



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

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AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network

12 July 2017

Organisations referenced in this week's Field Notes include:

| | |
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| AgriCool | Massey University |
| AgriKidsNZ | Mi Pueblo |
| ASB | Ministry for Primary Industries |
| Avril | Monsanto |
| Bargain Box | My Food Bag |
| Beef + Lamb New Zealand | New Zealand Dairy Companies Review |
| Cardenas Markets | New Zealand First |
| Cardenas Markets LLC | New Zealand King Salmon |
| Cervena Venison | New Zealand Labour Party |
| Charities Service | NZ Institute of Economic Research Inc |
| CoolFarm | Office of Environmental Health Hazard Assessment |
| DairyNZ | Organisation for Economic Co-operation and Development |
| Deer Industry NZ | Rabobank |
| Department of Conservation | Sanford Limited |
| Duke University | Seafood NZ |
| En'Zaq Aquaculture Ltd (ENZAQ) | Sealord |
| Exsilio | Shanghai Maling |
| Federated Farmers | Silver Fern Farms |
| FMG | Soil & Health Association |
| Fonterra | Tatua Co-operative Dairy Company (Tatua) |
| Food Standards Australia New Zealand | Te Puni Kokiri |
| FoodBox | TeenAg |
| Foodstuffs | The Brewers Association |
| Foundation for Arable Research | The Vegetarian Butcher |
| Givaudan | Trinity Lands |
| Good Food Institute | Unilever |
| Green Party of Aotearoa New Zealand | University of Canterbury |
| HealthFocus International | Unox |
| Ingredient | Vancouver Island University |
| International Agency for Research on Cancer | Wageningen University |
| JR Simplot | Westland |
| KKR & Co. L.P. | Westpac |
| KPMG | WOOP |
| Land O'Lakes | Zespri |
| Mainfreight Limited | ZÜPA NOMA |
| Maori Kiwifruit Growers Forum | |

This week's headlines

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|-----------------------|--|
| Horticulture | Big kiwifruit growth plans for Maori [7 July/ Rural News Group] |
| Red Meat | Alternative proteins a risk to New Zealand meat sector [6 July/ Global Meat News] |
| Farmers and Producers | Farmers' social licence fast expiring – warning [4 July/ Rural News] |
| Agri-Food Strategy | Foodstuffs challenging My Food Bag by offering meal kits [6 July/ NZ Herald] |
| Biotechnology | US company applies to bring GM potato products into New Zealand [6 July/ Stuff] |

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

Mainfreight banned from hiring migrant workers [6 July/ NZ Herald] Immigration Minister Michael Woodhouse said Mainfreight Limited is one of 53 employers stood down from recruiting migrant workers since new measures came into force under the Employment Relations Act 2000. Mainfreight is unable to hire migrant workers from April 28 until October 28 this year. Mainfreight Limited was restricted from recruiting migrant labour after being issued a \$3000 infringement notice after failing to provide employment agreements to three employees. Woodhouse said the 53 employers captured by the April change only included four employers in the horticulture and viticulture industries.

Big kiwifruit growth plans for Maori [7 July/ Rural News Group] Maori Kiwifruit Growers Forum Chairman Tiaki Hunia said there is an ambitious goal to increase the percentage of total kiwifruit production coming from Maori kiwifruit orchards from 8 percent to 20 percent. Mr Hunia said this growth could come from new developments or mergers or acquisitions. Mr Hunia noted a large proportion of Maori land is leased to outside investors, and the forum is considering ways to help landowners prepare for when those arrangements end, such as upskilling and helping landowners be ready to take over and manage the orchards. The forum- a partnership between Maori kiwifruit growers, Te Puni Kokiri and Zespri- has been created to advocate for the interests of Maori growers in the sector. The core of the forum was in the Kiwifruit Industry Strategy Project which recognised the needs of the growing Maori interest in the sector.

Apiculture

Manuka honey definition timeframe extended [7 July/ Rural News Group] The Ministry for Primary Industries (MPI) has extended time to review submissions to its consultation on the definition of Manuka honey. The number and complexity of submissions have caused the Ministry to add six to eight weeks into the process to ensure all feedback is thoroughly reviewed. The Government has released a scientific definition for manuka honey to safeguard the authenticity of the products that New Zealand exports. MPI Director Systems Audit, Assurance and Monitoring Allan Kinsella said they had received an abundance of helpful feedback from beekeepers and honey producers and the public. Mr Kinsella said 120 formal submissions were received, with many detailed and technical due to the scientific nature of the proposals, and the Ministry will thoroughly review them. Mr Kinsella added the process is too important to rush as NZ's reputation for honey production and export rests on product integrity and the system credibility.

