

AGRIBUSINESS

# Field Notes

Weekly news update from the KPMG Agribusiness network

1 March 2017

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

Alcohol Concern	Ministry for Primary Industries
Amazon	Ministry for Business, Innovation and Employment
Baker No-Tillage	Moa Brewing
Brynwood Partners	Murray Goulburn
Carrfields Machinery	National Council of Wool Interests
China Resources Ng Fung	New Zealand Institute of Economic Research
Club Soda	Northland Regional Council
Comvita	NZ Winegrowers
Dairy Companies Association of New Zealand	Pasturebird
DairyNZ	PGG Wrightson
Delegat Group	Public Health England
Deloitte	Royal Forest & Bird Protection Society
Department of Conservation	Scales Corp
European Union	The Green Party of New Zealand
Farmers for Positive Change	The Iranian Veterinary Organisation
Federated Farmers	Tuatara
Fonterra Co-operative Group	Tyson Foods
Harper Adams University	UN Food and Agriculture Organisation
Hauraki Iwi	University of Edinburgh
King Country River Care	University of New Hampshire
LaRoche Farm	US Department of Agriculture
LightLife Foods	Waikato Regional Council
LIVE Beverages	Wine Marlborough
Longview	Wisconsin Farmers Union
Maple Leaf Foods	Wool Industry Research
Marlborough Sounds Integrated Management Trust	Work Safe New Zealand
Microsoft	Zespri

**This week's headlines**

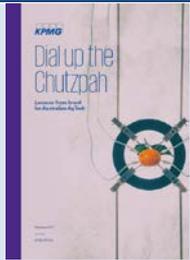
Viticulture	<b>Five million litres of wine lost in Kaikoura earthquake</b> [24 February/ Rural News Group]
Dairy	<b>Dairy sector contributes 3.5 percent to GDP- report</b> [22 February/ Radio New Zealand]
Red Meat	<b>NZ signs agreements with Iran on meat exports, kiwifruit opportunities</b> [27 February/ New Zealand Herald]
Environment and emissions	<b>Government sets 2040 'swimmable' rivers target</b> [23 February/ New Zealand Herald]
Farmers and producers	<b>Too early to tell if farm health and safety laws are working</b> [24 February/ Stuff]



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Hot Off The Press:  
**KPMG Agribusiness  
 Agenda 2016 Vol. 2**

## New KPMG Australia report: Dial up the Chutzpah!



Following on from a recent Australian trade mission to Israel, KPMG in Australia challenge their Agri-Tech sector to confront a key question squarely in 2017. What does Australia want to be: a builder, a buyer, or a bystander? This is just as relevant a question for New Zealand.

Already there are some great Australian Agri-Tech ideas making an impact at home and internationally. Australian startups are working to apply technology such as sensors, precision technology, farm management software, robots, online marketplaces for labour and assets, drones, and herd management technology to improve yields and quality, and reduce farm costs.

Yet despite Australia's competitive advantages – relative available space, six different climatic growing conditions, scale of production capacity, comparable quality scientific research capability and proximity to consumer markets with whom we hold favourable free trade agreements – there remains a significant opportunity for Australia to take action and make itself a global builder of Agri-Tech solutions and innovation.

When looking for a true global stand-out, it is hard to look past Israel, one of the world's fastest growing Agri-Tech markets. We know Israel has perfected citrus cultivation for its desert conditions, extended the shelf life of regular cherry tomatoes, and revolutionised irrigation with drip technology. Israeli scientists are producing crops achieving a USD1 million per kilogram price point and working on making 3-D printable chicken meat a reality!

Although written from an Australian perspective, this new paper from KPMG provides useful insights for us in New Zealand. It is vital that we are cognisant of the keys to success in one of the leading global Agri-Tech markets and focus on how we might further adapt our local Agri-Food ecosystem to capitalise on our unique market advantages.

