

AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network

22 February 2017

Organisations referenced in this week's Field Notes include:

A2 Milk	ICA
AgResearch	Inghams
Agria	Kind
AgriFood Research and Technology Centre of Aragon	Kraft Heinz
AgriHQ	Labour Party
Aqua-Spark	LIC
AS Wilcox & Sons	Lincoln University
Atkins Ranch	Marlborough Police
Bellamy's	Manuka Honey
Blue Sky Meats	Ministry for Primary Industries
BuzzTech	National Dairy Council (USA)
Canterbury Museum	National Fieldays Society
Canterbury Rural Support Trust	National Rural Fire Authority
Cavalier	New Zealand Wool Services
Centre for Science in the Public Interest	Northland Rural Support Trust
Countdown	NZ Binxi Foods
Comvita	PGG Wrightson
Department of Conservation	Quorn Foods
Elco Direct	Ripple
European Union	Sapphire Ventures
Farmlands Co-operative Society	Shanghai Maling
Feed the Truth	Silver Fern Farms
Fonterra Co-operative Group	Sun Basket
Food and Drug Administration	Tyson Foods
Grain and Seed Trade Association	Unilever
Hunter Downs Water	Unite
Hurunui District Council	Zespri

This week's headlines

Apiculture	Hives on track with BuzzTech [20 February/ The New Zealand Farmers Weekly]
Dairy	A2 Milk first-half profit skyrockets on booming sales [15 February/ Radio New Zealand]
Biosecurity	Pest problems continue to plague native ecosystems – study [16 February/ Radio NZ Country]
Farmers and producers	Rural people help fire response [20 February/ The New Zealand Farmers Weekly]
Water	Countdown on for Hunter Downs Water irrigation scheme [17 February/ Stuff]



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Hot Off The Press:

**KPMG Agribusiness
Agenda 2016 Vol. 2**

Horticulture

Zespri's net profit tipped to double this season [17 February/ Radio New Zealand] The Zespri Board is expecting to double its profit for the season to over \$70 million after the release of 400 hectares of SunGold licenses this season. The Board plans to release 400 hectares of licenses every season until 2020. Forecasts across all four kiwifruit categories have also been lifted, with the forecast price of Organic Green up 26 cents to \$6.75 per tray, Zespri Gold's forecast price increasing by 22 cents to \$8.52 per tray, Green kiwifruit forecast has seen a 13 cent increase to \$4.35 per tray, and Green14 has increased 10 cents to \$5.69. A forecast for net profit after tax range of \$71 to 74 million has been approved by the board, up from last season's \$35.8 million profit.

Countdown rebrands and discounts perfectly nutritious 'ugly' fruit and veges no one wants [20 February/ NZ Herald] Countdown is rebranding ugly bits of fruit and vegetables that no one wants and offering them to consumers at discounted prices. It has launched The Odd Bunch to take produce that would usually have not made it to supermarket shelves because of imperfections, with the first products including hail-damaged stone fruit and carrots. Countdown's General Manager Merchandise, Chris Fisher, said the campaign was about reducing food waste and supporting growers by taking more of their crop. Mr Fisher added that it will also make healthy food more affordable as it will taste great and is just as nutritious as regular produce. Kevin Wilcox, Managing Director of AS Wilcox and Sons, said his company will supply product to The Odd Bunch, noting that it has been frustrating to witness a portion of their produce going to waste simply on account of shape or cosmetic defect that has no bearing on the taste or nutritional value of the vegetable.

Apiculture

Kiwi exporters face trouble in China [17 February/ New Zealand Herald] New Zealand exporters including New Zealand's biggest honey makers, Comvita and Manuka Health as well as Tasmanian infant formula company Bellamy's, have seen tough business conditions due to a slowdown of Chinese "daigou" channel. The daigou channel offers manufacturers a "toehold" into the Chinese market and has been extensively utilised by many Australasian companies, especially in infant formula, manuka honey and health supplements. Chinese authorities placed a further 11.9 percent tax on incoming daigou product in April 2016, impacting the earnings of Australasian producers such as Comvita, who now expects net profit to be between \$5-7 million, compared to \$18.5 million 18 months prior. Comvita last year placed an estimated 2 million shares with food giant China Resources Ng Fung to increase Comvita product distribution in China, says Comvita chief executive Scott Coulter. Manuka Health chief executive John Kippenberger noted at the time of the tax increase, that the daigou channel was full of stock and the tax put the brakes on the channel to a degree.

