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**KPMG Agribusiness
Agenda 2017**

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AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network

5 July 2017

Organisations referenced in this week's Field Notes include:

AgResearch	Hampton Creek
Aixia	IBM
Alliance Group	ImpactVision
Amazon	Italbugs
Applaws Pet Food	L'Oréal
ASB	Lactalis
Asian Seafoods Coldstorage Public Co. Ltd.	Landcorp Farming
Aurum Agrar GmbH & Co. KG	Lincoln University
Blue Sky Meats	Ministry for Foreign Affairs and Trade
Chobani	Ministry for Primary Industries
City Harvest	Napier Port
Comvita	National Cattlemen's Beef Association
Craigmore Dairy II LP	Nestle
Craigmore Farming Group	New Zealand Focus
Dairy Companies Association of New Zealand	Rabobank
Danone	Rachael Ray Nutrish
Department of Agriculture and Water Resources	Rokit Apples
Dow Chemical Company	Starbucks
European Organisation for Nuclear Research	Stonyfield
ExportNZ	Store No.8
Federated Farmers of New Zealand	Third Point Management
Feeding America	UMF Honey Association
Fonterra Co-operative Group	University of Wageningen
Food Safety Australia and New Zealand	US Department of Agriculture
Forest and Bird	Walmart
Friends of the Earth	Westpac
Golien	Whitstone Cheese
Greenlea Premier	WhiteWave
Halo Top	World Bank

This week's headlines

Apiculture	Australian honey challenge to NZ Mānuka [27 June/ Radio NZ]
Dairy	Whitstone doubles capacity to keep up [1 July/ Otago Daily Times]
Economics and trade	Canada's policies depress milk prices [29 June/ Radio NZ]
Agribusiness education	\$85 million for joint research facility at Lincoln University [29 June/ Stuff]
Farmers and producers	Treasury's Landcorp advice shows challenge for growth-minded firms with state owner [3 July/ National Business Review]

KPMG Blog

Nobody is sitting around waiting for New Zealand to deliver - platforms, proteins and confidence are shaping the Greater China food system

Last week was largely taken up by a trip through Hong Kong and Shanghai to attend a future food event, hosted by KPMG and HSBC, and meet with some of our clients in these cities. Every trip into Greater China opens your eyes to the scale of the market opportunity available to well-connected organisations, however my key bring home from this trip is that local entrepreneurs are not sitting around waiting for New Zealand food companies to deliver, they are sourcing, innovating and iterating as they seek to capture the value they consider to be available in premium food and beverage markets.

The increasingly important role that platforms are playing in creating successful businesses in Asia was highlighted on numerous occasions. Any customer that has the financial capacity to pay for premium agri-food products is never separated from their smart mobile device and they use it extensively. They are unlikely to visit a restaurant, make a menu selection or purchase a product without first engaging with the insight inherent on their platform(s) of choice. If your product is not on their platform it will not be in their line of sight. If it is not well rated there is no chance in a million years that they will take the risk and make a purchase.

Securing a footprint does not happen by chance, it needs investment and local expertise. It is also important to recognise that platforms such as Alibaba, Tencent and WeChat are not just networking or review sites as we know them, they have significantly deeper functionality including retail capability, payment systems and instant communications. Platforms are increasingly being designed to effortlessly merge an individual's physical and digital existence.

A trip into the basement of one of the KPMG offices in Hong Kong delivered a massive surprise. There was a high end grocery store selling Beyond Meat 'beef burgers', 'chicken strips' and other vegan delights to millennials wanting something different for lunch. The product ranging was ultra-premium and imported from around the world, with many of the brands that are defining the new food revolution being featured, but it was the Beyond Meat products that stood out, inviting customers to taste the future at only HK\$79 for a couple of frozen burgers. We have been suggesting for some time that alternative proteins are gaining traction, but their appearance in such an unexpected location suggests to me the future for these products is now. If you are not clear on what your product strategy is to ensure that you thrive in the new world it is probably time to resolve this or be prepared to watch as your traditional markets start to evaporate.

The food I ate made it clear that any form of protein can become a spectacular dish providing you have skilled chefs and an understanding of flavour - Shanghai style chilli frog anybody? We talked about the role that insects will play in future diets in Asia with recognition that rapidly scaling production capability will see more sustainably produced protein being sourced from insects in coming years (highlighted by the recently announced ProTix investment, which will see the development of the world's largest insect farm).

