

AGRIBUSINESS

# Field Notes

Weekly news update from the KPMG Agribusiness network

15 February 2016

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

A2 Milk	Marlborough Council
AgResearch	McDonalds
Allied Farmers	Mead Johnson Nutrition
Amazing Grass	Ministry for Primary Industries
ASB	Muuna
Blue Sky Meats	National Farmers Union (UK)
Body & Fit	New Zealand King Salmon
Callaghan Innovation	NZ Binxi
Coca-Cola	Rabobank New Zealand
European Union	Reckitt Benckiser
Farmax	Sainbury's
Fonterra Co-operative Group	Sealord
Glanbia Performance Nutrition	Statistics New Zealand
Hershey Company	Synlait
Incredible Foods	Tau Ihu Fisheries forum
KPMG	UN Food and Agriculture Organisation
Kuvee	Waikato University
Lewis Road Creamery	Waitrose
Livestock Improvement Corporation	Westpac
Massey University	Zespri
Marine Farming Association	

**This week's headlines**

Horticulture	<b>Zespri to license more SunGold kiwifruit in Italy</b> [9 February/ New Zealand Herald]
Red Meat	<b>Waitrose rebrands 'British' lamb ready meals after customer outrage over New Zealand meat</b> [13 February/ The Independent, UK]
Biosecurity	<b>European insects to be released to tame invasive weed</b> [14 February/ Radio NZ Country]
Agribusiness Strategy	<b>Primary sector needs a new story, NZ trade envoy says</b> [10 February/ Business Day: NZ Farmer]
Farmers and producers	<b>Rain wreaks havoc on the coast</b> [14 February/ Dairy News]



fieldnotes.co.nz

Hot Off The Press:

**KPMG Agribusiness  
Agenda 2016 Vol. 2**

## Ian's Blog: Getting to the core of the job at hand

There have been numerous stories in recent weeks relating to New Zealand's apiculture (honey) sector. Fuelled by the belief in Manuka honey's 'unique' active properties, local and international investors have viewed honey as a one way bet. Despite the sectors growth, the news recently has been mixed; the harvest is significantly down as strong winds have impacted bee productivity across the country, Australians have recognised they have 80 species of plant equivalent to Manuka and are funding research into identifying the most promising varieties to create a competitive alternative and lastly, the Queen's grocer (Fortnum & Mason's) delisted Manuka when tests did not demonstrate the level of activity in the product that was claimed.

To my mind, the apiculture industry is currently walking a well-worn track towards the destiny crossroads; a point in an industry's history that many primary sectors have reached before. A great example was when the dairy sector reached this point the majority of farmers, together with government supported the formation of Fonterra. Kiwifruit growers designed the Zespri model when they reached this juncture, and have reaped the benefits of this decision in the rapid recovery from PSA. Pipfruit growers choose to break up the Apple and Pear Marketing Board and spent a decade seeking solutions to turnaround the industry. While the red meat sector choose the status quo and is stuck with overcapacity and procurement battles which cost the industry tens, if not hundreds, of millions of dollars a year.

The direction the apiculture industry chooses to take will significantly influence the future of the sector for decades to come. The opportunities are large as premium consumers seek out and are prepared to pay for authentic products with verifiable nutritional or health benefits. I believe a commercial collaborative is needed to realise the industry's potential given the actions of one undoubtedly impact all. However, the financial incentives to all parties (growers, traders and opportunists) to go it alone, will challenge the ability to achieve a consensus. Ultimately, this will put the prosperity of the entire industry at risk; a risk that was demonstrated by Fortnum's actions when the data did not stack up.

It is critical that the industry is listening to its consumers. True value comes from understanding what encourages them to invest significant sums of money in a small jar of honey.

In the current issue of the Harvard Business Review, there is a range of articles sharing perspectives over why consumers habitually purchase certain products.

One article advances the argument that majority of purchasing decisions are driven subconsciously. Products and services that are easy to access, and comfortable to buy, will trump innovative and unfamiliar alternatives that require consumers to develop new habits to purchase. The suggestion is further advanced that sustainable competitive advantage is developed as consumers become habitual users of a product. The challenge for an emerging industry, like apiculture, with a premium product is positioning it so it becomes a comfortable, habitual purchase.