The report can be accessed via the following link: <https://home.kpmg.com/au/en/home/insights/2017/02/australian-agtech-lessons-from-israel.html>

## Horticulture

**Scales lifts 2016 annual profit 6pc on business expansion, international demand** [28 February/ New Zealand Herald] New Zealand's largest apple exporter Scales Corp has seen a 6 percent profit increase due to business expansion. Profit figures increased to \$38.2 million in 2016 from \$35.9 million in the prior year. Last year Scales acquired Hawkes Bay apple business Longview, and secured China Resources Ng Fung as a 15 percent shareholder. Securing China Resources Ng Fung improved Scales Corp's network and access to the Chinese market. The company picked over half a billion apples throughout the year, increasing export volumes and the average apple price was aided by a positive international demand. Such growth enabled an elevated position on the stock exchange and increased investor attention, seeing shares boost 56 percent over the past year. While net debt increased to \$34.6 million from previous year's \$16.2 million, Managing Director Andy Borland said the low level of gearing places Sales Corp in a strong financial position to finance future growth opportunities.

## Viticulture

**Five million litres of wine lost in Kaikoura earthquake** [24 February/ Rural News Group] A recent NZ Winegrowers survey highlighted that over five million litres of wine (although just 2 percent of Marlborough's total production) was lost after the Kaikoura earthquake. Over 60 million litres of tank capacity was damaged or destroyed, equating to 20 percent of the regions capacity. The upcoming 2017 vintage means steel manufacturers have been working overtime to fill the gap for fruit to start coming in. Chair of the Wine Marlborough Board, Ryhan Wardman, said action was quickly taken by the industry, and two aspects need to be considered going forward- remedial action taking place in the short-term, and long-term security. Mr Wardman noted actions such as ISO storage, advanced bottling, storage in other centres are being undertaken now in preparation for vintage 17. He added discussions will take place around ensuring long-term wine processing security and continuation of market supply, as well as supply chain risk mitigation.

**Delegat lifts first-half profit 17pc, sees annual profit in line** [27 February/ New Zealand Herald] New Zealand's largest listed winemaker, Delegat Group, increased its operating profit by 17 percent in the first half and expects annual operating profit to be consistent with last year's record \$37 million. Profit excluding one-time movements in asset valuations increased to \$24.7 million in the six months ended 31 December from \$21.1 million the year earlier. Net profit fell from \$21.5 million in 2015, to \$19.1 million a year later due to Delegat's grapes and derivative financial instruments being written down \$7.7 million. Delegat Group said current results are due to business model strength, with the group being well positioned to pursue its strategic goal to build a leading global super premium wine company and that they are well on target to reach 2.63 million global case sales for the year, up 9 percent from last year.

## Apiculture

**Comvita blames bad honey crop for \$7.1m half year loss** [21 February/ Radio New Zealand] New Zealand's largest honey producer, Comvita, is blaming China exports and a bad honey crop for the \$7.1 million loss it has reported for the half year. Wet, cold and windy conditions at the beginning of the season caused Comvita to decrease its honey production forecast from 974 tonnes to 380 tonnes. Comvita chief executive Scott Coulter said sales to China had been depressed, and believes there is still likely to be some market instability before any improvement occurs. Mr Coulter added that Comvita is experiencing a re-balancing from Australasia into China, and he believes Comvita's new joint venture in China is likely to increase Chinese sales. He added that he expects a gradual transformation of informal channels to formal channels, however noted that it is a painful period until the joint venture is fully underway. Comvita expects growth in non-Chinese markets and new sales initiatives to cause the second half of the year's sales to increase.

**Fishing and aquaculture**

**Waiting, with 'baited' breath, for Sounds fishing park** [22 February/ Stuff] The Marine Protected Areas Act (MPA) to include the Marlborough Sounds and Hauraki Gulf recreational fishing parks was launched almost 13 months ago. A new marine protection system was intended to be developed around marine reserves, species-species sanctuaries and seabed reserves. Commercial local fishermen and iwi argued the proposed measures would result in prime fishing grounds being closed off and the parks would encroach on customary fishing rights. \$20 million is intended to be allocated to commercial fishermen as compensation for the measures. A spokesman for Primary Industries Minister Nathan Guy said ensure sustainable ocean management, and support local communities, the environment and the economy, the MPA legislation still needs to be passed despite regional opposition. Marlborough Sounds Integrated Management Trust co-ordinator Peter Lawless is against the idea, and has said if the bill passed its first reading, the Trust would engage with Parliament at select committee level.