Economic necessity has required there to be significantly less squeamishness about what constitutes food in Asia than the closed menu choices we have historically been prepared to accept in the west. One of the most consistently praised restaurants in the world in recent years, Noma from Copenhagen, has built its reputation on challenging people's assumptions around what constitutes food. It is time to start acknowledging the diversity the global food system requires to eliminate under-nutrition and think about how we can positively contribute differentiated products to global consumers - braised weta anybody?

A further observation was how little trust currently exists in food supply chains in Asia. Blockchain will be part of the answer here but it is only a platform on which activities and information can be documented, it does not create trust in itself. Some consumers will only trust their food when they have control, this will create niche opportunities for personalised farming systems (the most extreme example I heard was for an LED controlled farming system for the front room enabling the consumer to grow their own organic vegetables and harvest them fresh when they want to eat). While such a system fully integrates the producer and consumer of food, the reality for the industry is that trust will only be built through greater connection between the consumer and the producer; the key participants in the value web. Making the effort to connect producers to consumers is the only choice if you seek premium prices from discerning consumers.

Conversations were wide ranging; it was as interesting to understand what people are interested in about the New Zealand system (for instance, if live animal exports for slaughter are ever likely to resume) as what is happening in their world. It all shapes a picture about how they believe value will be realised in their part of the global food system. To be successful, it is critical that our organisations are as focused on sourcing, innovating and iterating as the domestic companies in the market; this can only be done effectively by investing in boots on the ground and getting more resource into market on a largely full time basis.

Ian Proudfoot
Global Head of Agribusiness

Horticulture

Global domination predicted for Rockit [4 July/ NZ Herald] Rockit Global Chairman John Loughlin said Rockit apples could become a staple snack worldwide. Rockit received ExportNZ Hawke's Bay's ASB Exporter of the Year and won the Napier Port Industry Trail Blazer Award. Mr Loughlin said Rockit's ambition was to make their apples as successful as New Zealand's gold kiwifruit and noted that investors contributed "enormously" with strategy, marketing, growing and the intellectual property aspects of the business, Mr Loughlin also noted the rest of the team's work across the value chain.

Apiculture

Comvita says manuka at low risk from myrtle rust [29 June/ Stuff] Comvita has said Myrtle rust does not pose a large risk to the multi-million dollar mānuka honey industry and was reassured by the way the disease had not damaged equivalent plants in Australia, especially in Tasmania. In 2016, the honey industry made \$315 million in exports, mostly from mānuka. The industry has set a \$1.2 billion in exports target for mānuka honey by 2028. There are now 77 properties affected by the disease. Comvita is taking preventative measures against the rust spread such as educating beekeepers to recognise and report the rust, including educating beekeepers to recognise and report it; inspecting Comvita nursery stock destined for extensive plantings; treating plants before they leave nurseries; investing in mobile hive units so hives can be moved and relocated should myrtle rust be detected. Comvita is also researching ways to make plants in its plant breeding programme resistant to the rust.

Australian honey challenge to NZ Mānuka [27 June/ Radio NZ] Australian scientists have developed a process for authenticating a West Australian honey from the state's jarrah and marri trees as having medicinal properties to rival mānuka. The scientists said their Western Australian honey has higher levels of antimicrobial activity than New Zealand Mānuka honey, and they plan to put it on the market after certification. UMF Honey Association's John Rawcliffe said their science was misleading and could be damaging for New Zealand's market. Mr Rawcliffe said the scientists define antimicrobial activity as total activity- a peroxide activity found in all honey, and believes that although the comparison is misleading, the uniqueness of Manuka will prevail. Mr Rawcliffe said Manuka has unique properties over and above the peroxide activity of honey.

Fishing

Scallop beds in Nelson and Marlborough closed for 2017-18 [29 June/ Stuff] The Government has closed the scallop fisheries in Golden Bay, Tasman Bay and the Marlborough Sounds for the 2017-18 season due to low shellfish levels, and will allow the stocks to recover. Primary Industries Minister Nathan Guy said surveys this year show the stocks have still not recovered significantly since the government closed parts of the fishery last season. Scientists would carry out research to understand why stocks were declining, and the Government has committed \$400,000 over two years for research into reseeding of scallops, re-establishment of shell reefs, changes to fishing gear and the role of disease.