Fishing and Aquaculture

Seafood NZ puts reputation on the line in new sustainability campaign [4 July/ Stuff] In a new media campaign, a series of television ads showed New Zealand's seafood industry publicly promising to protect the environment and secure long-term sustainable fisheries. The series aimed to tell the stories people throughout the country employed in catching, harvesting and processing seafood. New Zealand's main seafood companies such as Seafood NZ and Sealord have collaborated to promote the television and web-based campaign, while at the same time committing to a code of conduct that backs the promise. The code of conduct includes six main pledges to minimise illegal behaviour and impacts on the marine environment while working with the Government and other parties to ensure sustainable use of fisheries resources. The code of conduct further pledged further investment in science and innovation, fair treatment of those within the industry and support increased transparency.

King Salmon censured over bacteria in fish [6 July/ Radio NZ] As part of a Ministry for Primary Industries (MPI) report into high salmon death rates at a King Salmon Marlborough Sounds farm, the company has been censured for lax biosecurity controls after two bacteria were found in its fish. MPI placed biosecurity controls on King Salmon. Chief Executive Grant Rosewarne said the bacteria occurred naturally and there was no sign its fish were a carrier of disease. Mr Rosewarne added the issue was that farms did not have enough space to ensure salmon were healthy and stress-free, as stress causes salmon to be susceptible to many common bacteria. Mr Rosewarne believes King Salmon doesn't have space for world-class biosecurity, and an MPI investigation showed several MPI biosecurity management plan breaches and that the company failed to follow best practice for preventing the spread of disease. The latest MPI report said the company ignored MPI's controls and continued to turn possibly infected fish into burley for sale in the North Island.

Bluff oysters look to be clear from parasite [10 July/ NZ Herald] The Ministry for Primary Industries has declared the *Bonamia ostreae* disease that hit oyster farms on Stewart Island was successfully contained, and no *Bonamia ostreae* had been detected in the Bluff wild oyster fishery following tests. The ministry sampled 11 Foveaux Strait locations and bonamia was not detected in any of the samples. MPI's Director of Readiness and Response Geoff Gwyn said the testing provides a 95 percent confidence that bonamia is not present. No bonamia was found in farms and a hatchery in Horseshoe Bay, a hatchery in Bluff harbour and in Bluff harbour itself also. MPI said it would continue with the removal of farmed oysters in Big Glory Bay, and the Marlborough Sounds, as planned.

Sanford purchases Marlborough mussel firm [10 July/ Stuff] The Sanford purchase of Blenheim-based nutraceuticals company ENZAQ is being celebrated as a Win-Win for Marlborough and New Zealand's greenshell mussel industry. ENZAQ manufactures and exports a mussel powder used in health and veterinary products. Scientists are researching the anti-inflammatory properties in Greenshell mussel and their role in reducing joint pain. ENZAQ General Manager Peter Clement said Sanford's purchase was necessary for future expansion and ensuring its long-term Greenshell mussel supply. Mr Clement said ENZAQ would remain a separate operation within the company instead of being absorbed completely. Sanford's General Manager Innovation Andrew Stanley said ENZAQ's unique process of making mussel powder that appealed to Sanford.

Dairy

Richie McCaw and Theo Spierings talk about leadership and life lessons [3 July/ Fonterra YouTube Channel] In 2011 Fonterra CEO, Theo Spierings invited Richie McCaw to partner with Fonterra. Mr McCaw and Mr Spierings spent some time with aspiring leaders to talk about leadership, life's tough lessons and eliminating noise from outsiders. Mr McCaw said his worst period as an All Black was when the All Blacks lost in the 2007 Rugby World Cup final. However, Mr McCaw acknowledged that this loss enabled their 2011 and 2015 Rugby World Cup wins. Mr McCaw said All Blacks are exposed to pressure from outside noise, particularly from the media, and it is necessary to eliminate this by listening to noise from the right people to ensure individual and team strength.

WMP lift against auction trend [6 July/ Otago Daily Times] In this week's GlobalDairyTrade auction, whole milk powder increased 2.6 percent, against an overall 0.4 percent decline. This went against futures prices before the auction, predicting whole milk prices to decrease 2 percent. The WMP increase cancelled out the previous auction's 3.3 percent drop and ASB Senior Rural Economist Nathan Penny said this trend was expected to continue until at least Spring. Fonterra set its new season production growth forecast at 3 percent; however, ASB was expecting production growth of 4 percent. The New Zealand Dairy Companies Review said Fonterra's market share had decreased steadily since its 2002 establishment, to its current 84 percent, while Westland and Tatua's market share remained at 4 percent and new processors had grown to a 12 percent share. Westpac Acting Chief Economist Michael Gordon said global dairy demand continued to grow and stockpiles of milk powder remained substantial, especially in Europe.