An alternative perspective suggests that while competitive advantage remains relevant its benefits can be eroded in markets where innovation facilitates rapid change. It is suggested that consumers are focused on the job they are looking to get done and their inclination will be to use the best product or service to achieve this. The argument follows that companies or brands with longevity will be those that focus on the job and ensure that they are consistently innovating to provide the customer with the best available solution. To me this appears very plausible in premium consumer markets where delivery on brand attributes and performance are absolutely expected.

These are relevant insights for New Zealand's Agri-food sector in general, but specifically for the apiculture sector.

There has been much talk about the importance of a 'story' in positioning our products to higher value markets, creating a point of competitive advantage. The stories told have largely been ones we feel comfortable with; they have been about New Zealand, our lands, our people, our innovation, our safety and our reliability. The question to me is do these stories cut through to the most important person in our value chain? Do they resonate with the consumer that pays a premium and ultimately uses the product, who is most interested in whether it does the job they want it to do?

When you strip everything back, companies and industries need to ensure that they are focused on the single most important question in the value chain - has our product done the job the consumer needed it to do (not, for the avoidance of doubt, the job that it was designed to do as that maybe a very different job). In the case of honey (and Manuka honey in particular), we are not able to give a definitive "yes" response to that question at the current time.

How frustrating will it be if the Aussies and their Tasmanuka honey (apparently a brand that has been trademarked for marketing their Manuka equivalent) answer the functionality question first and successfully capture a market that New Zealand's apiculture sector could have sown up by collectively demonstrating that their product does the job the consumer wants? The opportunities across the primary sector for premium products are massive, but we need to remain focused on the consumer and their needs if we are to capitalise on our potential.

**Ian Proudfoot, Global Head of Agribusiness**

## Horticulture

**Zespri to license more SunGold kiwifruit in Italy** [9 February/ New Zealand Herald] Zespri International has announced it will license increased SunGold kiwifruit production in Italy due to rising year-round demand for the product. The Tauranga-based company said over the next three years, it will assign an extra 1,800 hectares of European SunGold licence, with the first 1,200 being in Italy. Zespri Chief Operating Officer Simon Limmer said that a year round supply is vital to Zespri's strategy, and the investment "aligns our offshore production with the strong increase in New Zealand SunGold volumes". Zespri stated that there are 850 hectares to come into full production over the next few years. The total volume of the existing hectares and the new 1,200 hectares will allow a production volume increase to around 15 million trays over the next five years. This will be carried out through partnership with four Italian suppliers- Apofruit, Alegra-Intesa, Salvi Unacoa and Spreafico.

**Jumbo blueberry to boost NZ industry by \$8m in two years** [9 February/ Stuff] A super-sized eureka blueberry variety is about to be planted in New Zealand by Tauranga-based joint-venture BerryCo. The blueberry, which is the size of a \$2 coin, will boost the \$57 million-a-year industry, with BerryCo claiming that the product could be worth \$8m per year in exports after two growing seasons. BerryCo director, Carwyn Williams, said the initial 40 hectares of eureka is to be planted in the Far North, Bay of Plenty, Waikato and Nelson “in the next couple of months”, with the first plants distributed for planting in March. Mr Williams suggested it was possible “that a small crop will be commercially available in 2017, with export volumes to be assessed later in the year.” He added that control over the eureka berry’s intellectual property allowed BerryCo to limit plantation and market at a premium. It is predicted that the export industry could be worth more than \$60m by 2022.

#### Viticulture

**NZ joins US action against British Columbia decision to stock only BC wines in stores** [10 February/ Stuff] Along with the European Union, New Zealand has partnered with the United States in a trade challenge to the World Trade Organisation against a protectionist move by British Columbian grocery stores’ to only stock British Columbian wine. Canada is New Zealand’s fourth largest wine market, exporting \$110 million worth of wine to Canada. In April 2016, seven countries including New Zealand, representing 95 percent of sales exported to Canada, wrote to the British Columbian government stating that the move was not compliant to the WTO. B.C. wine regulations state that there is a store-within-a-store model, where a sectioned off area of a grocery store may be used to sell New Zealand wine. The WTO process states the countries have a minimum of 60 days to resolve the dispute. After the 60 day period, adjudication by a WTO panel may be requested.