Dairy

Fonterra takes supreme ExportNZ award [29 June/ Stuff] Fonterra has won the supreme award for the 2017 Air New Zealand Cargo ExportNZ Awards for Auckland and Waikato regions. Fonterra has seen a 20 percent growth annually and has returned strong margins which contribute to the value of the dairy industry and New Zealand. Fonterra also won the Westpac Exporter of the Year in the export revenue over \$25 million category. Regional Manager of ExportNZ Auckland, Waikato and Bay of Plenty Catherine Lye said the awards highlighted the diverse nature of exporting and the high calibre of talent and innovation that represents New Zealand on the world stage.

Whitestone doubles capacity to keep up [1 July/ Otago Daily Times] Whitestone Cheese is undergoing a major redevelopment to double its capacity and is celebrating its 30th anniversary since being founded in 1987. Chief Executive Simon Berry said focus was now on valuable growth and growth management by producing the highest quality product possible, and the state-of-the-art redevelopment would help with this. Mr Berry noted his frustration that legislative restrictions meant it could no longer ship wine with cheese orders to customers. The redevelopment is expected to officially open in October, and the purchase of a site next to its original location enabled the company to create 1100m² of floor space, including packing rooms, a maturation space and storage. Whitestone plans to focus on its key international markets and expanding exports to Europe.

Baby formula health risk claims quashed [2 July/ NZ Herald] Claims that nanoparticles in some infant formula products are potentially dangerous have been quashed by Food Safety Australia and New Zealand who reaffirmed there was no new evidence to suggest the products posed a risk to infant health and safety. Humans, including infants, had consumed nanoparticles throughout evolution without evidence of adverse health effects related to the materials' nanoscale size. Infant formula products sold in Australia and New Zealand must meet stringent requirements set out in the infant formula standard in the Food Standards Code. This news has come after Environmental group Friends of the Earth commissioned independent testing which found some infant formula contained nano-hydroxyapatite particles, which the group claimed could be harmful to babies.

Dairy leading environmental action, says independent review [4 July/ Stuff] Coutts J&R reviewed the impact on pre-farm gate productivity and profit of the Transforming the Dairy Value Chain Primary Growth Partnership (PGP) programme. The seven-year initiative is a \$170 million innovation programme led by commercial partners such as DairyNZ and Fonterra and partnered with the Ministry for Primary Industries. The programme allows for the creation of new dairy products, increasing on-farm productivity, reducing environmental impacts, and improving agricultural education. The review found there was strong evidence that the PGP programme has allowed the dairy industry to take a major lead in the implementation of significant national environmental practices, targets and regulations. Successful projects under the programme included the Nutrient Management Advisor Certification Programme which the review said filled a critical need in the industry and Sustainable Milk Plans.

Red meat

Blue Sky board reviewing options [30 June/ NZ Herald] Whether Blue Sky Meats' Gore plant will reopen this year is dependent on whether the beef processing plant can make a significant profit. The processing plant paused late last year because of low financial margins, and Blue Sky Meats Chief Executive Todd Grave said whether the plant would reopen any time soon was not discussed at their recent board meeting, but the board was evaluating the plant's financial situation monthly to determine its reopening.

First consignment of chilled meat for China flies out from Auckland [30 June/ Stuff] The first export consignments of chilled meat to China airfreighted this week. The consignment is part of a trial between New Zealand and China to assess market acceptance of chilled meat for six months before large-scale exports. Before this agreement, frozen meat only has been sent to China, which has built up to a trade worth \$1.14 billion for the year to the end of March. The average price for chilled lamb exports is \$11.70 per kilogramme compared to \$6.10 for frozen, and chilled beef is worth \$12.46 per kilogramme compared to \$6.45 for frozen. Greenlea and Alliance Group were the first two companies to send chilled meat to China in the trial. Primary Industries Minister Nathan Guy said the consignments highlighted a significant step towards ensuring permanent access for New Zealand chilled meat to China.

Military cameras help red meat [4 July/ Rural News Group] Cameras used by the military are helping the New Zealand red meat sector produce premium lamb products. AgResearch Chief Executive Tom Richardson said the technology has the potential to help farmers double their income. The camera looks through the surface structure of the meat, enabling scientists to study its molecular structure and observe things like the omega levels, fat levels, molecular bonding characteristics; characteristics that co-relate with eating quality. The cameras can relay this information to farmers, allowing them to adjust their genetics and management practices to suit the characteristics they like in the meat and enables premium payment.