Hives on track with BuzzTech [20 February/ The New Zealand Farmers Weekly] IT expert turned beekeeper and BuzzTech director, Julian McCurdy has created a software solution that gives apiarists the option to include high-quality sensors and monitors into their hive colonies, making it easier to track thousands of hives typically spanning hundreds of kilometres. The software creates the potential over time to understand individual hive productivity, bee health and identify biosecurity risks. McCurdy also noted that the technology could use Bluetooth to create a "mesh" network of the hives into a single hub device, allowing beekeepers to identify missing hives. Beekeepers can also capture honey harvest data per hive and over time identify the geographical areas producing the greatest volumes. The varroa epidemic has also risen as an opportunity for the BuzzTech software system to keep unwanted bees out by using audio and temperature sensors. McCurdy noted that he hoped the software would set transparency and assurance standards for the beehive trade.

Fishing

Paua industry welcomes the extension of the shell fishery closure along the Kaikoura coast [20 February/ Kaikoura Star] The Minister of Primary Industries, Nathan Guy, has announced that the emergency closure of the Kaikoura shell fishery, introduced after the earthquake, will be extended until at least 20 November. Minister Guy said that shellfish had been badly impacted by the earthquake with significant impacts on both adult and juvenile paua habitat being reported. The industry has welcomed the news saying it provides an opportunity for research to be done to plan for the future, while some industry participants are saying already that they would support a further extension of the closure as it could take three to five years before juvenile paua become able to start reproducing. Mr Guy added that it was important for the fishery to be rebuilt and that people understand this need.

Forestry

Labour promises \$20m for Gisborne timber processing [17 February/ National Business Review] Labour party leader, Andrew Little, has pledged that a Labour-led government will pledge \$20 million to construct a timber prefabrication plant, upgrade similar infrastructure, and support sawmilling technology to provide a boost to the Gisborne region's timber processing sector. This announcement links with Labour's KiwiBuild policy to fund 100,000 affordable homes over ten years and is the second announcement in a series of targeted regional development investment releases. The series totals \$200 million in commitments, which would only be spent if matched exactly by local government or private sector funding. The first commitment in the series was a \$10 million investment in the Dunedin technology sector. Labour says aiding housing prefabrication will help to overcome high construction and under-supply of homes in some regions.

NZ roundwood log prices jump to a record on demand from construction, horticulture industries [20 February/ NZ Herald] Strong domestic building activity and buoyant development activity in the horticulture and viticulture industries has pushed roundwood log prices to \$90 a tonne in February, the highest level since AgriHQ started collecting data in 2002. A 10% increase in dwelling consents on the prior year means that demand for timber is at unprecedented levels, with particularly strong demand for poles for foundations and retaining walls. The demand is seeing some mills struggle to fill orders in recent months. The average wharf gate price for unpruned A-grade logs advanced to \$128 a tonne with prices also rising for K-grades and export pruned logs, while shipping rates slipped. Forest products are New Zealand's third largest commodity export group behind dairy and meat products.

Dairy

A2 Milk first-half profit skyrockets on booming sales [15 February/ Radio New Zealand] A2 Milk, a speciality infant formula and milk products company, has seen an almost quadruple increase in first half-profit figures, increasing from \$10m for the six months ended December 2015, to \$39.4 million in the current year. Sales have almost doubled last year's figure, with revenue seeing an 84 percent increase to \$256m. A2 managing director, Geoff Babidge, said that it is the attributes of A2 infant formula product growing demand in China and Australia and noted that the company is branching into products such as long life milk, to drive earnings. Sales have also been increasing in the United States and Britain, and Mr Babidge said more money will be invested into marketing to further increase sales.

Fonterra says season milk collection to fall by 5 per cent [16 February/ New Zealand Herald] Fonterra said it now expects a 5 percent decrease in milk collections for the current period. Compared to a previous forecast of a 7 percent decrease, this means Fonterra will increase the amount of product for sale through coming GlobalDairyTrade auction events. Fonterra said milk production had improved in its monthly global update, particularly in the North Island. For the sixth consecutive month, European milk production has decreased, with bad weather affecting New Zealand and Australian volumes. United States exports continued to grow for the sixth consecutive month and New Zealand and European Union export, and global import, growth had softened. Milk production for the 12 months ended December was down 2 percent compared to the same period the year before, however Fonterra announced it had increased Fonterra GlobalDairyTrade forecast volumes by 10,545 tonnes for the next 12 months due to "signs of improvement since the unfavourable weather conditions".