#### Fishing and aquaculture

**Sealord factory trawler the Rehua gets a \$6m refit** [8 February/ Stuff] The FV Rehua, a Sealord deep sea factory trawler built in 1997 for Sealord, is receiving a \$6 million refit. The 66m long Norwegian-built vessel has a 660 tonne fish hold capacity and a catch plan of over 12,000 tonnes per year. The boat is receiving an engine rebuild, a replacement of its underwater fish-finding and trawl monitoring gear, and an upgrade of the factory’s conveyors and deck head linings. The nine-week project will also see new fish oil tanks installed as well as a removal and inspection of the vessel’s propeller and rudder shaft. Nearly 1,000 jobs need to be coordinated and completed to finish the project by early March. Sealord General Manager Group Operations, Doug Paulin, said that “the other boats are on full campaign” meaning that “the Rehua misses out on an amount of catch in the year we planned to do it”.

**Marlborough council has 'no choice' on shifting salmon farms** [10 February/ Stuff] The Ministry for Primary Industries indicated it could override the council decision and require implementation of their plan to move up to six New Zealand King Salmon farms. Marlborough Mayor John Leggett said it was “only sensible” to relocate the farms to higher flow sites to comply with best-practice guidelines and bring economic and environmental benefits. Conservation groups expressed their disdain with the proposal- Tau Ihu Fisheries Forum chairman Richard Bradley calling the proposal an example of “bad faith dealing” as iwi were told there was no more space available during their treaty settlement process. Marine Farming Association Jonathan Large said he did not consider King Salmon as being given any preferences as “no one else had put their hands up”. A government, council and community salmon working group was created in July 2016 to discuss how three King Salmon farms could meet best practice guidelines, resulting in the MPI proposal.

#### Dairy

**Synlait lifts forecast payout to farmer suppliers on gain in global prices** [9 February/ New Zealand Herald] NZX-listed dairy company, Synlait Milk, increased the forecast farmer supplier payout by 25 cents to \$6.25 per kilogram of milk solids for the current season. Synlait Milk chairman, Graeme Milne, said that foreign dairy prices have improved, and \$6.25 is a “realistic estimate for the current season”. Synlait Managing Director, John Penno, said that this return to a sustainable milk price is good for the 200 Canterbury Synlait suppliers. Fonterra Cooperative Group is forecasting to pay its 10,500 farmer shareholders \$6 per kilogram of milk solids. Synlait shares have gained 14 percent to \$3.15 in the last 12 months.

**Milk makes money in global market** [9 February/ Otago Daily Times] Although market expectations showed a decline in Fonterra's overnight global dairy trade auction, overall auction prices rose 1.3 percent. The crucial whole milk powder price rose 1% to in the auction. These gains were due to Chinese demand and global milk shortages, and support prices above the break-even point after two seasons of losses. ASB senior rural economist Nathan Penny expected a whole milk price decline of 1-3 percent as opposed to the 1 percent gain, and noted the majority of the overall 56 percent surge in milk prices "remains intact" given there had been two price rises and declines since December. Penny expects a 5 percent fall in national production for the season. Westpac economist Sarah Drought had similar expectations, and noted a “sharp end” to the season in North Island regions due to drying conditions. Drought said tight global supply was important to price underpinning, with production for most major exporting regions declining year-by-year.