Deer

Mid-2018 opening for Lorneville venison plant [29 June/ NZ Herald] Alliance Group's new \$15.2 million venison processing facility at Lorneville is expected to be operational in mid-2018. The facility is in a refurbished beef building and is funded with proceeds from selling Makarewa land. Alliance Chief Executive David Surveyor said a new plan included improved handling facilities, better configuration, increased slaughter board size, a wider boning room and a larger offal area.

International

Hampton Creek to enter clean meat market in 2018: 'We are building a multi-species, multi-product platform' [28 June/ Food Navigator] Hampton Creek, a company known for its work on plant-based proteins has revealed intentions to produce 'clean' or 'cultured' meat and plant-based meat and eggs in an effort to find kinder and sustainable alternatives to industrial animal farming. The company's first release product will likely be poultry; however, a longer-term plan involves producing products spanning the entire range of meat and seafood. The products are produced via a platform that allows the company to produce cells of different types such as muscle and fat in a bioreactor-based process, and are focussing on reducing costs and price below current meat prices.

Food Industry Leaders Take a Full-Systems Approach at Mixing Bowl Hub in Silicon Valley [28 June/ AgFunder News] Food tech and agtech start-ups, investors, non-profits, and other stakeholders met at the Mixing Bowl Hub in Silicon Valley to discuss how downstream consumer decisions affect upstream food decisions and the reverse. Walmart's venture arm Store No.8 Principal Katie Finnegan said Amazon's Whole Foods acquisition highlights that brick and mortar is not going anywhere, however, they will eventually act as "hubs" containing only products consumers like to purchase in person, with integrated technology. A theme that surfaced at the event was the war on tech talent, with businesses in locales with a high cost of living are having trouble finding and retaining enough workers. Rabobank's Kenneth Zuckerberg urged for more structure within food, ag, and technology to facilitate collaboration with different parts of the value chain. With the rise of big data, industry experts discussed technologies that are quantifying and automating the tomato industry. ImpactVision won MixingBowl Hub's Golden Blender Award, after presenting a hyperspectral photography product meant to decrease waste and increase transparency in the food system.

Nestle to focus on high-growth areas and buy back \$21B in stock [28 June/ Food Dive] Nestle plans to buy back about USD21 billion worth of its shares and focus its capital spending efforts on high-growth food and beverage categories such as coffee, pet care, infant nutrition and bottled water. The company's plans were hastened after Third Point hedge fund purchased 1.25 percent of the company's shares and issued a letter on changes Nestle should make to its business including improving margins, innovating its core business and selling noncore assets such as its 23 percent stake in L'Oréal. Nestle has said it will continue to change its portfolio in line with its strategy and growth objectives, and was open to strategic acquisitions including those targeting specific categories and geographies, providing good returns and increasing the company's leadership position. The buyback would mostly take place in 2019 and 2020.

Here's how Dow Chemical is selling GM crops to China [28 June/ CNBC] The Chinese government is attempting to build a Genetically Modified Organism (GMO) empire and promoting genetically modified (GM) food, however, safety issues have caused consumer resistance. Dow Chemical Asia Pacific President Peter Wong said using science and data; consumer education will mitigate Chinese concerns regarding GM food. Dow Chemical is working with the Chinese government to drive public education in the area and taking a holistic approach to the issue and is looking for a farm-to-fork total solution for food safety. Dow Chemical has also recently secured import approval from China for two new varieties of genetically modified crop.

Walmart calls for blockchain collaboration [29 June/ Fruit Net] Walmart urged the fresh produce sector to collaborate and build transparency into the supply chain by introducing a universal blockchain system. Walmart has been trialling a blockchain system created by IBM since October 2016 to test the benefits it can bring to the fresh produce sector. Walmart Vice President for Food Safety, Frank Yiannas, said a digitised system to track products from farm to fork was necessary to prevent food-borne illnesses, deter unethical supplier action and boost consumer trust. The company is convinced that blockchain doesn't add cost to the food system and will give companies the ability to react quickly to food safety scares, which will save the tens of billions spent by the industry in the US on food-borne disease. In 2.2 seconds and from a single receipt, companies can obtain information on the supplier, details on how and where produce was grown and who inspected it, a process that would normally take Walmart 18 hours.