Warning on complacency [20 February/ Dairy News] The rapid increase in dairy prices is leading to complacency which could create issues according to KPMG's Global Head of Agribusiness, Ian Proudfoot. KPMG have observed a strong correlation between better prices and complacency, with some changes that had been considered to respond to low milk prices being put on hold. Although prices have recovered, Mr Proudfoot said that markets were changing rapidly, the trade impacts from Donald Trump's aggressive approach towards Mexico could impact New Zealand milk prices very quickly, particularly if the Mexican's pull back from sourcing US skim milk powder in response to Mr Trump's plan to build a wall. The risk of complacency is significant as markets and competitors are changing so quickly meaning that it is critical that New Zealand continues to evolve their offering to remain competitive in global markets.

Red meat

SFF working to do better [16 February/ Otago Daily Times] Silver Fern Farms chief executive Dean Hamilton is confident of improved financial performance in 2017. Silver Fern Farms announced a \$30.6 million after-tax loss for the year ended September, compared with a \$24.9million net profit in the previous year. Hamilton said the reduced profit was due to lower volumes processed in New Zealand as well as lower in-market prices and stronger currency. Chairman Rob Hewett is calling 2017 a "significant year of change and achievement", with the company completing its joint venture partnership with Shanghai Maling in December 2016. However, although a shareholder reward programme is being developed, farmers at the annual general meeting expressed uncertainty over when they could expect sustainable returns for sheep farmers. Mr Hamilton's viewpoint was that SFF's Plate to Pasture value-added strategy was a positive direction and that Silver Fern Farms was "absolutely doing what we can" and that getting more out of the marketplace as the "only way forward".

Blue Sky Meats shareholders opt for Chinese takeover [20 February/ Business Day: NZ Farmer] Omaru based NZ Binxi Foods has succeeded in obtaining commitments to acquire more than 90% of the shares in Blue Sky Meats, meaning it will be able to successfully complete its proposed acquisition, provided that Overseas Investment Office approval is received. A spokesman for Blue Sky Meats said until the OIO approval is granted the company is in a holding pattern adding that the company has done a lot of positive work in terms of its strategic plan, providing it with a clear roadmap as to how it could move forward as a successful, profitable small meat processor in the future if approval was not granted. The takeover values Blue Sky Meats at around \$25.3 million.

NZ lamb lags behind Australia in price, size and marketing [20 February/ Business Day: NZ Farmer] Rob Buddo from New Zealand lamb marketer Atkins Ranch says that the New Zealand industry has lost its spark and now trails Australia in production, size and marketing. He highlighted that red meat consumption is not in decline in Australia, eating around 9.5 kilos of lamb per person compared to seven in New Zealand helping to support a growing and buoyant industry. He also suggested that Australian farmers were earning at least a dollar a kilo more for the lamb they were supplying while also supplying larger lambs. Australia eats around 54% of its lamb production domestically while New Zealanders consume around 9% of lamb produced. Mr Buddo said New Zealand had to change its reliance on its traditional markets in Britain and EU, farmers had to embrace change, get closer to their consumer and grow the products that they are looking for. He highlighted the Coastal Spring Lamb business as inspirational, highlighting the work that they are doing with chefs and direct to consumers, adding that farmers needed to be more innovative to bring themselves closer to the end users of the products that they produce.

Research and development

AgResearch and China plan joint research centre [20 February/ Radio NZ Country] AgResearch is planning to form a joint research centre with China's Nutrition and Health Research Institute and the College of Food Science and Nutritional Engineering of China Agriculture University. Li Day of AgResearch said the agreement was a good move for New Zealand scientists as it will enable them to leverage international research funding, together with partners, benefiting science and technology in New Zealand. The centre will focus on basic research and intellectual property will be shared but Ms Day noted that there were constraints on how much sensitive information will be shared with Chinese partners. The centre will be focused on research that leads to joint publications in scientific journals in areas like food science, processing, food assurance and safety and human nutrition. The arrangement will also see two way secondments between New Zealand and China.

