



Hot Off The Press:
**KPMG Agribusiness
 Agenda 2017**

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AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network

21 June 2016

Organisations referenced in this week's Field Notes include:

AB InBev	National Agricultural Fielddays
AFFCO	Nestle
Amazon	New World
ANZ	New Zealand Kiwifruit Growers Inc.
Arla Foods	New Zealand Labour Party
Bellamy's	New Zealand National Party
Ballance Agri-Nutrients	PepsiCo
Child Cancer Foundation	PGG Wrightson
DairyNZ	Ravensdown
Fonterra Co-operative Group	Rural Support Trust
FoodCorps	Safari Tents NZ
Green Party of New Zealand	Sanford
Imperial Brands	Statistics New Zealand
Innovation Center for US Dairy	Synlait Milk
Lincoln University	Taratahi Agricultural Training Centre
KPMG	Whole Foods Markets
Ministry for Primary Industries	Zespri
Mobile Health	

This week's headlines

Fishing	Bluff oyster farming companies may not have a future after cull [19 June/ Stuff Business]
Fielddays	Record turnout at Agricultural Fielddays [18 June/ Rural News]
Environment and emissions	Up to 100 Fonterra farms to begin recording their climate pollution [14 June/ NZ Herald]
Farmers and producers	Rural mental health: 'People are suffering in silence' [15 June/ Radio NZ]
Agribusiness strategy	Regulation is wanted for organic farms [19 June/ NZ Farmers Weekly]

KPMG Agribusiness Agenda 2017, The Recipe for Action



Focus on consumers of food critical to the success of NZ economy

The success of the agri-food sector is dependent on individuals across the industry placing consumers at the centre of everything they do, according to the *2017 KPMG Agribusiness Agenda: The Recipe for Action*.

Based on contributions from more than 100 industry leaders, the Agenda explores what needs to be done to capture more of the quarter of a trillion dollars New Zealand products realise in-market and make a greater contribution to our nation's prosperity. This relies on the industry collectively shifting its focus towards the consumers of the food and beverage, fibre and timber products it produces.

"There is a simple unavoidable truth: no customer's means that there is no business," says Ian Proudfoot, Global Head of Agribusiness at KPMG. "However, historically, we have placed the majority of our focus on maximising production."

"When you are focused on the volume that you can produce, the government shapes your future as it sets the rules. However, as organisations pivot towards markets and consumers, the rules that shape the future are no longer determined by the domestic government but by much tougher masters, the consumers to whom they sell".

The government is not responsible for securing the value lift. Although it can be an enabler, Proudfoot suggests that creating and capturing value falls on every person and organisation involved in the industry, including farmers, processors and exporters, industry good organisations, councils, Maori trusts, iwi and service providers. "Only by the whole industry seeking ways to work collaboratively will the pivot from a producer-focused, volume-based culture to a market-focused, value-based culture be achieved sufficiently quickly to capture the opportunities available to it."

Proudfoot adds the biggest risk to success is complacency. "People don't recognise the impact that structural changes in the Agri-Food sector globally, driven by innovation and consumer preferences, will have on our traditional markets. Some have the potential to literally vanish overnight, there is no place for any comfort or complacency." Proudfoot notes that New Zealand is the only developed nation that relies on growing biological products and selling them to the world to pay for schools, roads and hospitals.

The *Agenda* highlights a significant difference in outlook in the lead up to this year's election compared to three years ago. Concerns about the impact regulatory changes would have on the sector's productive capacity dominated conversations in 2014. This year, the election hardly rated a mentioned with conversation centring on the expectations of consumers and the community.

What action do industry leaders want to take?

The *Agenda* features 110 action items that have been curated from more than 250 ideas provided by industry leaders. The ideas cover the need for a values-led framework for the industry, recruiting and training the best talent, rapidly deploying leading edge technology, exploring new business models, getting closer to customers, leveraging the best ideas in the world and telling authentic stories to all.