Meet the new US entrepreneurs farming seaweed for food and fuel; As the world grows and the climate changes, there's been fresh interest in seaweed - and a new breed of farmers are exploring how best to harness the humble plant's benefits [29 June/ The Guardian] Michael Graham grows and sells seaweed to upscale restaurants in Monterey and the San Francisco Bay Area. Mr Graham is part of a growing group of entrepreneurs looking to build businesses around farming seaweed, an algae boasting great nutritional value, high-protein content and health benefits. These seaweed entrepreneurs are looking to create new business models, farming methods, technologies and designs that incorporate environmental sustainability and ocean biodiversity. A 2016 report from the World Bank estimates the annual global seaweed production could reach 500 million dry tonnes by 2050 if the market can increase its harvest 14 percent annually. Reaching this mark would directly create 50 million jobs, boost global food supply by 10 percent and replace 1.5 percent of fossil fuels.

Chobani takes on traditional yogurt [29 June/ Food Dive] Chobani, a company known for Greek-style yoghurts is now entering the traditional low-fat yogurt market. Chobani has launched a classic low-fat yogurt called Chobani Smooth made with all-natural non-GMO ingredients and boasted twice the amount of protein and 25 percent less sugar than competitive brands. The yogurt comes in two-packs, retailing for USD1.79 in six flavours. Chobani plans to leverage its current loyal customer-base, and Chobani Smooth's is targeting shoppers who prefer traditional yogurt over Greek-style. Chobani overtook General Mills' Yoplait, the segment's long-established leader, in 2016, to become the United States' largest brand.

The future of ice cream looks a lot like Halo Top [29 June/ CNBC] Halo Top's success grew in 2016 after a GQ writer wrote an article about eating nothing but the ice cream for ten days. The brand has become one of the most Instagram-ed frozen dessert products, with 28.8 million pints sold last year, generating USD132.4 million in sales. Halo Top's growth highlights consumers growing demand for healthy unique products from small brands, with one half-cup of Halo Top's vanilla ice cream being 60 calories. The ice cream industry is still profitable, with sales reaching USD6.6 billion in 2016, increasing 3.4 percent; however, sales of products that fit within the Food and Drug Administration's definition of healthy grew 85 percent last year.

Companies need to step in to help feed families hurt by budget cuts [30 June/ CNBC] 42 million people in the United States are not certain where their next meal will come from. Proposed budget cuts call for dramatic cuts to social programs that help the most vulnerable people in America. For example, potential cuts of USD193 billion to SNAP (food stamps) could devastate millions of Americans who depend on federal support to eat. Starbucks and other businesses are partnering with Feeding America and its nationwide network of food banks and food rescue organisations, including City Harvest to create programs like FoodShare. FoodShare has a set goal to eradicate food waste by rescuing 100 percent of available-to-donate food from their United States stores to give to needy Americans.

Silkworm flour: Where sustainable food meets fashion [3 July/ Food Navigator] Italbugs plans to market a high-protein flour derived from silkworms, that is suitable for use in sports nutrition and bakery products. The silkworm material comes from mulberry silk larvae. Founder and Italbugs CEO, Marco Ceriani, said the revival of silk manufacturing in Italy represented an opportunity to develop a food ingredient that combines protein from insect sources and valorisation of industrial waste. Silkworm powder is 80 percent protein with essential and branch chain amino acids and is low in carbohydrates, fat and sugar. Mr Ceriani said Italbugs works with new techniques similar to nouvelle cuisine to maintain the nutritional value and good taste such as preparation at high pressure and low temperature, and the application of nitrogen and CO₂. Italbugs collaborates with the University of Wageningen, which is currently researching insect protein. Mr Ceriani believes insects will be a common food within five years, and the 2018 legislation requiring all foods from insects to go through a pre-market approval process will provide a level playing field.

France's Danone to sell Stonyfield to Lactalis for \$875 million [3 July/ Reuters] Danone has agreed to sell its United States dairy company Stonyfield to Lactalis for USD875 million, to answer competition concerns due to its acquisition of US organic food group WhiteWave. Danone said Stonyfield had USD370 million in turnover in 2016, and the sale price is reasonable in respect to this. The deal is expected to be completed in the third quarter.

Proposal to allow lime imports leaves a sour taste for growers [3 July/ ABC News] The Australian Federal Department of Agriculture's draft report for the review of biosecurity import requirements for Limes from the Cook Islands, Niue, Samoa, Tonga and Vanuatu proposes that imports be permitted. There are fears that this may jeopardise the Australian lime industry. Queensland Tahitian lime grower Karen Muccignat said such a move would compromise the local lime industry through the threat of pests and an over-supplied market. Ms Muccignat said her main concern was biosecurity threat of imported limes; however, the Department of Agriculture have said risk management measures have been proposed such as an inspection of each consignment by the exporting country as well as an inspection upon arrival in Australia.