Biosecurity

Bio-security systems under threat as trade increases [19 February/ Stuff] An increase in imports has increased the pressure for New Zealand's bio-security system to eliminate pests. Recently in Christchurch, a huntsman spider was found after boxed clothing items from Australia landed in a sportswear store. Canterbury Museum spider expert and curator of natural history Cor Vink said that as imports increase, there is a greater risk of pests and diseases being introduced to New Zealand, and believes that New Zealand's bio-security systems are under-resourced for a country that heavily relies on imports. A Ministry for Primary Industries (MPI) spokesperson noted that the department was "aware of this and the system is under continued improvement." The spokesperson also mentioned the substantial new investment in border biosecurity such as more detector dog screenings, new x-ray screening technology and the on-going recruitment of border staff. The MPI has also undertaken targeted bio-security education of passengers arriving from high-risk countries, including India, China and Australia.

Pest problems continue to plague native ecosystems – study [16 February/ Radio NZ Country] A new study has found that, globally, there are two new pest invasions every day. Professor of plant biosecurity at Lincoln University's Bio-Protection Centre, Philip Hulme led a study with 44 international scientists which has linked human activities, particularly agricultural expansion, to pest increases. Professor Hulme expressed concern with the result, saying that the results are depressing as "biosecurity is a top priority in New Zealand", however New Zealand appears to be performing better at pest prevention than any other country. Professor Hulme noted tourism was a big driver of new pests as there is "no real management of tourism on a global scale", and that it is "vital for New Zealand to have stringent and robust biosecurity policies" due to our unique flora and fauna and agricultural dependency. He also added that the study's findings stressed the need to improve national legislation and international agreements to keep on track with the increasing impacts of increased globalisation.

International

Cooperatives can improve India's dairy industry, NDDB chair says [15 February/ Dairy Reporter] Chairman of India's National Dairy Development Board (NDDB) Shri Dilip Rath said that the Indian milk and milk product market is expected to grow annually by 15 percent, noting the efforts being taken by the industry to meet the growing demand for milk and maintain self-sufficiency and food and nutritional security. The NDDB promoted five large producer companies, which have enrolled about 326,000 milk producers of whom 62 percent are smallholders. The NDDB encouraged the dairy cooperative network to adopt renewable energy through use of concentrated solar thermal to preheat water and solar powered milk-collection systems. Rath notes opportunities in areas such as the modernisation and expansion of milk processing capacity, farm-level milk cooling equipment, and developing rapid methods for accurate milk testing. A \$1.2 billion Dairy Processing and Infrastructure Development Fund budget will give further stimulation to the industry. Mr Rath concluded that longer shelf-life products, dairy nutraceuticals and probiotics need to be recognised as major opportunities by cooperatives.

Quorn Foods settles lawsuit over controversial mycoprotein ingredient [16 February/ Food Dive] Quorn Foods product, Mycoprotein, a product classed as "generally recognised as safe (GRAS)" by the Food and Drug Administration (FDA), has become a controversial ingredient as consumer groups and other lawsuits claim the product causes fainting, nausea, anaphylactic reactions and death. The Centre for Science in the Public Interest (CSPI) has been taking action to seek to remove mycoprotein from the GRAS list and the market. CSPI note that thousands of mycoprotein adverse reaction reports have been raised. While the FDA have not changed their rating, Quorn has entered into a settlement without admitting any responsibility for the health events that claimants allege to have experienced after consuming the product. In settlement, Quorn has agreed to issue refunds to customers who purchased products between January 26 2012 and December 16, 2016, an amount that could reach to \$126 million. The company will also modify the wording on its packaging to specify mycoprotein as a mould.

Millions to fight food industry sway, from a snack bar CEO [February 16/ New Zealand Herald] Kind founder, Daniel Libetzky, is investing his own money to create "Feed the Truth", a group dedicated to exposing corporate influence in nutrition, through educational campaigns and investigative journalism. Libetzky said a letter of intent will be signed to donate USD2.5 million annually for 10 years. Since launching in 2004, Kind, a brand proclaiming their use of "real" ingredients, has seen revenue grow to USD673.4 million. Libetzky has claimed that he and Kind will have no involvement in Feed the Truth as boosting Kind's image is not the goal, and has appointed three high-profile health and nutrition experts to the group's board. Obama administration senior policy advisor, Deb Eschmeyer, said Feed the Truth exemplifies the new ways companies are working with the public. However, there is an independence issue around whether the group is open to accepting money from other organisations, a decision that Libetzky says will be decided by the board.