While maintaining world-class biosecurity remains the highest priority for industry leaders in the *2017 KPMG Agri Leaders Survey*, there were a number of notable movements in the survey results and themes from conversations with industry leaders:

- **Managing consumer relationships** – The increase in priority attached to provenance branding, co-innovation with customers, embedding resources (including people) into export markets and developing a New Zealand integrity mark highlight the focus being placed on managing consumer relationships.
- **New Zealand's unique food culture** – Nobody goes out for a 'New Zealand meal', in fact it is unclear to most New Zealanders and visitors to the country what a 'New Zealand meal' actually is. While we grow some of the best food in the world, it is used to make other nations' cuisines, there is an urgent need to strengthen New Zealand's unique food culture.
- **High quality trade agreements** – Leaders placed greater priority on securing high quality trade agreements, reflecting the shift in the trade environment as a result of Brexit and the election of President Trump. Industry leaders suggest free trade as we know it will only survive if everybody benefits, we must seek to combat social inequality and better disperse the benefits of trade to retain market access into the future.
- **Swimmable water** – Much discussion related to water and the impact this has on the wider community's confidence in farmers to protect and restore the environment. The industry uses science to defend its position but this is an emotional issue that cuts to the heart of being a New Zealander; the message was clear: swimmable must mean swimmable and not 'scientifically swimmable in 2040'. Bold action is needed on water and the environment to preserve the license to operate.
- **Alternative proteins** – Recent transactions suggest that alternative proteins are set to become a material part of the global diet. Understanding these technologies, their strengths and weaknesses, is critical to protecting our natural protein markets. We ignore these technologies at our peril.
- **Biotechnologies** – The conversation around biotechnologies has evolved, it is no longer about whether these technologies will be adopted given the benefits they can deliver, but about the regulatory framework that is needed to manage their application. It is time that New Zealand reviewed its rules so we remain competitive and address each product on its merits.
- **Leveraging data** – Concerns were expressed around how the sector is leveraging data that is being collected, with some leaders suggesting we are moving backwards comparatively to other countries. Companies are keeping close control over their data and seeking opportunities to monetise it, however without collaboration it is unlikely any significant financial benefits will crystallise.

Access the *Agenda* here <https://home.kpmg.com/nz/en/home/insights/2017/06/agribusiness-agenda-2017-the-recipe-for-action.html>

Horticulture

Record kiwifruit orchard sale cracks \$1 million mark [15 June/ Stuff] Two kiwifruit orchard sales in Te Puke have broken through the \$1 million per hectare mark. The sales were to a Tauranga-based grower and a sheep and beef farmer. The first sale was a 5.76 ha block and sold for \$5.76 million, and the other 3.65ha block, including a basic house, sold for \$4 million. Neither block had been on the market, but the new owners approached the former owner. The orchard gate returns last year were between \$150-160,000 per canopy ha, and these figures were expected again this year. Both properties were sold with kiwifruit still on the vines, providing immediate returns to the buyers. New Zealand Kiwifruit Growers Chief Executive Nikki Johnson said the sale highlighted the strong growth that the industry was experiencing, with ANZ economist Con Williams adding the industry is on target to earn \$2 billion worth in exports by 2020.

Zespri chief Lain Jager named top communicator [15 June/ Stuff] Zespri Chief Executive Lain Jager was named the Ravensdown Agricultural Communicator of the Year and will give his \$2500 prizemoney to the Child Cancer Foundation. The award recognises those who make a significant contribution to the sector and the role they play in making New Zealand world leaders in primary production. Mr Jager received the honour having run Zespri over the last ten years, leading the kiwifruit industry through the PSA crisis to global results it has achieved in the last few years.