China and US celebrate reopening of beef market [3 July/ Global Meat News] After a 14-year hiatus, US beef is again being exported to China. This marks the first return of US beef to China since a 2003 case of Bovine spongiform encephalopathy. US Department of Agriculture Secretary Sonny Perdue was the highest-ranking official at an event in Beijing, China marking the reopening of the beef market. Mr Perdue assured Chinese officials and trade representatives at the event that the US respected the Chinese market, and assured the US products are safe, wholesome and delicious. National Cattlemen's Beef Association President Craig Uden said that regaining the Chinese market was a giant step forward, however, noted the amount of work left to do regarding negotiating a bilateral trade agreement with Japan, and ensuring that the renegotiation of NAFTA doesn't unsettle any existing consumer relationships. China is one of the largest beef importers globally with spending increasing from USD275m in 2012 to USD2.5bn in 2016.

Poodles Craving Gourmet Meals Spur 200% Jump in Seafood Company [4 July/ Bloomberg] Asian Seafoods Coldstorage Pcl says premium pet food is booming, contributing to a 204 percent jump in the company's shares this year. Revenue was on course to reach 14.5 billion baht in 2020 from 9.2 billion baht last year. Chief Financial Officer Hendrikus van Westendorp said the pet food business would continue to be the company's main growth driver, and plans to target 4 billion baht of pet food sales in 2020, up 150 percent from 2016. The company provides pet food for brands such as US company Rachael Ray Nutrish, U.K. company Applaws and Aixia in Japan. Exports make up around 62 percent of the firm's sales.

Economics and Trade

China FTA talks set to resume [28 June/ Rural News Group] Free Trade Agreement (FTA) negotiations with China will resume in 2 weeks, and New Zealand looks to progress discussion on the elimination of tariffs on dairy exports into China. New Zealand's lead Negotiator Brad Burgess said safeguards on dairy expire under the current FTA in 2022 and 2024, and all dairy products into China will be tariff-free by 2025. Mr Burgess added focus is on action to improve the tariff situation before then. New Zealand had many initiatives with China, including an agricultural growth partnership, but Mr Burgess plans to look at what further cooperation might be appropriate regarding the FTA upgrade. Since the existing FTA with China in 2008, trade with China has tripled, and China is now New Zealand's largest goods export market. The Ministry of Foreign Affairs and Trade sees agreement upgrade opportunities including to grow two-way trade for all products to \$30 billion by 2020 from \$23 billion to June 2016. The negotiations have two objectives: first, to reduce trade barriers in China and secondly to modernise the agreement to reflect developments in regulations, trade policies and technology.

Canada's policies depress milk prices [29 June/ Radio NZ] Ten global dairy organisations including The Dairy Companies Association of New Zealand (DCANZ) and dairy industry leaders from Argentina, Australia, EU, Mexico and the US, are urging Canada to remove milk policies they say are depressing milk prices. DCANZ said Canada's 'Special Milk Class 7' policies implemented in February 2017 were facilitating the unfair export of highly subsidised Canadian dairy products onto global dairy markets, and are also increasing Canada's barriers to dairy imports. DCANZ has co-signed a letter asking their respective trade ministries to pursue all available avenues to stop Canada's harmful dairy policies. Canadian exports of skim milk powder have increased by 275 percent between January and April 2017, which is concerning to a range of dairy exporters due to its potential to distort the international dairy market and depress prices.

Doors open for eight-nation, trans-Pacific free-trade deal [3 July/ National Business Review] A new trans-Pacific free trade bloc is emerging after the South American-based Pacific Alliance admitted Singapore, Australia, New Zealand and Canada as associate members. The Pacific Alliance bloc comprises Mexico, Peru, Chile and Colombia, and is grouping fast growing like-minded economies committed to the liberalisation of trade. All countries except Colombia are also members of the Trans-Pacific Partnership, and Trade Minister Todd McClay said between them they are equivalent to the world's sixth largest economy with more than 221 million consumers and a combined GDP of USD3.85 trillion. A New Zealand government briefing paper said a free-trade agreement would make it easier for New Zealand companies to do business with Alliance countries and has a long-term potential to open business with other Latin American nations. Federated Farmers has welcomed the start of free-trade negotiations, saying the potential for dairy trade with Mexico is particularly significant.