**Dramatic lift in A2 Platinum brand recognition in China: survey** [13 February/ National Business Review] A recent survey of A2 Milk’s brand recognition amongst parents and pregnant women in China shows a significant uplift in brand recognition. The survey by UBS showed 40% of consumers that predominately shop through online channels recognise the A2 Platinum brand, more than double the equivalent Bellamy’s brand, making it the sixth most recognised brand. Major brands like Aptamil and Karicare remain the most recognised brand, but the increasing recognition of A2 led UBS to lift their stock recognition to ‘buy’ on the basis of an increased share price target. A2 sales have continued to grow over a period when many formula companies have found changes in regulation in China challenging to their business, with analysts suggesting the premium positioning of the A2 brand may have helped it to ride more smoothly through the oversupply period.

#### Red meat

**Blue Sky supports offer** [8 February/ Otago Daily Times] The Board of Blue Sky Meats is recommending that shareholders accept the \$2.20 a share offer from NZ Binxi (Oamaru) despite having previously indicated that they believed that a \$2.50 a share price was more reflective of the value of the company. NZ Binxi had indicated that it would not be increasing its offer and the board now unanimously recommends that shareholders accept the offer as a price increase was no longer possible under takeover legislation. The board noted that they have completed a comprehensive process and that they did not expect a higher offer from another bidder to arise. The board still believes that there is more value available to be generated from the new strategy but recognise that securing this carries implementation risk.

**Waitrose rebrands 'British' lamb ready meals after customer outrage over New Zealand meat** [13 February/ The Independent, UK] Waitrose, the high end UK supermarket retailer, has announced that it is rebranding its 'British' lamb ready meals as a result of pressure from consumers and farmers over misleading labelling. The meals, branded Waitrose British, to reflect the Britishness of the recipe – lamb hotpot or shepherds pie for instance, are to be rebranded as Classic following complaints that the meals were being made with New Zealand lamb. Social media comments and the National Farmers Union challenged Waitrose on their claims about the Britishness of the product when it clearly was not British, and despite recognising that a small label did highlight the origin of the meat, they said the product had frustrated farmers, as many produce lamb that Waitrose could have sourced. Waitrose said the new packaging is being printed and it has challenged its suppliers on the practicalities of using more British lamb in ready meals they sell.

## Wool

**Scientists look to unravel mutant sheep wool mystery** [14 February/ Radio NZ Country] Research into the unusual straight and silky wool of mutant sheep is getting closer to understanding why it behaves differently, with AgResearch having found 'felting lustre mutants' experience a radical change in wool structure driven by specific protein changes. The natural mutation creates wool that is straighter and silkier (a cross between sheep and goat wool) and researchers are looking at the relationship between the protein and the genes. AgResearch's Jeff Plowman said that researchers are looking at the relationship between the protein and genes. The value of wool from mutant sheep is unknown but the researchers are hopefully that the wool would be able to be used in garments, meaning the wool may be able to add value to some of the sheep products. Mr Plowman added that people had not objected to the research as the scientists were not breeding mutant sheep nor tampering with the animal.

## Research and development

**Lewis Road's latest craze - chocolate liqueur** [8 February/ New Zealand Herald] Food group Lewis Road Creamery, previously successful with its Whittaker's chocolate milk collaboration, has developed its latest product- a Chocolate Cream Liqueur. Launching on 10 February in partnership with beer brewer Mōa, the 700ml product contains 17 percent alcohol liqueur, 54 percent Belgian chocolate and triple-distilled premium spirits. Lewis Road founder, Peter Cullinane, said the product was a "natural progression for the company" and "the aim was to rival the likes of Bailey's or Irish Cream."

**Victoria Crone's new top job at Callaghan Innovation** [9 February/ New Zealand Herald] Former unsuccessful Auckland Mayoral candidate, Managing Director at Xero and Chorus and Telecom Executive, Victoria Crone, has secured a new position as the Chief Executive of Callaghan Innovation. The government agency's core actions centre on innovation and R&D to build New Zealand's technology sector. Chair of Callaghan Innovation, Sue Suckling, said that Ms Crone will lead the "next phase of the organisation's development" and "drive Callaghan Innovation's connectedness with all key stakeholders in the innovation ecosystem".