Fishing

Bluff oyster farming companies may not have a future after cull [19 June/ Stuff Business] The Ministry for Primary Industries has started to remove flat oysters from Big Glory Bay on Stewart Island as part of a programme to prevent the spread of the parasite *Bonamia Ostraeae*. The goal of the cull is to prevent the spread of the parasite to the Foveaux Strait wild fisheries which could potentially decimate the iconic bluff oyster. The key question which has yet to be answered is how the parasite got to Big Glory Bay in the first place and this needs to be addressed to ensure that the wild fisheries are protected long term. Some of the farmers in the area are questioning whether they will have a future as they are likely to lose millions of oysters, all of which have to be destroyed despite the parasite not being harmful to humans. Seafood company, Sanford, owned some of the first oysters to be pulled up by MPI. Sanford Corporate Communications Manager, Fiona MacMillan, said the process had gone fairly well and while the company was disappointed to lose the oysters it would have a minimal impact on the business.

Dairy

Fonterra recalls milk batches after complaints over funny taste [16 June/ NZ Herald] Fonterra has recalled several batches of its blue top milk bottles after lower North Island consumers reported a funny flavour. Fonterra Brands Managing Director Leon Clement said there was no safety risk, but Fonterra have removed the affected milk from their supply chain and will be investigating. Mr Clement encouraged customers who have an unusual tasting blue top products to contact Fonterra's customer care team.

Synlait lowers season's payout to farmers in response to market prices [20 June/ NZ Farmer] Synlait Milk has announced that it is cutting its forecast milk price for the 2016/17 season to \$6.15 per kilo milk solids because of a significant drop in the dairy market, compared to a previously announced price of \$6.25. Synlait CEO, John Penno, said that a drop in prices, particularly whole milk powder, at the start of the year had forced the company to lower its forecast payout to farmers. While prices have improved since March, they are still below the level required to support a \$6.25 milk price. Mr Penno added that we pay our suppliers a fair price for their milk based on our estimate of the market price for milk, with a key input into the calculating being the commodity prices achieved at auction. Some Synlait suppliers receive a premium of 14 cents as part of special milk programmes, including A2 Milk, Grass Fed and Lead with Pride. The lower forecast payout is line with Fonterra's milk price forecast for the 2016/17 season.

Red meat

AFFCO launching farmer focus [19 June/ NZ Farmers Weekly] Andy Leonard, the CEO of AFFCO, has unveiled a refreshed image aimed at farmers, including a new tagline Kiwi to the Bone. The company is planning to highlight its long history in the domestic and international meat markets. Mr Leonard said the new image was about doing what we say we will, working hard, innovating and not forgetting our roots. The company is planning to highlight its 100% New Zealand. Mr Leonard added that the company was also working on a new retail brand, which will feature the iconic stylised Southern Cross and new skin packaging technology (which the company installed earlier this year and has recently used to send its first shipment of consumer packed product to China). Mr Leonard noted that the NZ reputation for big, green, open pastures was alive and well in the Chinese market, which was prepared to pay a premium for grass fed beef. He said while AFFCO was incredibly proud of its heritage but we don't want age to be confused with attitude; AFFCO is a modern and progressive business, equipped with the latest technology and working at the leading edge of the industry.

Fieldays

Record turnout at Agricultural Fieldays [18 June/ Rural News] Primary Industries Minister, Nathan Guy, has congratulated the National Fieldays Society for another successful event at Mystery Creek. This year's Fieldays saw a record attendance over the four days of the event with 133,588 people coming through the gates. Mr Guy acknowledged the hard work of Fieldays CEO, Peter Nation, and his team adding it was great to feel a really positive mood across the many thousands who attended the event. He said it was apparent that many of those attending the event were using their increased income to invest into their business. Mr Guy also noted the large international delegation that attended the event this year.

Environment and emissions

Up to 100 Fonterra farms to begin recording their climate pollution [14 June/ NZ Herald] As part of a plan to decrease the dairy industry's emissions Fonterra has committed to measuring the climate pollution on 100 of its suppliers' farms. At Fieldays, DairyNZ released a climate change plan to encourage farming with a smaller environmental impact. The plan outlines proposals to test lower-emission farming systems, educate farmers about climate change, and roll out pollution recording systems on some farms. DairyNZ Chief Executive Tim Mackle said reducing methane and nitrogen emissions would be extremely difficult, and would require government and agricultural sector collaboration. Under the plan, primary industries and environment ministries will partner with farms to test new farming systems and measure their impact on production, which will be rolled out nationwide if successful. The National Government would not bring agriculture into the Emissions Trading Scheme until there is an economically viable way to reduce on-farm emissions, however, the Green Party disagree.