A Guide to Seafood & Aquaculture Technology: Startups Raise USD193m in 2016 but More Innovation Needed [16 February/ AgFunder News] Seafood and aqua-technology start-ups raised USD193 million in 2016, seeing a 271 percent increase. Seafood-related start up investment increased, recording 28 2016 deals ranging from aquaculture systems, manufacturing fishmeal alternatives, biological therapeutics, farming insects for fishmeal, farming algae for fish and human consumption, and building farming hardware and software analytics solutions. As fish demand is at an all-time high, almost a third of commercial fish stocks are being fished at biologically unsustainable levels, and environmental concerns are increasing, more innovation is required to address these challenges. Examples including the provision of fishmeal replacements or supplements are part of the solution, however there are challenges on the adoption side including behavioural changes and capital limitations to invest in new technology. Aqua-Spark believes financing is the biggest issue, combined with a lack of understanding about the technology available.

Swedish supermarket tests lasers to label organic produce [16 February/ New Zealand Herald] Laser marks have replaced labels on the organic avocados and sweet potatoes in some Swedish Supermarkets such as ICA, who in December started experimentations with "natural branding". The natural branding process removes natural pigment from produce using low-energy carbon dioxide lasers, creating tattoo-like patterns such as the product name, origin country and code. The brand plans to test the process on items with consumable skin to gauge customer reaction later this year. ICA's senior manager for fruits and vegetables, Peter Hagg, said lasering doesn't affect the quality or taste of the product, and rather helps to eliminate waste. Laser labelling has been used in Australia and New Zealand since 2009 and was approved for use in the European Union in 2013. The trial's success is dependent on whether consumers are happy to eat laser-exposed produce. Peter Hagg added, however that "packaging still is desirable in some cases to extend a product's shelf life", but lasering acts as a sustainable alternative in appropriate cases.

Ripple ‘Not Milk?’ campaign brands almond milk a ‘sham’ and tackles dairy over sat fat, sugar and sustainability [16 February/ Food Navigator USA] Ripple, a pea protein-fuelled brand, has created a new media campaign to challenge the nutritional and environmental credentials of dairy milk and classes almond milk a ‘sham’, with coconut and cashew milk considered ‘even worse’ in regards to protein content. The campaign attacks the amount of sugar, saturated fat, and environmental credentials of nut-based milk, and the nutritional profile of alternative plant-based products. However, chief science officer at the National Dairy Council, Greg Miller, expects the campaign to likely “add confusion instead of clarity” as it “contained a lot of misleading and unsubstantiated claims”. Dr Miller also commented that while Ripple’s product does contain more protein than almond or coconut milk, “pea protein is a lower quality protein (0.67 score) compared to milk protein (the highest, 1.0, score).

Young men shun products with health claims, Spanish study suggests [17 February/ Food Navigator] Researchers from the Agrifood Research and Technology Centre of Aragon (CITA) discovered in a recent test that young, healthy men are more likely to avoid products with health claims such as reduced-fat or high fibre. The researchers recruited 121 demographically-diverse subjects and asked them to choose between varieties of breakfast biscuits. The test subjects choose between two biscuit options four times, and randomly selected one of their previously-made choices. The subjects were split into three segments based on their choices. Segment one and two were willing to pay more for biscuits advertised as having reduced saturated fat or high fibre. Segment three, 25.8 percent of the test pool, revealed they were willing to pay more for a box of biscuits without any claim than those with health claims. This segment consisted of the youngest consumers, smallest proportion of women and the largest proportion of participants with university education. To solve the problem of ‘health claim avoiders’, the researchers’ recommended an increased educational efforts.

Kraft makes bid for Unilever [18 February/ Otago Daily Times] Although rejected by maker of Lipton tea and Dove soap, US food firm Kraft Heinz offered USD143 billion for Unilever in an attempt to create a global consumer goods giant. Under UK takeover rules, Kraft has until March 17 to make a final bid. Unilever shares rose to a record, closing 15 percent higher after news of the offer, however RBC Capital Markets analyst David Palmer said that “Kraft will likely need to raise its offer substantially if it hopes to change the outcome”. Kraft’s shares saw their worst day in almost a year, with a 4.5 percent decrease on January 26. The share price plummet is said to have encouraged Kraft to make a bid, along with low interest rates and cheap debt fuelling big cross-border deals. Unite, Britain’s largest union, represents Unilever employees and urged Unilever, the company employing 168,000 people, to fend off the takeover to protect against job losses.