Milk needs promotion [11 July/ Rural News Group] Nutritional Physiology Professor at Massey University Marlena Kruger has completed a study of the effects of milk on children in the Fonterra milk-for-schools programme, and those who do not. The milk drinkers had significantly better bone health than those who did not, causing Ms Kruger to say that milk and dairy products need ongoing promotion in New Zealand. Kruger says, drinking milk which supplies calcium, other minerals and protein is critical from birth to age five and later in adolescence to about 18 when a human has reached up to 80 percent of their adult skeleton.

Red meat

Lower beef supply keeps prices firm [4 July/ Otago Daily Times] Rabobank's beef quarterly report said decreased beef supply from Australia and New Zealand should hold United States import prices firm over the coming months, however, downward pressure on prices could be expected in the second half of the year as US domestic production increased. Strong global demand and tightening domestic supply through winter was expected to hold farm-gate prices at, or above, present levels for the rest of the 2016-17 season. The North and South Island bull price increased 4 and 6 percent to average \$5.60 and \$5.15/kg cwt respectively. Exports to China increased 28 percent by volume and 24 percent by value compared with the comparative 2016 period. Beef + Lamb New Zealand estimated export beef production for the 2016-17 season to be 607,000 tonnes, 1.8 percent down on 2015/16 due to a 3.7 percent export cattle slaughter number decrease. ASB's Commodities Weekly said beef prices would likely surpass \$6 per kg in spring.

Alternative proteins a risk to New Zealand meat sector [6 July/ Global Meat News] Beef + Lamb New Zealand has warned that alternative proteins may be a risk for the meat sector. A levy board is engaging in a project to help beef and sheep farmers identify threats and opportunities, and create ways to respond to them through better understanding technologies, business models and how quickly advancements are taking place that could impact the New Zealand red meat sector. Beef + Lamb Chief Executive Sam McIvor said alternative proteins, traditionally considered a premium product, could create a risk for the sector if the cost of alternative protein production decreases. The project will consider consumer opinions of alternative proteins such as their potential future choices and trade-offs. Beef + Lamb plans to approach organisations that deal with an alternative protein-focussed marketplace such as those operating in Silicon Valley and the Netherlands to better understand the category.

Lamb exports fall after Chinese buyers stockpile supplies [10 July/ NZ Herald] Chinese stockpiling in early 2017 meant strong volumes of New Zealand lamb exported through April did not flow into May. Total shipments for the month dropped 11 percent to 30,683 tonnes compared to the comparative 2016 month but only 2 percent lower than the five-year average. Frozen and chilled lamb total volumes decreased between 10 and 11 percent. Frozen product shipments to China, UK and the Middle East decreased 23, 11 and 19 percent on the year respectively. Chilled lamb exports into both the UK and the Middle East, decreased 35 and 26 percent respectively. June's Ramadan was a key reason for lack of Middle Eastern demand, and UK's drop is attributable to a domestic production increase. Lamb prices rising 26 percent to \$8.21/kg and favourable currency movements caused the second highest average export value for frozen lamb in May. The average value of chilled lamb was \$13.97/kg, up 17 percent on the year.

Silver Fern returns are better this year [10 July/ NZ Farmers Weekly] Silver Fern Farms Chief Executive Dean Hamilton said the company's trading performance was materially better than at the same time a year ago. SFF reported an operating loss of \$7.5 million in the year to the end of September 2016 due to sharp falls in in-market prices for both sheep meat and beef, lower and unseasonal stock flows and a strengthening currency. After a large portion of Shanghai Maling's \$261 million investment was used to clear term debt, interest costs are now in the low millions compared to 2015-16's \$14.8 million. Mr Hamilton said trading performance was healthier as farmers held on to stock to take advantage of a good grass growth season. Mr Hamilton said market prices were better this year also.

Deer

Venison hits sweet spot [5 July/ Rural News Group] Venison has reached a sweet spot of better prices, wider markets and reduced seasonality in prices. Venison prices increased in the last two years to an all-time June high of \$9/kg carcass weight for quality stags. Deer Industry NZ Chief Executive Dan Coup said a large decrease in deer numbers being processed has hugely helped to strengthen prices. The industry has strong export markets in two of the world's major currency zones now that the US is the single-largest market for venison. Mr Coup said confidence is high and people are growing their herds. DINZ Venison Marketing Manager Marianne Wilson said more chefs and consumers are making ethical purchasing decisions and appreciate that NZ venison is pasture-raised, grown naturally without hormones, in a clean, spacious environment. The Cervena venison marketing trial as part of the Passion2Profit programme is also adding to the industry's favourable position, as well as the rise of Paleo diets and European enthusiasm for barbeques.