Economics and trade

Food prices rise at fastest annual pace in six years as vege prices soar [14 June/ NZ Herald] The food price index increased an annual 3.1 percent in the year ended 31 May, the largest annual increase since September 2011 as increasingly expensive vegetables were made scarcer by wet weather. In May, food prices lifted a seasonally adjusted 1.6 percent, the largest monthly increase in three years, as vegetable prices increased 11 percent that same month. Statistics New Zealand Consumer Prices Manager Matthew Haigh said the increase is distinct because warmer weather in the 2016 growing season caused cheaper vegetable prices in May 2016. Vegetable prices increased 31 percent in May 2017 compared to May 2016. Broccoli and kumara prices more than doubled, lettuce and tomato prices increased 76 percent and 34 percent respectively.

Biosecurity

Farmers to carry out border patrols on farms in pest plant and disease battle [16 June/ Stuff] Minister of Primary Industries Nathan Guy said velvet leaf outbreaks and farmer attempts to prevent its spread shows farmers would eventually border patrol pests and diseases on their farms by partaking in more stringent inspections of vehicles and goods entering their properties. Mr Guy said everyone is more mindful of the importance of biosecurity, and priority should be placed on mitigating the risk of a potential disease or pest coming to New Zealand. Mr Guy added the myrtle rust appearance, raised awareness of biosecurity. An \$18 million budget had been set this year for biosecurity which increased funding to about \$250 million. Mr Guy added New Zealanders needed to increase protectionist efforts, and the budget could increase education, frontline people, detection dogs, X-rays, ability to review import health standards and in general the country's ability to keep more bugs and diseases offshore.

International

Bellamy's flags Fonterra deal. AUD60 million cash drive [14 June/ The Age] Troubled dairy company, Bellamy's, has announced a number of major initiatives in an effort to turn its business around. The company is proposing to conduct a five for 38 pro-rated accelerated, non-renounceable entitlement offer at \$4.75 a share with full underwriting which will raise AUD60.4million. Part of the funds will be used to purchase 90% of the Camperdown Powder canning facility in Melbourne, a move the board believes will reduce regulatory risks and strengthen Bellamy's competitive position. The plant holds the necessary accreditations for exporting product to China, which will help to build brand credibility with trade partners and customers. The company has also reset its supply agreement with Fonterra Australia at a cost of AUD27.5 million. The new agreement will provide increased operating flexibility and offtake arrangements more aligned to growth and production forecasts. The company commented that the agreement realigns incentives with Fonterra for future growth.

Bugs are big business for tomorrow's snacks, says PepsiCo [15 June/ Food Navigator] PepsiCo, the maker of well know snacks including Doritos and Cheetos, is looking to capitalise on the growing insect and plant based protein trend and has posted an innovation request on a business community platform, NineSights, inviting submissions for alternative protein sources that provide consumers benefits but also provide a satisfying eating experience. It is interested in plant, fungi and insect proteins that can be incorporated into its products, thus they must be easy to process and have a minimal impact on flavour and texture. They are also looking for products that are sustainable, preferably non-GMO, easy to pronounce and come from a familiar source and they have specifically stated that they are not interested in animal proteins. PepsiCo's initiative is consistent with the growing consumer trend to embrace high protein foods, a trend analysts are suggesting is likely to be with us for a long period of time. The Plant Based Foods Association reported that 2016 sales of foods that contain alternative proteins amounted to USD4.9 billion in 2016.