## Biosecurity

**European insects to be released to tame invasive weed** [14 February/ Radio NZ Country] The challenges of managing Tutsan, an invasive weed that is a major issue on agricultural and conservation land in the Central North Island, will see the release of a moth and a beetle from Georgia to help kill the weed. The Environmental Protection Authority approved the release and researchers have concluded that the insects pose no threat to native plant life. The insects will be released in the Taumarunui area but it will take time to see results as biological control processes are long term activities, with it may be taking 10 to 20 years to see a significant impact.

## International

**Wageningen University launches task force to fight food waste** [7 February/ Food Navigator] The 'Circular Economy in Food Taskforce', an organisation aimed at reducing food waste has been launched to contribute to the current accumulation of anti-waste initiatives by connecting 'fragmented' efforts and enacting solutions immediately, acting as a source of inspiration for business waste reduction. The project, a continuation of the existing Resource Efficient Food and Drink for the Entire Supply Chain programme, and has attracted 25 businesses and seven ambassadors. Taskforce programme manager, Toine Timmermans, aims to involve 100 businesses before 2018. Timmermans commented on a recent EU report that criticised the EU's current efforts to reduce food waste. Timmermans said the Taskforce is focused on addressing this and making practical changes, such as "30-40 pilot projects to be enacted this year alone". Timmermans also admitted that real solutions cannot be achieved without international efforts, noting that they are working on Taskforces in Germany, Hungary, Spain and China.

**Glanbia invests EUR181 million in food firms** [7 February/ Irish Times] Glanbia, the Irish Nutrition group, has acquired two specialist food companies to expand the group's performance nutrition division. The businesses – Amazing Grass that produces a range of natural plant-based nutrition products and Body & Fit, a Netherlands based direct to consumer branded business focused on performance nutrition – have a track records of strong growth and offer potential for more growth for Glanbia Performance Nutrition with further investment.

**Trumps Trade Shifts Put Brazil Back in the Agriculture Game** [7 February/ Bloomberg] Brazil's agriculture minister expects that US protectionism will create "many opportunities" such as increased trade with Mexico, for Brazil's primary sector. Mexican representatives plan to discuss soybean, beef and pork imports from Brazil with industry members in late February. United States President Donald Trump's decision to leave the Trans-Pacific Partnership is also considered an opportunity for Brazil to increase agricultural trade with Asian countries. Trump said he wishes to quicken North American Free Trade Agreement (NAFTA) negotiations. Talks of reinstating NAFTA comes at a time where Brazil plans to diversify agricultural exports to reduce Chinese dependence. Brazil still faces sanitary restrictions to export beef to nations like Japan and South Korea, however export volumes to Mexico have room to expand, with Brazil only exporting 129,000 metric tonnes of oilseed to Mexico compared to its 38.6 million tonnes to China.

**Coca-Cola's Fairlife launches 'Superkids' milk** [9 February/ Dairy Reporter] A 'Superkids' milk variety, available in white and chocolate milk, has been launched through Coca-Cola's ultra-filtered premium milk venture, Fairlife. The milk is created using a patented cold-filtration process to separate the components of milk such as water, butterfat, protein, vitamins and minerals and lactose, the components are then remixed with a calcium and protein proportion boost. This boost includes 125mg HA Omega-3, no added sugar, 35 percent DV calcium, 120-140 calories per serve and 8-12g sugar per serve, as well as 12g high quality protein to support growth and muscle development. Superkids is soft launching in the US and is yet to reach nation-wide distribution.

**McDonald's testing out crab sandwich in San Francisco area** [10 February/ New Zealand Herald] McDonalds plans to launch a crab sandwich in the San Francisco Bay area. The sandwich, created in collaboration with former Top Chef contestant, Ryan Scott, includes snow crab meat with mayonnaise, tomato and lettuce on a sourdough bun. The sandwich is being tested in 4 San Jose restaurants, and dependent on feedback, the company expects to launch the sandwich in 250 Bay Area restaurants this year.