**Far North fishermen concerned about commercial sustainability** [28 February/ Stuff] Bay of Islands recreational fishermen are worried about the sustainability of large-scale commercial fishing in the region. Kerikeri Fisherman Doug Kinnon saw large commercial boats using spotter aircrafts to locate fish, and then release fluorescein dye into the water to bring large schools of fish onto the ship. The Russell Open Aquarium Group had made clear their concerns around the use of the dye with the Northland Regional Council, as well as concerns around untargeted species being caught in large commercial nets. When queried about the use of dye commercial fishing operators said it was common practice and non-hazardous. The Ministry for Primary Industries monitors commercial fishing operations found its use to be legal. Northland Regional Council coastal monitoring manager Ricky Eyre said there have been no fluorescein complaints this year, but a previous 2015 investigation into the issue found that the use of the dye was safe.

**Dairy**

**Global dairy prices decline** [22 February/Radio New Zealand] The overnight GlobalDairyTrade auction showed a 3.2 percent fall in dairy product prices, compared to a 1.3 percent drop in the previous auction. Skimmed and whole milk powder prices fell 3.8 and 3.7 percent respectively, with the farm gate payout at US\$3200 per tonne of whole milk powder- approximately the farmer breakeven amount. Butter milk powder prices fell almost 13 percent, however butter and lactose prices saw an increase in average prices, up 0.2 and 6.8 percent respectively.

**Dairy sector contributes 3.5 percent to GDP- report** [22 February/ Radio New Zealand] A new report by the New Zealand Institute of Economic Research (NZIER) and commissioned by the Dairy Companies Association of New Zealand (DCANZ) shows that the dairy sector supplies \$7.8 billion (3.5 percent) to New Zealand's GDP. Despite a dairy price slump, the report confirmed that the sector was the largest export sector for New Zealand, valued at \$13.6 billion for the year ended March 2016. DCANZ chair, Malcolm Bailey said the report also highlighted the significant cost trade barriers have to New Zealand, suppressing dairy product value by \$1.3 billion annually and non-tariff measures add over \$3 billion in costs to New Zealand exports in the APEC region alone. NZIER's deputy chief executive, John Ballingal, said dairy employment had increased annually by 3.7 percent on average, and the report data highlighted the resilient nature of the sector.

**Fonterra confirms milk price at \$6.00 per kg** [23 February/ New Zealand Herald] Fonterra has confirmed a \$6 per kg of milk solids farmgate milk price for the current season, while market expectations were for an increase to \$6.25 per kg. Total farmer payout for the season is forecasted to be between \$6.50 to \$6.60. Fonterra Chairman John Wilson says Fonterra is confident that the forecast is correct, after the \$0.75 farmgate milk price increase in November 2016. Wilson noted the "relatively balanced" global market for commodity dairy products, and said the Co-operative expects global prices to remain steady, or gradually increase over the back half of this season. Fonterra has also said the monthly Advance Rate it pays to farmers will increase, with the Advance Rate for February increasing to \$4.85 per kg. Due to signs of recovery, the Co-operative expects collections to be down 5 percent instead of a forecasted 7 percent.

**Red meat**

**NZ signs agreements with Iran on meat exports, kiwifruit opportunities** [27 February/ New Zealand Herald] The Iranian Veterinary Organisation and the New Zealand Ministry for Primary Industries agreed to a Meat Arrangement allowing the resumption of New Zealand chilled and frozen sheep and beef exports to Iran. New Zealand Primary Industries Minister Nathan Guy commented that this was a "crucial step for New Zealand meat companies as they look to re-enter the Iranian market". The ministers also talked about agricultural collaboration, looking at kiwifruit opportunities in Iran as import restrictions have traditionally prevented such action. New Zealand kiwifruit marketer Zespri International and Iran's Ministry of Agriculture signed a Statement of Intent to further seek commercial opportunities in Iran.