Judge orders Arla Foods to halt 'Live Unprocessed' campaign [15 June/ Food Navigator USA] Arla Foods in the US has been ordered to halt its USD30 million 'Live Unprocessed' ad campaign which highlights the benefits of using milk from cows that have not been fed the growth hormone rBST. The injunction was issued by a US District Court Judge in response to an action filed by Eli Lilly the maker of the rBST. The injunction was to block Arla from claiming that milk that comes from cows treated with the hormone is dangerous, unsafe or of lesser quality or less wholesome than other dairy products. The judge ruled the advertising campaign misleading claims that their cheese does not include any weird stuff despite the hormone being a legally approved supplement fed to cows. The judge did however note that there was nothing to stop Arla from alerting consumers that its products come from cows not treated with rBST and using the FDA's disclaimer about the product in its advertisements. Arla Foods said that they were extremely disappointed by the preliminary ruling and intend to appeal the decision, adding that the company has always believed that the simpler things are the better they are and prides itself on keeping its dairy products as simple as possible.

Leading brewer rolls out major farming program [15 June/ China Daily] AB InBev, owner of global beer brands Budweiser, Busch and Michelob amongst others and the world's largest brewing company by sales, has announced that it is going to work with farmers in the Jiangsu province in China to harvest barley using smarter production methods. The company is working with Jiangsu Farming Group to launch the SmartBarley project, which utilises a cloud based farm management system. The system monitors soil conditions and collects data from the fields. The project already involves more than 300 farmers and 20,000 hectares of barley fields. The program has already been used in 12 other countries including Argentina, Russia and Brazil. A spokesperson for AB InBev said that the project enables farmers to improve barley productivity and agricultural innovation in China as well as supporting local farmers and communities.

UK tobacco giant hires medical marijuana expert [15 June/ The Independent] Imperial Brands, the UK tobacco giant, is seemingly looking towards another plant for growth as smokers quit tobacco products. The company has recently added medicinal cannabis expert, Simon Langelier, to its board. Mr Langelier is the chairman of Canadian company, PharmaCielo, which supplies medicinal cannabis oil extracts. Mr Langelier's experience could be valuable in assisting Imperial to benefit from a wave of marijuana legislation sweeping the US for medicinal, and in some cases recreational use. Mr Langelier was with Philip Morris for 30 years and Imperial suggests his experience in the tobacco industry as well as wider consumer adjacencies would benefit the company. Speculation has mounted that tobacco companies would apply their experience in farming and distribution to nascent, but potentially massive, cannabis business. Mr Langelier also has experience in next generation smoking products including vaping and smoke free nicotine products.

Nestle to explore sale of its US confectionery business [15 June/ CNBC] Swiss food giant Nestle is exploring options for US confectionery business according to a company statement. The business with annual sales of USD923 million is being reviewed with all options, including sale, being considered. Nestle noted that the Toll House brand is not included in the review and the company plans to continue to invest in pet care, bottled water, frozen meals, infant nutrition and ice cream. The company had previously indicated that it was looking for merger opportunities that make sense.

Millions of American adults think chocolate milk comes from brown cows [16 June/ Stuff] Seven percent, 16.4 million, American adults believe that chocolate milk comes from brown cows according to a nationally representative online survey commissioned by the Innovation Center for US Dairy. This highlights the longstanding observation that many Americans are agriculturally illiterate, meaning they don't know where food is grown, how it arrives at stores and what is in it. FoodCorps Co-Founder Cecily Upton said it is an exposure issue, and nothing in the American educational framework teaches children where food comes from before that point. The past 20 years have experienced a movement to reverse the educational gap, with agriculture and nutrition groups working to get agricultural education back into classrooms, starting with National Dairy Month initiatives this June. This education is critical to raising children who know how to eat healthily - an important way of tackling heart disease and obesity. Farm groups have argued the lack of basic food knowledge can lead to poor policy decisions.