**Mead Johnson Nutrition agrees Reckitt Benckiser takeover** [10 February/ Dairy Reporter] Following Reckitt Benckiser announcing last week its offer for Mead Johnson Nutrition the companies have confirmed that they have signed a merger agreement which will see Mead Johnson shareholders receive USD90 in cash for each share valuing the company at USD16.6 billion, a 29% premium over the share price the day before media speculation started about a possible transaction. Reckitt Benckiser said the deal aligned with their strategic goal of growing in consumer health and investing in power brands. The deal strengthens Reckitt's position in developing markets and deliver benefits from increased scale and diversification. There is little overlap of the businesses and Mead Johnson will form part of a new infant and children's nutrition division.

**Sleepy USD1.1 billion cottage cheese category is ripe for disruption, says Muuna** [10 February/ Food Navigator USA] The cottage cheese sector 40 years ago was twice the size of the yogurt category, today yogurt sales at retail are 7 times higher driven by significant product innovation and changes in consumer preferences. Isreali backed Muuna, sees significant opportunity in cottage cheese and is introducing disruptive new products, including a single serve cottage cheese pots (which are now listed in 3,000 stores on the US East Coast). Cottage cheese ticks many boxes for consumers – nutrient dense, wholesome, high protein, simple ingredients, minimally processed, snackable, low in calories and saturated fats – and many consumers know the product and buy it occasionally. CEO of Muuna, Gerard Meyer, says the packaging has been stuck in a time warp from 1977 while companies like Chobani, Siggis, Stonyfield and Lifeway have disrupted and developed the yogurt category. Muuna is a wholly owned subsidiary of Tnuva, Isreal's biggest food manufacturer, which in turn is owned by Bright Foods from China. The key to reviving cottage cheese is designing products to match the needs and states of the usage occasion; single serve with fruit to make it an easy and enjoyable snack.

**A novel solution to keeping wine fresh** [12 February/ Boston Globe] While there are bigger problems in the world than a deteriorated bottle of wine, a novel solution has been developed to eliminate the frustration of spoiled wine. Kuvee, a Boston start up, has created a system that it claims keeps wine fresh for 30 days by keeping air away from the wine through storing wine in cartridge-like plastic bottles, lined with a plastic bladder, sealed with a valve and poured through a digital dispensing system. The company founded in 2014 has raised USD6 million in venture capital and now bottles 50 different wines into its cartridge system from around 20 winemakers, with prices ranging from USD15 to USD50 for a cartridge. The system is currently available in five states but will be rolled out across the US from April. The system costs USD199 and comes with a touchscreen display that provides details about the wine and enables users to rate wine and order refills, meaning that the consumer is better able to fit the wine into their lifestyle. The plastic used in the system has no impact on flavour other than keeping the wine fresh.

**Q&A: Hershey futurists discuss what is next in retail** [13 February/ Food Dive] The Hershey Company is not just talking about the future of retail but is actively working to create its future and get new ideas into stores. The innovation team at Hershey see trends such of the delivery of a meal rather than shopping for ingredients dominating retail practices into the future, the challenge for retailers will be how they make the experience frictionless. Another key in innovation in retail will be around simplified payment systems, shops like Amazon Go where you can walk in and out the store and there is no payment process, physical retailers need to match the simplicity of the check in process that online retailers are perfecting, this is likely to see major development in artificial intelligence and machine learning. Hershey have built Medley, a multi-technology, experimental grocery store at its Innovation Lab, the store is being used as storytelling concept to spark discussion about the future of retail, how technology will be employed and how data driven insights can be employed in the retail environment.

**Perfectly Free prepares for 2018 launch of novel refrigerated fruit & veggie snacks with 'grape-like' skin** [13 February/ Food Navigator USA] Incredible Foods is preparing to launch a completely new form of snack in 2018, a colourful snack focused at children made entirely from fruit, vegetables and seaweed. The snack will be sold in the refrigerated food section and looks and has texture like a grape and a 120 day shelf life. The skin is made from fruit and veggie purees held together with fibre from seaweed and mushrooms. A spokesman for the company said they were targeted a launch for the start of the 2018 school year and work was progressing on how the product would be branded. The product is made using microencapsulation technology and the company has already launched a range of Perfectly Free frozen dairy-free bites which are now stocked in over 4,000 stores on the East Coast of the US. The company has recently raised \$18 million to support growth and invest in new manufacturing capability as the unique IP in the product means they are made in house.