**Environment and emissions**

**Government sets 2040 'swimmable' rivers target** [23 February/ New Zealand Herald] New Zealand Environment Minister Nick Smith announced a Government target to make 90 percent of the country's rivers and streams swim-safe by 2040. In his announcement, he noted 72 percent of New Zealand rivers were "swimmable" according to European and US standards, however the target calls for all waterways to meet the safe E.coli contamination standard 80 percent of the time. Raising the bar to 90 percent safe is estimated to cost Government, councils and farmers \$2 billion, requiring 10,000km of waterways to be cleaned and 56,000 km of fencing to be built. Currently the minimum water quality standard is "wadeable", and Minister Smith said changing it to "swimmable" will return our waterways to a standard unseen in 50 years, however frequent major rainfalls mean a 100 percent standard is unrealistic. The target will follow national rules requiring stock to be kept out of waterways and will ensure regional councils tighten policy on sewage discharge.

**New river standards questioned** [24 February/ Otago Daily Times] The Government has released a target to raise the proportion of swimmable New Zealand rivers to 90 percent by 2040, costing central government \$2 billion. Currently 72 percent of New Zealand waters are considered safe for swimming. Environment Minister Nick Smith said the target would return waterways to a "standard not seen in 50 years." The target has raised concerns from environmental groups, such as Green Party water spokeswoman Catherine Delahunty, who believe rivers labelled as "excellent for swimming" could be so polluted that one person in 20 contracts a waterborne disease. The new National Policy Statement for freshwater said the "excellent for swimming" label was only given if the river exceeded the threshold for faecal contamination less than 5 percent of the time.

**Dairy sector welcomes new freshwater rules** [24 February/ Rural News Group] DairyNZ chief executive Tim Mackle said new fencing requirements have been met by 97.1 percent of New Zealand dairy farmers, while the target is to reach 100 percent by May, with every waterway flowing through dairy farms to be fenced off and all stock crossings bridged. This target means that no dairy cattle will have access to waterways in two months' time. Mr Mackle said that dairy farmers are also planting native vegetation such as Manuka, cabbage trees, flaxes and native grasses along waterways to filter and slow run-off. He also added that all dairy farms have effluent management systems with effluent ponds where areas such as dairy sheds drain into the system, where the effluent is stored and used at a later date. Mackle also noted that farmers have invested \$1 billion in environmental protection efforts over the past three years.

## International

**Maple syrup producers face challenges in warming world** [22 February/ New Zealand Herald] A meeting between maple producers, climate experts and Democratic U.S. Senator Maggie Hassan of New Hampshire on Tuesday highlighted the impact of climate change on one of New Hampshire's most important industries. Producers said they were seeing a sharp decrease in sap return and a drop in sap sugar content, while others said warmer temperatures has made sap collection difficult. Ms Hassan said New Hampshire's changing climate dramatically effects natural resources that "are critical to our economy, environment, and way of life". Ray LaRoche of LaRoche Farm in Durham said in 2000 he was getting 75 gallons of sap, however environmental changes are seeing this amount fall to 15 gallons. Despite the challenges, the University of New Hampshire noted that technological aids are helping producer adaptation.

**Machines could replace migrant labour on farms, says minister** [22 February/ The Daily Telegraph] UK Environment Secretary, Andrea Leadson, has said machines could reduce Britain's reliance on seasonal European Union (EU) agricultural workers after Brexit, adding that immigration controls were an important element behind the vote to leave the EU. In addressing a UK National Farmers Union, Ms Leadson said that she is interested to find out what kind of labour you need in food processing as well as farming, while exploring the role that innovation can play in support of this. Ms Leadson said the Government would adhere to a Conservative manifesto commitment to promote international trade deals and supported animal welfare standards. She also reiterated support for the maintenance of the UK's Red Tractor kitemark, which certifies food has been independently examined and adheres to traceability, safety and hygiene, animal welfare and environmental protection standards. Ms Leadson conceded that the final answers regarding Brexit's impact on direct EU payments, seasonal worker immigration and access to the single market cannot be provided at the time being.