Amazon to acquire Whole Foods for USD13.7 Billion [17 June/ Bloomberg] Amazon has stunned investors with the announcement of a USD13.7 Billion takeover of Whole Foods Markets Inc, providing Amazon with hundreds of physical stores and supports its strategy to grow its grocery footprint. The price, a 27% premium to the stock price on Thursday before the deal, will see Whole Foods CEO John Mackey continue to run the business. The announcement saw shares in traditional retailers like Walmart and Kroger fall as investors worried about the future for the traditional retailers as Amazon moves into their space. Amazon gets a network of stores where it can implement decade's worth of experiments in how people pick, pay and collect their groceries and it is expected that Amazon will invest heavily in technology. One commentator suggested that with the Whole Foods footprint Amazon could start to explore opportunities like five minute delivery. The deal dwarfs any previous acquisition completed by Amazon.

Agribusiness Agenda

Time for a new approach for NZ agriculture – KPMG [14 June/NZ Herald] In its latest edition of Agribusiness Agenda, KPMG said agri-food sector success was dependent on placing consumers at the centre, and farming needed to move to a market, value-based focus. KPMG Global Head of Agribusiness Ian Proudfoot said creating and capturing value fell on people and organisations involved in the industry, and working collaboratively will ensure a sufficient pivot to a market-focused, value-based culture to better capture opportunities. The Agribusiness Agenda considers how to capture the quarter of a trillion dollars New Zealand products realise in-market and contribute more to domestic prosperity. Mr Proudfoot said the industry must collectively focus on food and beverage, fibre and timber consumers. Key points of the Agenda include the increased priority of provenance branding, securing high-quality trade agreements, action needed on water and the environment to preserve the "license to operate", growth of alternative proteins, necessary biotechnology regulatory frameworks, and data control and opportunities to monetise it.

Bold action needed on freshwater quality, NZ farming leaders say [14 June/ Stuff] KPMG Global Head of Agribusiness Ian Proudfoot said the agri-food sector and urbanites gap had become so deep and wide that it could be a significant challenge to overcome. Mr Proudfoot added achieving scientific swimmable waters by 2040 is too late, and heavy action on water is required to preserve the license to operate. The latest KPMG Agribusiness Agenda surveyed 80 leaders to list their issue priorities, and water was a central theme moving from 23rd to 8th in the list of overall priorities. Leaders had also lowered the importance of investment in irrigation/water storage, from 10th to 14th. Maintaining a world-class biosecurity system was ranked first, as it has been in every survey since the agenda was launched in 2012. This was followed by creating New Zealand provenance brands, food safety, high-speed rural broadband, innovating with customers, high-quality trade agreements, research and development, developing future leaders and delivering market signals to producers.

Fran O'Sullivan: We're on your side, National Party's Nathan Guy tells farmers at Fieldays [15 June/NZ Herald] At the annual KPMG Business Leaders breakfast at Mystery Creek, Primary Industries Minister Nathan Guy said National Party was defending the primary sector against critics. Mr Guy was joined by a group of National Cabinet ministers intending to be seen supporting the primary sector at a time when the election was nearing. Guy said the sector's contribution to the economy, worth \$38 billion in revenue last year, gave the Government the money to spend on primary schools, hospitals, broadband and more. In agreement with the KPMG Agribusiness Agenda, Mr Guy suggested farmers should consider themselves food producers, champion NZ's precision agriculture developments and share the NZ farm gate story with international supermarkets. Other speakers at the event said the Government's aim to ensure 90 percent of NZ's waterways were swimmable by 2040 was not sufficiently aggressive. Labour and Green Party representatives spoke in opposition of Mr Guy.

Value gain needs consumer focus [19 June/ NZ Farmers Weekly] Historically New Zealand has placed maximising production at the centre of the industry, but the KPMG Agribusiness Agenda highlights a simple, unavoidable truth: no customers, no business. The new agenda argues that the pivot towards the consumer must become unstoppable. The report suggests that the responsibility for capturing value falls on every person and organisation involved in the industry. The biggest risk to the pivot towards the consumer is complacency, particularly as people in the industry fail to recognise the structural changes impacting the sector globally. The report addresses a wide range of issues including the need for a values led framework for the primary sector (something the report suggests is a once a generation window to complete) and the need for developing a truly unique New Zealand food movement. NZ has all the elements for a truly unique food movement – flora and fauna, great chefs and indigenous ways of cooking but very few people ever go out for a New Zealand meal in the same way they head out for an Italian, a Chinese, a Mexican or Vietnamese meal.