**Instagram could be fuelling food waste epidemic, study says** [13 February/ Food Navigator] A new study by Sainsbury's estimates that 4.4 million tonnes of food waste in the UK is avoidable and is due to lack of planning and overbuying. Sainsbury's is investing GBP10 million into a campaign to help their customers reduce food waste. The survey highlighted that much waste is created by people under 35 buying exotic ingredients to explore the latest food trends but not knowing how to use them; noting that 86% people saying they buy specific ingredients for a recipe that they know they will struggle to use again. It was also interesting that only 3% of people felt that there was a social stigma attached to food waste. The survey highlighted that older people were generally savvier when buying and using food compared to millennials. Sainsbury's estimates that using a shopping list would save consumers GBP145 a year. Some commentators suggest Sainsbury's is trying deflect attention from the real issue; the detachment of people from how food is produced and should be eaten, which the supermarkets have been responsible for.

**Insect sweets on menu for Valentine's Day** [13 February/ news.com.au] A bar in Tokyo, Japan is offering courageous couples a special menu of desserts for Valentine's Day. The menu includes a cranberry and water bug cocktail, caramelised worms with almonds and cashews while the cream on some desserts includes the internal fluids of giant Thai Water bugs. Bugs are not common the menu in Japan but given that they are a rich source of fat, protein, vitamins, fibre and minerals they form part of the diet of more than 2 billion people around the world. The UN Food and Agriculture Organisation notes the composition of unsaturated omega-3 and six fatty acids in mealworms is comparable that in fish and higher than beef and pork.

**Sir John Beddington warns anti-science is leading to poor policy decisions on climate change and GM crops** [14 February/ ABC Rural] Sir John Beddington, a former Chief Scientist in the UK, has warned that short term political opportunism is seeing politicians ignore science at a time when a broad systems approach was necessary to address the challenges of urbanisation, growing demand for food and climate change. Sir John argues that climate change is continuing unabated and needs more rapid and sensible responses from policies that engage science. He suggested that a movement against all and any GM plants was naïve as it fails to recognise the impacts that plants modified to provide drought or insect resistance could have on helping developing countries to feed themselves. Recently Sir John published a report in the journal, Nature, that argued researchers must focus on malnutrition even amidst rising obesity given that every dollar invested in nutrition returns \$15. He added it was important that the scientific community stood up and presented scientific evidence regardless of whether the policy makers like it or not as it is the evidence and it helps shape good policies.

#### Economics and trade

**NZ food prices in 0.9% in January as spike in apples drives up fruit, vegetable prices** [14 February/ NZ Herald] Food prices rose 0.9% on a seasonally adjusted basis in January and were 1.4% higher than January 2016 according to Statistics New Zealand. Fruit and vegetables led the price gain, up 8.5% on December with the short supply of apples particularly pushing up the price; apples were \$5.04 a kilo in January their highest price since the series began. The price of meat, poultry and fish rose 2.4% while grocery and chocolate also increased.

#### Rural infrastructure

**Animal genetics co-op LIC reports a 21% profit lift in half year result** [9 February/ Business Day: NZ Farmer] Tight cost management has helped LIC report a 21% lift in after tax profits for the six months ending 30 November 2016. The co-op saw profit increase to \$19.3 million with solid performance in artificial breeding and herd testing, although revenues were down from \$145 million to \$131 million. The business had taken tough but necessary measures around costs in response to the tough conditions that the dairy sector has faced in recent seasons. The co-op had scrutinised every aspect of its business to find better ways of doing things and minimise operating costs with minimal impact on the delivery of services to farmers. The business is forecasting a return to a modest level of profitability for the full year.