Chinese vice premier stresses agricultural supply-side reform [18 February/ China Daily] The “No. 1 Central Document” is traditionally the first policy statement released by the Chinese central authorities annually. The document has been committed to agriculture, farmers and rural areas for the past 14 years, and calls for a supply-side focus to boost the agricultural sector. Chinese Vice Premier, Wang Yang has stressed that the supply-side structural reform in the agricultural sector “should be a main theme of China’s agricultural work.” Wang Yang pushed structural improvements in the agricultural sector, adherent to market demand, food safety, and greener and higher-quality farm products. The vice premier noted that efforts should be made to “build modern farm production bases, extending the sector’s industrial and value chain, and the sector’s comprehensive benefits and competitiveness” and also supported establishing long-term mechanisms to allow farmers to share the profits from sector development and land value increases.

Sun Basket raises USD15m: ‘Our goal is become America's favorite way to make healthy organic meals’ [20 February/ Food Navigator USA] Sun Basket has raised USD15 million USD in a Series C funding round, enabling the brand to finish a third distribution centre and have access to 98 percent of United States consumers. Sun Basket allows customers to cook organic restaurant-quality meals at home, as the portioned ingredients and recipes are delivered to shoppers doors. The funding round led by Sapphire Ventures brings the net sum raised by Sun Basket since launching in 2015 to USD43 million according to Sun Basket CEO, Adam Zbar. Mr Zbar attributes investor confidence to a 1300 percent revenue increase in 2016 and employee increase from 100 to 700, showing “highly-positive unit economics, strong margins, and industry-leading retention rates” allowing investors to see an “addressable market”. He noted that Sun Basket’s values such as health, sustainability and personal choice appeal to consumers, causing an USD80 million growth in annual run rate since May 2016, and a 90-day marketing spend payback allowing efficient capital growth.

Unilever shares slide after Kraft Heinz withdraws USD143 billion bid [20 February/ NZ Herald] Shares in Unilever fell significantly on news that Kraft Heinz has withdrawn its USD143 billion takeover offer. The companies said that the offer had been amicably abandoned, despite the opportunity to create a merged company that would have rivalled Nestle as the world’s biggest packaged food maker. Analysts note that Kraft Heinz is still in the market for acquisitions with an interest, it would appear from the Unilever bid, in more than just food products. They suggest that shifting consumer tastes are driving deal making in the food industry, particularly the proliferation of smaller food makers that are marketing products that seem more wholesome than the mainstream brands, making it harder for them to drive up sales by growing volume and price.

Ag Committee weighs whether SNAP should pay for sugary drinks [20 February/ Food Navigator USA] SNAP benefits (or food stamps) funded by the US Federal Government should not be able to be used to fund sugar beverages and other foods that offer no nutritional value or contribute to obesity and related chronic diseases according to submissions to the House Agriculture Committee. Research by the USDA has identified that around 20% of benefits pay for such food products and the committee discussed the issue given that the aim of SNAP (or Supplemental Nutrition Assistance Programme) is to provide much needed nutrition and health support to American citizens. Advocates for the change argued that it would not be difficult to implement the restriction as the systems used already indicate which products that stamps can and can’t be used for. The Food Marketing Institute argued that such a restriction would be difficult and expensive to implement. Others argued that such a ban would not reduce consumption, as stamp recipients would simply use their own cash to buy sweetened products and use the stamps to buy healthier products, meaning no substantive change in the diet for the majority of recipients.

US Meat giant trials high-end pork product [20 February/ Global Meat News] Tyson Foods is using the Annual Meat Conference in Dallas, Texas to launch an ultra-premium range of pork products under its Chairman’s Reserve Prime Pork brand. The product, which is targeted at retail and food service clients, is an all-natural product that is barely processed, hand selected and hand trimmed. The cuts are approved by product masters that make the final decision on whether each cut can be included in the programme. The product is targeted at the highest echelons of retail and foodservice customers by providing an unparalleled eating experience.