Farmers and producers

Rural mental health: 'People are suffering in silence' [15 June/ Radio NZ] Chief Executive of Mobile Health Mark Eager said access to mental health was a big area of concern in rural communities. Mr Eager runs the national mobile surgery bus and has helped create the Rural Health Hub at the National Fieldays this year. Mr Eager wanted to raise awareness of mental issues at this year's Fieldays, and show that help is available through a variety of avenues such as primary health care, GPs, nursing services, and the Rural Support Trust. Mr Eager noted that it is often those that don't attend these avenues that need the most help. The Rural Health Hub at Fieldays has doctors available to test for diabetes and cholesterol, check moles and consult people. Another \$500,000 of funding for rural mental wellness was announced at the hub opening this week, increasing the total funding to \$1.6 million over the past three years. Young Farmers are launching a variety of mental health initiatives, such as a documentary, at Fieldays 2017 aimed at suicide awareness.

Tourist tent accommodation sparks interest at Fieldays [16 June/ Stuff] Hawkes Bay company Safari Tents NZ offer a range of tents, made from wooden pole frames and fabric, sparking interest from farmers looking to utilise their land as an alternative income. Safari Tents NZ Owner James Lamb said depending on location, views, accessibility, local attractions and furnishings, farmers can earn \$200-\$500 per night. Mr Lamb said the company has been very busy at Fieldays as the product offers a strong return on investment. The owner also noted alternative uses, such as a bach or home alternative. Mr Lamb said the standard kit form costs around \$17,000 plus GST.

Rural supplies

PGG Wrightson chief executive to step down [14 June/Radio NZ] PGG Wrightson Chief Executive Mark Dewdney will step down at the end of this year to pursue private interests. The company is currently seeking a replacement and expects a new chief executive would be hired by the start of 2018. PGG Wrightson announced -year operating earnings are expected to be in the bottom half of its previously announced range of \$62-68 million, however, was positive about the outlook for the 2018 financial year.

\$7m of NZ cargo held in South Africa over ownership dispute [17 June/ NZ Herald] A shipment of phosphate bound to Ballance Agri-Nutrients continues to be held at a South African port due to a bitter dispute over who has rights to the resource. The ship was stopped at Port Elizabeth last month amid claims that its cargo had been illegally taken and sold to the New Zealand company. The phosphate comes from Western Sahara, a disputed territory which has long been largely occupied by Morocco. The South African court has ordered that the ship remain docked in South Africa until a substantive hearing is held as the constitution of Western Sahara made it clear that mineral wealth, energy resources and territorial waters were public property and that the use of these resources must be for the benefit of the whole community. The argument has been made that the mining companies did not obtain the phosphate for the benefit of the whole community but for their own benefit or the benefit of Moroccan settlers. Ballance continues to work through the issue with its suppliers and lawyers.

Agribusiness education

Lincoln goes from red to black [19 June/ NZ Farmers Weekly] Lincoln University Vice Chancellor, Robin Pollard, has announced that the university has recorded its first financial surplus in more than a decade. Mr Pollard said the focus of the Refreshing Lincoln project for the past year had been getting the house in order, and the small surplus of \$500,000 gave the university institutional confidence and had surprised some stakeholders. Earlier considerations of merging, selling assets such as land and other reforms were not off the agenda as there is still much work to be done to make the university a modern, dynamic institutions. The Transformation Board and University Council will make decisions on the strategic direction later in the year. Mr Pollard said discussions were continuing with Taratahi Agricultural Training Centre about taking over the Telford division. He also added that the issues facing Lincoln have a striking parallel to those that had faced Wageningen in the Netherlands a decade ago and as a consequence Aalt Dijkhuizen, the former president and chair of Wageningen, is part of the International Panel of the Transformation board, although Mr Pollard notes that the Wageningen model was not a blueprint for Lincoln there is much that can be learnt.