**Pasturebird Raises Funding to Create Largest Pastured Poultry Farm in US Using Regenerative Techniques** [23 February/ AgFunder] Pasturebird, a poultry farming company raising chickens on pasture, has raised a seed extension funding round from angel investors enabling the rotational grazing operation to increase to 100 acres. Pasturebird co-founder and CEO, Paul Greive expects to reach 300,000 birds by 2017, meaning the expansion will make the company the largest pastured poultry operation in the US. The company differentiates itself by ensuring its chicken coops are rotated onto new pasture every day, allowing the pasture 90 days to regenerate. This method means "regenerated soils can get healthier and healthier, retain more water, and Pasturebird never needs to use vaccines or antibiotics. Pasturebird does have plans to expand to other areas of the USA however with another 1,000 acres available at their Californian property there is no rush.

**Tyson Foods sets out sustainability plans** [23 February/ Global Meat News] Tyson Foods president and CEO Tom Hayes has announced the company's plans to expand its portfolio of protein-packed brands and sustainable delivery. Tyson Foods intends to continue investments in innovation to bring a wide range of new products to the market that meet customer demands for fresh food and high protein. Tyson foods plans to reduce workplace injuries and illness by 15% annually, establish science-based sustainability goals through strategic partnerships, ensure humane chicken treatment through continuation of third-party audits of farms, use innovative concept farms to improve how chickens are raised, use innovation to benefit the chickens, environment and food safety and increase business transparency. The company also plans to eliminate the usage of human antibiotics from its broiler chicken by September 2017 through using probiotic and essential oils as alternatives as well as improved housing and selective breeding.

**Murray Goulburn's milk collection sinks 21pc in first half, outpacing Fonterra** [24 February/ New Zealand Herald] Murray Goulburn, Australia's dominant milk processor collected 1.61 billion litres of milk in the six months ended 31 December 2016, down 23 percent from 2.03 billion a year earlier. Fonterra's Australian production fell 7 percent due to unfavourable pasture conditions. Murray Goulburn said record rainfalls and high levels of competitor activity have reduced milk intake, impacting revenue, fixed cost and overhead recovery. The company also noted an aggressively competitive environment due to seasonal conditions has caused substantial milk loss, and global dairy commodity price increases have not recovered in time to impact first-half sales volumes. Murray Goulburn recorded an AUD31.9 million loss from an AUD10 million profit the year earlier. Murray Goulburn is facing class action around claims it misled unit trust investors, and is being investigated by the Australian Securities and Investments Commission for possible securities and competition law breaches.

**Amazon strikes again: E-commerce giant to open click-and-collect groceries** [24 February/ Food Dive] Amazon is about to open a 9,700-square-foot store in Seattle that allows shoppers to pick up online grocery orders in between 15 minutes to 2 hours. Customers have an alternative option to order their groceries in-store using electronic tablets and then proceed to a "retail room" to wait for their order. A liquor license application has recently confirmed Amazon as the owner. Three more stores in Seattle and Silicon Valley are under construction, rumoured to be Amazon stores.

**Forget the hangover, under-25s turn to mindful drinking; Non-alcoholic drinks are taking off in pubs and bars as a new fashion for abstinence takes over among young people** [26 February/ The Observer] According to the Office of National Statistics, a fifth of British adults under-25 are abstaining from drinking alcohol, and the numbers are increasing. These consumers, motivated by health and money concerns, are increasingly choosing to restrain their drinking or not drink at all. A YouGov poll showed five million people signed up to Dry January in 2017, and Alcohol Concern's New Year Campaign saw numbers quadruple in three years. Public Health England research suggests 67% of people will cut back over the year and 8% will stay dry completely. Draft House pub chain owner Charlie McVeigh has said offering a selection of non-alcoholic drinks has "made all the difference to a traditionally quiet start to the year... with customers increasingly asking for low and non-alcohol craft beers by brand." Club Soda founder Laura Willoughby believes "mindful drinking" has "unstoppable momentum" and is soon announcing the UK's first mindful drinking festival.