Farmers and producers

Fire risk extreme in rural Canterbury as dry conditions continue [15 February/ Stuff] Rural fire services have been stretched after another Canterbury wildfire in Port Hills. Director of conservation services for the eastern South Island, Andy Roberts, said 50 Department of Conservation employees are also helping with the Port Hills fires. Roberts also noted that "it has been very dry and very windy and almost all conservation regions in Canterbury are at high fire risk". Hurunui District Council communications officer Naomi Woodham, said for most of the summer the region was under a restricted fire season, which allows "allows permitted fires in safe conditions, but works as a "prohibited" designation in parts that need it". However, no permits were issued for the Hurunui region this year. The National Rural Fire Authority expects extreme fire danger, meaning any started fire is likely to become uncontrollable, over the next few weeks in the Canterbury region, and issued a fire ban for Banks Peninsula.

Firearm confiscated as Marlborough farmers battle quake trauma [19 February/ Stuff] Emotionally delicate and exhausted farmers attempting to rebuild their lives after the earthquake are at snapping point, with policemen having to confiscate some guns for fear of self-harm. Psychological effects of the disaster are beginning to show in south Marlborough, as most farmers are living in houses with cracked ceilings and broken chimneys, as well as some being unable to get water to their livestock. The emotional consequences are being monitored by police, with an equal focus on law enforcement and welfare. Marlborough police community constable Russell Smith said police had seized a weapon for someone's safety, and noted any firearm confiscation was due to public concern or police observations. The Rural Trust Support has run workshops and support checks over the past three months, as well as support from the 100,000 member-strong online farming community with more than 50 people volunteering to assist farmers around Kekerengu and Clarence.

Rural people help fire response [20 February/ The New Zealand Farmers Weekly] Rural Christchurch communities worked together as 2,000 hectares of Port Hills was in flames late last week in what has been described as the biggest and worst New Zealand fire. Most of the damage was made in the Cashmere area, after hundreds of hectares of forestry and lifestyle farms were destroyed by the fire. North Canterbury Rural Support Trust and Federated Farmers spokeswoman Pam Richardson said "many farmers have had to leave their properties and have not been allowed back yet" she added that they had no idea of the extent of damage to homes, stock, property and farm buildings will be but the community is seeking to help. Volunteers from 26 rural fire crews with pumps and tankers were among the more than 400 firefighters, 14 helicopters and 2 planes battling the fire. A total Canterbury fire ban was declared on Thursday, and Hawkes Bay grassland fires near Hastings were put out before causing significant damage.

Rural infrastructure

Unhappy Agria shareholders threaten class action over delisting [20 February/ NZ Herald] The majority owner of PGG Wrightson, Agria Corp, has been delisted from the New York Stock Exchange leading to shareholders in the company to threaten class action. Agria, which controls 50.22% of PGG Wrightson's shares, was subject to a NYSE investigation last year when the exchange announced that a 'top executive and other intermediaries' artificially inflated the company share price, actions which included maintaining the average stock price above USD1 to maintain the company's listing on the exchange. Managing Director, Alan Lai, initially said the company would fight delisting but last week said the company was evaluating the merits and costs of the alternatives for trading of its shares including becoming a private company or relisting in another exchange or jurisdiction. PGG Wrightson said it has a board committee that reviews the actions of Agria and considers whether it has implications for the company or its shareholders. Shareholders in Agria have indicated that they are planning to participate in a class action although many do not expect significant recovery. Mr Lia said Agria was considering its next steps carefully as they will impact all shareholders for a period of time.

Agri-Tech

Farmer gives Agrigate the tick of approval [17 February/ Rural News Group] Agrigate, an online tool developed by Fonterra Farm Source and LIC that helps farmers improve farm performance was launched recently. The tool uses existing data to judge the interaction between factors such as weather conditions, animal health, milk production, financials, pasture cover and fertiliser applications to allow farmers to make smarter decisions by tracking what effect each factor has on the others. Waikato farmer, Bill Aubrey, commented that it takes the complexity of data analytics and turns it into a straightforward ways to improve the farm bottom line. An Agrigate prototype was trialled with 70 farmers in August, and will be featured at regional March field days and the National Mystery Creek Fielddays in June.