Agribusiness strategy

Dairy, forestry and horticulture to drive gain in primary sector [15 June/ NZ Herald] Growth in dairy products, forestry and horticultural exports are expected to increase New Zealand's primary sector exports in the June 2017 year by 2.4 percent, up from the 1.4 percent growth three months earlier. The latest edition of the Situation and Outlook for Primary Industries said dairy exports are expected to increase 10.2 percent to \$14.6 billion in the 12 months ending June 30 due to prices for whole milk powder and strong international demand. The edition also noted an expected 6.4 percent rise in forestry exports to \$5.5 billion due to increased harvesting and global prices, as well as a 5.9 percent gain in horticulture exports to \$5.3 billion led by apples, wine and kiwifruit. This will increase total primary sector exports in the current year to \$38.1 billion from \$37.2 billion a year earlier.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 16 June 2016

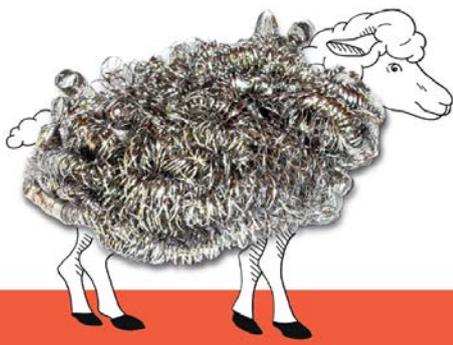
Regulation is wanted for organic farms [19 June/ NZ Farmers Weekly] Organic farmers are looking to the government to regulate the sector to ensure the use of the word organic is protected. The message was conveyed clearly to the Primary Production Select Committee when it made a recent visit to the Hawkes Bay and met with organic producers. CEO of Organics Aotearoa NZ, Brendan Hoare, said the sector was growing at 11% per annum and was worth more than \$0.5 billion to the economy but the sector needs the government to provide the necessary protection experienced in other markets. The industry is looking for a single national standard to protect the use of the word organic, something Mr Hoare suggests will provide greater efficiency and clarity for consumers. Growers suggested that it was unbelievable that there is not already an organic standard in New Zealand and implementing a regulation would give greater credibility and trust.

Agri-tech

Farm hack - on the cutting edge of rural innovation [15 June/ NZ Herald] 60 innovators and inventors at 2017's National Agricultural Fieldays have worked to address a variety of common farming challenges. St Paul's Collegiate School Agribusiness Student Jock Yarndley promoted a bright flashing LED light designed to be placed under the bonnet of a tractor to prevent tractor fires from birds' nests. Another student from the college developed a crowbar-like tool to pull metal staples out of fence posts. Another invention on display was a carrying harness designed to move new-born calves around farmer's property, allowing farmers to put 20 calves on a trailer at one time. Another innovation is a robotic rover called Farm Junior designed to move around the farm measuring pasture height, detect weeds and zap them with an electrical charge.

Wool

Crossbred wool prices cheaper still [19 June/ Otago Daily Times] New Zealand's cross bred wool sector is facing real challenges heading into the new season with brokers indicating returns are likely to be well below sustainable levels. The last season saw the market meltdown with seemingly no bottom according to the PGG Wrightson wool team. Reserve prices have not been getting met at wool sales meaning significant unsold stock is being carried in stores. The latest ANZ Agri-Focus said coarse wool was likely to remain low until the northern hemisphere winter led to a substantial draw down in raw wool inventories but they then expected prices to recover towards the five year average. Finer wool is likely to benefit from demand growth in both the US and China for luxury items despite increasing supply from Australia. The decline in exports to China had left a gap in demand in the current season too big for any other buyer to fill.



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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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