**Mike Hedley says Massey University meets needs of rural advisers** [13 February/ Business Day: NZ Farmer] Professor Mike Hedley, the Director of Massey University's Fertiliser and Lime Research Centre said that the rural industry needs professionals who can talk to farmers and help them with their environmental management. He noted the theme of advisers that can talk to farmers and then stick with the job, providing continuity and integrity, had emerged as a theme from the organisations conference. He said Massey had changed courses in agriculture and agri-science to meet the needs of students and the industry, for instance the agriculture course now has significant content on environmental management rather than just focusing soil science and fertiliser trials. Farmers are looking for trusted advisers that can do the environmental planning and be able to advise on the impact of the farm system.

#### Agribusiness education

**'Endless' agri career opportunities** [8 February/ Rural News] Waikato University student Jack Keeyes along with another agribusiness student Alanah Vinson have created an Agri-Leadership programme in collaboration with the client council of Rabobank New Zealand to made students aware of agricultural career opportunities. Keeyes said the four-day programme is seeing a "20-30 percent increase in those thinking of an agri career path" and increasing those who want a primary industry career path to 80-90 percent. The event brings in high-profile industry speakers such as Rabobank's Tony Collingwood, Farmax's Tony Pearse, Zespri's Lain Jager and KPMG's Ian Proudfoot, with overall themes ranging from career pathways to the future of agribusiness and primary industries.

**Approval for school programme to encourage agriculture** [9 February/ Rural News] A programme developed by the Red Meat Profit Partnership can now be used by students to gain NCEA credits following the materials receiving the NZQA Quality Assured Materials trademark. The programme helps students learn more about the sector and promotes awareness of the wide range of career opportunities available. The materials were developed in response to the farmers and the needs identified by MPI for more people to enter the industry. One school involved in trialling the resources used them in all their Level 3 Statistics classes and liked the depth of data provided on stock to enable the students to investigate trends and correlations. Other teachers are planning to use the materials in the current year and have highlighted that they provide many ideas for planning units of work.

#### Agribusiness strategy

**Primary sector needs a new story, NZ trade envoy says** [10 February/ Business Day: NZ Farmer] Mike Petersen, the New Zealand Government's Special Agricultural Trade Envoy, says that the Primary Sector Story needs rewriting if farmers are to reach their full potential. He said overseas markets saw New Zealand as quirky, if we fell off the map tomorrow, nobody would care, Mr Petersen told the launch of the Rural Business Network launch in Taranaki. Expanding the reach of kiwi exporters requires revamping the sector story, very few countries have grass fed production, with high standards but we are not well known. He highlighted how small our contributions to global supply are, only 3% of the world's dairy supply for example, and the importance of recognised production levels are increasingly locked in making it critical that we focus on adding value. He said nobody will buy our products because we know they are good, highlighting Origin Green in Ireland, he said we need to move beyond a solid primary sector story to ensure we mitigate the damage that a one-off event may have.

#### Farmers and producers

**Rain wreaks havoc on the coast** [14 February/ Dairy News] Westland farmer and Chair of Westland Milk Products, Matt O'Regan, said that farmers on the West Coast are experiencing their wettest and worst summer in 20 years with a whole season of wet, dull days. Mr O'Regan notes that the wet weather and cool temperatures have affected pasture quantity and quality, with many farmers having to buy in feed and move to once a day milking. The lack of sunlight means that the quality of grass being grown is poor and its metabolisable energy is low, meaning milk production is down 5 to 6% on average in the region. The inability of farmers to take advantage of the higher milk prices is a blow to farmers who have experienced two years of very low prices.

# Field Notes

Weekly news update from the KPMG Agribusiness Network – 14 December 2016

## Livestock

**Allied Farmers says first-half profit fell on decline in calf processing sales** [9 February/ New Zealand Herald] Allied Farmers, a Hawera-based rural services firm, said its fall in first-half profit is due to a decline in calf processing sales. Profit was recorded at \$420,000 in the six months ended December 31, showing a decrease from a profit figure of \$610,000 in the 2016 six-month period. The company expressed that an amalgamation of factors such as lower tallies, an unfavourable US exchange rate and poorer skin prices have caused the calf processing sales to see a decline from the comparative period. It was noted, however, that sales herd contracts likely to be settled in May are “significantly ahead of the time last year” and pay cover the first half impact

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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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