Agribusiness Education

\$85 million for joint research facility at Lincoln University [29 June/ Stuff] The future of a \$206 million research facility at Lincoln University has been secured with an \$85 million Government grant. Tertiary Education, Skills and Employment Minister Paul Goldsmith said the contribution would boost primary sector education and the university's post-earthquake recovery. The 27,000-square metre facility will be the largest land-based sciences research centre in the southern hemisphere, home to up to 900 scientists, and would improve innovation and the applicability and speed of technology transfer to industry. AgResearch Chief Executive Tom Richardson said the new joint facility demonstrates a commitment to delivering to a new standard for the land-based industries crucial to New Zealand. The facility is scheduled for completion in 2019.

Farmers and producers

Put the trust back in farming, new Fed Farmers president says [1 July/ National Business Review] The first Federated Farmers female President, Katie Milne, said regaining New Zealand's trust in farming is an objective of her leadership. Ms Milne said this would involve relating the farming message to farmers and farming to the New Zealand public in a more grounded way to connect better with the public. Ms Milne believes social media is key to building trust with New Zealand citizens again. Farmers are increasingly scrutinised by environmental lobby groups over concerns about the negative impact of dairy intensification, particularly on waterways. Ms Milne says farmers are doing more on the sustainable front than people realise but it is important that farmers championing environmental change in each catchment to tell their stories. Ms Milne also noted continued and extended agricultural product trade access, ensuring young people to come on the land, and water use for irrigation debates are some of the other key issues facing farmers.

Oxford dairy farm sold to overseas interests for \$18.2m [2 July/ Stuff] Craigmores Dairy II LP, part of the wider Craigmores Farming Group, has purchased a dairy farm at Oxford for \$18.2 million. The investment by Craigmores Dairy II LP may lead to increased milk production and milk product export receipts, as well as increased efficiency productivity, job creation and expenditure on various development projects. The shareholders in the farm purchase include the European Organisation for Nuclear Research, Aurum Agrar GmbH of Germany, Stefan Jentzsch, UK, Golien from Hong Kong.

Treasury's Landcorp advice shows challenge for growth-minded firms with state owner [3 July/ National Business Review] Official Information Act papers show state-owned enterprise (SOE) Landcorp Farming wants to reinvest cash to grow despite the Treasury's advice to return it to the government as dividends. SOE's are expected to operate as profitable and efficient businesses, however, Treasury said the government has other uses for its money than investing in SOEs. Treasury added the government has many capital investment demands, most being a higher priority than reinvestment in commercially focussed businesses, and expect Landcorp to be conscious of the environment they are operating in, and how their capital decisions impact it. Treasury officials said they had many discussions with Landcorp's Management and Chair Traci Houppapa about the dividend policy, but the company had been unwilling to amend it. Landcorp later amended its dividend policy to force the board to consider whether investments should be prioritised over shareholders' preference for dividends. Landcorp hasn't paid a dividend to the Crown for the past two years.

Food Safety

Food safety lawyer: 'I wouldn't touch a medium-rare hamburger' [29 June/ NZ Herald] Ministry for Primary Industries pulled back on its new regulations effectively banning medium-rare meat from restaurants, and has called on chefs to prove to food inspectors they were cooking their menu safely instead. Leading US food safety Lawyer Bill Marler spoke to New Zealand Focus and said the government should not have abandoned its food safety regulation, as such regulations proved successful in the United States. Mr Marler believes New Zealand is behind on the times and doesn't understand how deadly undercooked meat can be.

Environment and Emissions

Forest and Bird warns ECan, community to cut down on cattle numbers in South Canterbury [3 July/ Stuff] Forest and Bird claimed to the Orari Temuka Opihi Pareora (OTOP) zone committee that South Canterbury is facing a biodiversity crisis due to the effects of intensive farming and irrigation. Forest and Bird wrote to the committee in March with specific complaints such as the impact high country conversions from tussock grass to pasture were having on the environment. The zone committee, comprised of Environment Canterbury representatives, people from the community, local iwi, the Timaru District Council, Waimate District Council and the Mackenzie District Council, is attempting to find practical, economic and environmentally-friendly water solutions for the area. The OTOP committee is expected to come back to the public with draft recommendations in October. An OTOP committee meeting earlier this year meant almost \$100,000 was donated to schemes such as wetland restoration projects on private property.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 5 July 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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