PGG Wrightson conducted a review of its AgNZ training subsidiary and found that it was no longer a core focus. Around 20 staff would be consulted over its future. Landcorp announced that its farm cadet scheme would come to an end because it did not attract enough students. Tertiary Education Minister, Steven Joyce said the sector was enduring a changing of the guard and a more efficient forms of delivering training would emerge. Mr Joyce added that there had been concern over the effectiveness and quality of training, and he wanted to see more work-based training to better meet the needs of employers.

## Water

**Irrigation investment will strengthen hard hit province** [25 November/ Rural News] Federated Farmers North Canterbury President, Lynda Murchison said the investment of \$3.4 million into the Hurunui Water Project by Crown Irrigation Investments would ensure the future resilience of North Canterbury. Ms Murchison added that the scheme had tight environmental controls and farmers only needed to water to reduce their vulnerability to drought. The scheme would irrigate up to 21,000 hectares. Around \$1.6 million would be spent on the feasibility phase while \$1.8 million would become available for the commitment phase once the project had proved to be commercially viable.

**Key supporter of Ruataniwha Dam resigns** [25 November/ Radio NZ] Hawke's Bay Regional Investment Company Chairman, Andy Pearce has resigned from the Council's investment company. Mr Pearce chaired the company since it was formed in 2012 and did not give any reason for his resignation. Mr Pearce was a driving force behind the \$900 million Ruataniwha Dam in Hawke's Bay which was now being questioned by the majority of councillors. Hawke's Bay Regional Council Chairman, Rex Graham said Mr Pearce had different views to him over certain things but he did the job he was asked to do.

## Health and safety

**Farmers' health and safety group launches** [24 November/ Radio NZ] Some of the biggest names in New Zealand agriculture have launched a new health and safety group in an effort to make farming safer. The new Agricultural Leaders' Health and Safety Action Group consisted of 24 founding members who have committed to learn from each other's experiences in health and safety and to improve the performance of their own businesses. Landcorp Chief Executive, Steve Carden said the group wanted to reach out to the wider sector to help provide tools and support to everyone.

## Food safety

**MPI intercepts large-scale home kill operation** [25 November/ Rural News] Ministry for Primary Industries Northern Region Investigations Manager, Simon Anderson said six search warrants were recently executed in the Auckland region with a refrigerator container, a truck, unregulated meat, and a large amount of food processing equipment being seized from an illegal home kill operation. Mr Anderson added that the home kill operation was sophisticated and involved more than 100 customers. Mr Anderson explained that the Ministry for Primary Industries had a responsibility to protect the public from the threat of various food borne illnesses associated with illegal home kill.

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# Field Notes

Weekly news update from the KPMG Agribusiness Network – 30 November 2016

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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