**Downturn in farm economy complicating new Farm Bill efforts** [27 February/ New Zealand Herald] US Senator and chairman of the Senate agriculture committee, Pat Roberts, and US Representative Roger Marshall, talked to constituents about worries over the US farm economy as they started consultation of the new Farm Bill. Senator Roberts told supporters they are trying to prevent what could be a farm crisis. The reasons for farmer concern include the 2014 Farm Bill being written during a period of high commodity prices, a vastly different environment from the current 60-year low prices, tightening farm credit and uncertain trade outlook. US farmers are worried about losing market share, jobs and the ability to export their products with the proposed tax on imports, encouraging Mexico to focus on negotiating a free trade agreement with Brazil and Argentina. A further concern is sector workforce stability, with Kansas Agriculture Secretary Jackie McClaskey highlighting farmers' need for a stable and predictable safety net and policy that allows a reliable workforce to serve the agriculture economy.

**Cooperative mergers shrink Wisconsin dairy farmers' options** [27 February/ New Zealand Herald] The U.S. Department of Agriculture's most recent statistics reports show a shrinking number of dairy cooperatives in Wisconsin, limiting the options for dairy farmers to sell their milk. Co-operative numbers are reported to have dropped from 31 to 21 between 2000-2015. The shrinkage is due to consolidation of co-operatives across the agricultural industry. Westby dairy farmer and president of the Wisconsin Farmers Union Darin Von Ruden said farmers have fewer and fewer places to sell their products to as some co-operatives become marketing giants. Agricultural economist from the USDA Co-operative Programme, Jim Wadsworth, said the consolidation trend is likely to continue when the 2016 and 2017 USDA reports come out, however a large number of members have to vote in favour of the merger... because producers lose local autonomy.

**LIVE Beverages Founder: 'Drinking vinegars are where kombucha was 4 years ago'** [27 February/ Food Navigator USA] LIVE Beverages, known for their "mainstream" kombucha drink flavours, has released a sparkling drinking vinegar line. LIVE Beverages founder and CEO, Trevor Ross sees great potential in the product containing raw apple cider and coconut vinegars, organic fruit juice, water and 2-3 grams of sugar per serving. Ross believes the product can be even bigger than kombucha due to the familiarity of the product. Ross noted the main difference between the kombucha and vinegar drinks is the bacteria strains, with bacteria acting as the "backbone" of kombucha, and having a "much lesser role in drinking vinegars". Trend and market analysts have seen an increase in demand for tart, sour and vinegary drinks which is boosting LIVE's product, seeing the company's staff grow from 4 to 30 since the launch. The new line of drinking vinegars are available at retailers across the US at USD2.69 each.

**Consumer waste and livestock biggest inefficiencies in food production: Study** [27 February/ Food Navigator USA] A study by University of Edinburgh researchers looked at the efficiency of different stages of the food production system using data from the UN Food and Agriculture Organisation. The study found livestock wastes up to 94 percent of inputs, 9 percent of production (160 million tonnes) is discarded uneaten and 10 percent is "lost" to over-consumption. The researchers also gave approximations of loss occurring at each stage of the food process, with livestock producing the highest amount, responsible for 43.9 percent of losses and animal production being responsible for the smallest amount (1.1 percent). Researchers noted over-consumption "losses" were as substantial as consumer waste losses, highlighting the need for greater research focus to better understand causes, effects and solutions for over consumption. The authors concluded that changes to influence consumer behaviour such as eating less animal products, reducing food waste, and lowering per-capita consumption will help provide the rising global population with food security in a sustainable manner.

## Farmers and producers

**Too early to tell if farm health and safety laws are working** [24 February/ Stuff] Work Safe New Zealand agricultural sector leader Al McCone said although health and safety laws have been in place for a year, and farm fatalities over the past year were not as high as comparative years, adding that it was too short a period to call the decline a trend. McCone noted the sector target is to see a 25 percent drop in deaths and injuries over the next few years. McCone also added farmers were anxious about their new responsibilities, however the overall introduction of the laws have raised awareness of the need to improve farmer safety in the workplace.