Water

Countdown on for Hunter Downs Water irrigation scheme [17 February/ Stuff] Hunter Downs Water (HDW) irrigation scheme managers have six weeks to sign prospective shareholders to solidify the scheme's continuance. HDW chairman, Andrew Fraser, said for the scheme proceed there had to be sufficient support from farmers in the area. The \$195 million project expects farmers to contribute 28.5 percent, with the remainder being borrowed and repaid in the long-run. Fraser claims HDW has the potential to provide 161 members of the community with "shed water, stock water, and domestic supplies as well as augmenting Wainono Lagoon" with 98 to 99 percent reliability due to the use of alpine water. HDW spokesperson Stacey Scott claims that work on the scheme, that has received consent from an environmental protection agency, could begin as early as May with a finish date of spring 2019. The irrigated area is 21,000ha out of a total command area of 68,000ha, at an application rate of 2.65 millimetres a day. The annual forecasted operational cost is \$680 per hectare.

Drought

Northland farmers welcome wet weather [19 February/ Radio NZ] Due to having had no rain since October 2016, the government declared a drought in Northland in early February. However, according to Metservice, about 90mm of rain has fallen over the region since Friday, with more forecasted on February 19th. Northland Rural Support Trust co-ordinator Julie Jonker said that the drought and low pay-outs left farmers worried, however the rainfall means farmers "could have a good end to the season" if Northland doesn't return to previous dry conditions.

Arable

Seed exports going up [20 February/ The New Zealand Farmers Weekly] Export sales of grain and seed earned \$180 million in 2016, with vegetable seed contributing 45% (\$18 million) of total export earnings. 2016 export earnings saw a 4% increase, with Grain and Seed Trade Association general manager, Thomas Chin, saying New Zealand is regarded as a premier producer of seed over competitors such as Chile, the United States and Australia, due to New Zealand's priority to ensuring quality and reliable supply. Chin added that New Zealand benefits from "having our production season coincide with the northern hemisphere's off-season," and New Zealand's competitive advantage also stemmed from modern plant genetics, advanced processing systems, skilled farmers and water and irrigation access. New Zealand exported seed to more than 60 countries, with top export destinations by value being Netherlands, Australia and the United States.

Wool

Cavalier reports sharply lower first-half net profit [17 February/ National Business Review] Cavalier Corp says net profit for the six months to December was \$31,000, showing a sharp decline from a \$3.5 million profit in the same period a year earlier. The cost of reducing debt, rationalising inventory and restructuring impacted the first half profit figure, combined with the higher wool price and strong US dollar. With regards to the company's wool buying business, Cavalier said the current price is low and growers are hesitant to sell. Cavalier also noted that once demand and wool prices stabilise, producers like Elco Direct will "be in a better position to buy and sell wool at a consistent margin." The merger of Cavalier Wool Holdings with the wool scouring operations of New Zealand Wool Services International was approved after two years of proceedings in December. This merger is aimed at safeguarding the wool scouring industry. Cavalier says their reduced share in a bigger entity will benefit the company in the long run.

Poultry

Chicken glut drives Ingham's earnings down [18 February/ Otago Daily Times] Ingham's, a Sydney-based poultry producer, expects New Zealand's chicken oversupply to continue this year. This will keep prices low and crimp the company's local earnings. Ingham's New Zealand division accounts for 15% of the company's revenue, and has had to compete with low domestic prices. Ingham's New Zealand saw its earnings before interest, tax, depreciation and amortisation fall 5.8 percent to \$18.84 million, with local poultry volumes falling 0.6 percent to 36,300 tonnes, and feed volumes seeing an 11 percent fall to 69,100 tonnes. Ingham's noted that "New Zealand volumes were flat in a challenging market, driven by reduced industry export volumes translating to domestic oversupply" and expect these conditions to "continue in the second half." Recent government data showed consumer poultry prices were 7.6 percent lower in January 2017 than January 2016.

Fieldays

Partnership to drive innovation and change our primary industries [21 February/ National Fieldays Society Media Release] The National Fieldays Society has entered into a three partnership agreement with Farmlands Co-operative Society. The deal will see Farmlands become a major sponsor of the National Fieldays Society and a supporting sponsor of key events at Fieldays including the popular Rural Batchelor of the Year competition. Other Farmland's brands including NRM and Gulf Oil will support other events that the society presents including Equidays and The Transport and Heavy Equipment Expo. National Fieldays Society CEO, Peter Nation, said that the organisation was excited about the partnership as both organisations were passionate about bringing innovation and positive change to New Zealand's primary sector.

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Field Notes

Weekly news update from the KPMG Agribusiness Network – 22 February 2017

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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