**Name change needed for greater precision** [24 February/ Rural News Group] Harper Adams University professor Simon Blackmore says the term 'precision agriculture' is inaccurate. Prof Blackmore said the goal is to give farmers tools to enable accuracy in their farming systems, and shift to "sustainable intensification" for crops to produce higher crop yields and reduce harmful environment damaging inputs through accurate "intelligently targeted input" measurement systems. The professor added he sees an opportunity for the application of intelligently targeted inputs with small machines on a smaller scale allowing the extra production to meet growing global food demand to come from smaller farms because the larger farms can no longer get levels of efficiency by economies of scale. Prof Blackmore said we are now looking to small and reasonably priced robots that can operate in small fields to allow growth of higher value crops, improve yields, improve soil structure and quality, and increase the viability of smaller farms.

## Rural infrastructure

**PGG posts tough first half profits** [21 February/ Radio New Zealand] New Zealand's largest rural services firm, PGG Wrightson, announced flat half-year profit as soft commodity prices have seen farmers keep a close focus on their cheque books. PGG Wrightson's December 2016 half-year profit of \$16 million is unchanged from the prior year. The company attributes this figure to a revenue impact from decreases in dairy, meat and wool prices, as well as a fall in livestock sales and a decreased demand for irrigation systems and seeds. PGG Wrightson chief executive Mark Dewdney said the groups "diverse assets and markets helped to insulate a tough start to the year, with group revenue decreasing by only 2.5 percent. Dewdney also noted that recent increases in dairy prices and meat price stabilisation may make farmers ease their money-consciousness, and full year profit is expected to be \$46- \$51 million.

**New Carrfields deal- bright future predicted for no-till drill** [24 February/ Stuff] Carrfields Machinery, a major farm machinery distributor, has become the exclusive distributor for Cross Slot products for New Zealand and Australia through a strong link with cross slot drill developers Baker No-Tillage. A cross slot drill puts seeds and fertiliser in planting holes. The five-meter drills are already exported to 20 countries, however their profile is expected to be raised at South Island Agricultural and Central Districts Field Days next month. Carrfields Machinery general manager Matt Keen said the drill has "proven to increase crop yields and farm profits" while Baker No-Tillage chief executive and chairman John Baker said the drill had become the no-tillage system benchmark, and there is an agreed plan "to refocus on product development, refinement and product support by ensuring our technology continues to evolve."

## Agri-tech

**Artificial intelligence advances to make farming smarter** [27 February/ Stuff] Principal researcher from Microsoft Research, Ranveer Chandra, offered insight into the precision agriculture and developments Microsoft is actioning to improve farming. Chandra said farmers required technological advances to support the need to double food production to meet 2050 demand, and believes this involves “a move forward to data-driven farming.” A precision nutrition focus would mean customised nutrients for animals based on data evaluation, showing things such as body condition score, phenotyping and other genetic research. The problem is affordability. This method requires sensors and drones to capture animal, soil and ambient temperature, humidity and soil nutrients information. Although the method is proven to increase yields and returns on investment, at US\$8000 for five sensors, it is not feasible. Chandra added artificial intelligence will become mainstream over the next ten years. This will guide farmers with data-driven expectations like the best time to sow seeds, apply fertiliser and provide the best nutrition for livestock, as well as apply weather and pesticide data analysis to farm operations.

## Water

**Farmer group optimistic after "fruitful" council meeting** [27 February/ Stuff] After hearing concerns from farmer groups such as Farmers for Positive Change, the Primary Land Users Group and King Country River Care, the Waikato Regional Council will soon decide whether to withdraw the Healthy Rivers plan change. Central to the farmer groups' argument is the use of a nitrogen reference point to determine farm nutrient limits, which they see as a form of “grand parenting”, and rather call for a more scientific approach for water-quality policies. The farmers claim to represent 3000 Waikato farmers. Farmers for Positive Change chairman Rick Burke said that the group is not “just pushing back but offering up and challenging them to think about a sustainable solution to manage freshwater quality”. Federated Farmers are pushing for a delayed submission date to allow the Waikato Regional Council to finish their consultation with Hauraki Iwi. On November 22nd, the council withdrew the Hauraki section of the plan.

**Crown argues it has power to revoke status of conservation land in Ruataniwha appeal** [27 February/ National Business Review] The Royal Forest & Bird Protection Society has challenged the Court of Appeal's Department of Conservation land swap decision. The challenge was enlivened after director-general of conservation, Lou Sanson, successfully revoked the conservation status of a 22 hectare piece of Ruahine Forest Park land within the boundaries of a proposed reservoir, making it available to be swapped with adjacent land. The reservoir comes under a \$275 million water scheme to enable more intensive farming in the area. The 93 million cubic metre reservoir would improve river flows for agricultural use and provide irrigation for 25,000 hectares of farmland in central Hawke's Bay. Forest and Bird successfully asked the Court of Appeal to prevent the land swap due to lack of evidence that the land was no longer worth protection under the Conservation Act. Minister of Conservation Maggie Barry and Hawke's Bay Regional Investment Company are looking to overturn this decision. Forest and Bird argue the area is home to native wildlife, rare wetlands and will set unjust legal precedent.

## Animal welfare

**Taranaki tradies face calf pen building boom ahead of rule changes** [24 February/ Stuff] New Ministry for Primary Industries (MPI) regulations for the welfare of bobby calves has caused builders to experience a surge of orders for holding pens as the new regulation deadline nears. Suitable shelter is to be provided to calves before and during transportation and at points of sale or slaughter from August 1. Loading and unloading facilities must also be used during transport for sale and slaughter. Okaiawa builder Johnny Neil said meeting new MPI regulations is complicated when combined with other standards set by other parties. Neil noted the pens must be “carefully designed and well-constructed”, with the price ranging from \$5,000- \$7,000. A recent MPI report showed bobby calf deaths have decreased from 0.24 percent in 2015 to 0.12 percent last year due to new regulations and educational programmes. Minister for primary industries, Nathan Guy also noted that calves are arriving in a better health and condition due to the new regulations introduced last spring.

## Wool

**Wool leaders at odds on future** [27 February/ NZ Farmers Weekly] Wool Industry Research research manager, Ian Cuthbertson said synthetic carpets had overtaken wool in “the guaranteeing of performance and quality” and the focus must move to finding alternative high-value, high-volume uses for wool due to its inability to compete with synthetic carpet. Cuthbertson acknowledged previous efforts, however highlighted their high-value, low-volume nature caused no impact on farmgate prices. National Council of Wool Interests chairman, Peter Crone, disagreed, saying effort needs to be directed at educating the benefits of wool to a “lost generation of consumers”. Crone blames China's reduced wool purchases, from 65% last year to a current 35%, for farmer wool price dissatisfaction. Wool Industry Research was leading a \$21 million research consortium with Government funding to find alternate wool uses and products to grow value and create disruptive technology. Cuthbertson said the \$3 million per year consortium, having the support of the Ministry of Business, Innovation and Employment, could “change the nature of the industry”.

## Hops

**More money, more problems - Kiwi craft beer growing pains** [26 February/ New Zealand Herald] Recent statistics show total beer consumption is growing again, with the high alcohol category-typically reflecting the craft beer market- doubling over the past 5 years. Craft beer growth has created a problem for many local craft brewers who “suddenly see themselves running multi-million dollar operations.” Many NZ craft beer companies are on the Deloitte Fast 50 index, such as Garage Project showing 664 percent growth. Tuatara founder and brewer Carl Vasta said problems arise when having “to buy a million worth of hops for next season, and you have to pay for that today.” Many producers are looking to crowd-funding, such as craft brewer ParrotDog who suddenly gained 792 new shareholders. Moa Brewing CEO Geoff Ross can see “gold rush fever” setting in, but remains optimistic about the craft beer sector outlook, predicting some brand consolidation and growth over the next few years, eventually creating “two tiers of brands- those that have made a conscious step to capitalise and get capacity and scale up and those who have chosen a more organic path.”

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# Field Notes

Weekly news update from the KPMG Agribusiness Network – 1 March 2017

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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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