International

What's driving consumer desire for plant-based foods? [5 July/ Food Dive] At the Institute of Food Technologists conference, panellists considered the driving factors of the plant-based consumer trend. The consensus among scientists, activists and industry executives was that the trend was due to a growing consumer interest in protein and clean eating. HealthFocus International General Manager Steven Walton said the movement goes beyond use of static consumer diet definitions like vegan, vegetarian and flexitarian to understand evolving consumer preference, and reveals a changing relationship between consumers and plants. Mr Walton added the trend is not meat versus plant and instead stems from a desire to incorporate more fruits and vegetables into daily diets. Good Food Institute Senior Scientist Christie Lagally sees a stronger connection between consumer avoidance of meat and the rise of plant-based foods and expects alternative protein demand to increase as researchers question the impact of meat on human health. Ms Lagally added that scaling up and manufacturing will be crucial for plant-based meats.

ZÜPA NOMA refreshes branding, teams with Whole30 to stand out in drinkable soup category [5 July/ Food Navigator] ZÜPA NOMA is considering creating its own niche by refreshing packaging to make its bottles stand out on store shelves and better showcase trend advertising such as organic and Whole30 certified. Vice President for Marketing Jen Berliner said drinkable soup is an emerging category, and as category recognition increases, many category players are willing to work together to grow the category and educate consumers. ZÜPA NOMA soups are made using whole vegetables, so they are packed with fibre and low in sugar. The Whole30 certification prominently features on the ZÜPA NOMA soup bottles that will be available online by July 6. The certification promises consumers that the product is incredibly clean, along with a prominent USDA organic certification seal. Ms Berliner said although the change in packaging is dramatic, they want consumers to still find and recognise the logo and the iconic vegetables associated with the brand.

Study: Seafood sustainability is the last thing shoppers care about [5 July/ Food Dive] A study by Vancouver Island University, and Duke University showed consumers care more about taste, price and texture and less about its sustainability. The study did not clearly define important terms, and factors higher on the list such as health and farming conditions could be more generally included in the definition of sustainability. This revelation does not mean the industry should relinquish sustainable practices, as one of the most important environmental concerns is overfishing, with up to 85 percent of wild fish being overharvested or depleted globally.

Modular farming puts down roots in the market [5 July/ Fruitnet] Growing demand for fresh food that can be locally sourced is fostering an urban farming trend involving modular systems designed to offer portable, local production globally. The idea involves a space-saving, self-contained production unit incorporating everything required to grow fruits or vegetables. Finnish group Exsilio and Portuguese firm CoolFarm hope to help meet demand for modular farming in cities, supermarkets and homes. Exsilio announced its search for restaurants and caterers interested in producing their own ingredients, offering them a new means of growing things like salads and herbs in renovated containers- EkoFarmer. CoolFarm has similar designs on the urban farming market and is launching its own in/store-branded units in Madeira, using 90 percent less water than traditional agricultural practices, with the goal of growing high-quality food for local hotels and restaurants. AgriCool has set a target of placing 75 container systems around Paris by the end of 2017.

Russia extends embargo of EU food products to end of 2018 [6 July/ Food Navigator] Russia has extended its embargo of agricultural goods from the European Union until the end of 2018. The European Union formally extended sanctions on Russia until 31 January 2018, restricting business with Russian energy, defence and financial sectors. Russia's response involved extending its embargo to 31 December 2018 on food and agricultural products, such as fresh fruit and vegetables, dairy and meat products, from EU countries, the USA, Australia and others. Russia expects the embargo, which has been in place since 2014, to remain in force until 2020.

Craft breweries fight big beer encroachment with new logo [6 July/ Food Dive] The Brewers Association, representing small and independent craft beer producers, introduced a seal to indicate beverages that are independently produced. The seal, an upside-down beer bottle featuring the words Certified Independent Craft, can be used freely by over 5,300 small and independent American craft breweries. The Brewers Association said a craft producer is defined as having an annual production of 6 million barrels of beer or less, and where 25 percent or less of the ownership comes from a non-craft entity. The association added has larger beer companies acquire craft brands, beer drinkers are finding it increasingly difficult to distinguish independent companies, and value transparency in brewery ownership. Over 1,000 craft breweries have adopted the seal.

Land O' Lakes Ingredients launches clean-label, organic cheese powders aimed at popcorn consumption [6 July/ Dairy Reporter] In response to consumer demand for natural, dye-free and colour-free dairy ingredients; Land O'Lakes launched a line of USDA Organic cheddar cheese powders at IFT in Las Vegas. The three organic white cheese powders contain different levels of cheese at corresponding price levels. Land O' Lakes Principal Scientist and R&D Applications Manager Susan Reed said the rigour necessary to achieve an organic certification means that organic products tend to command a premium price; however, the three cheese varieties with different flavour complexities provide an option to customers regardless of their budget. The company expects the increase in snacking, particularly popcorn consumption, to be a sales growth driver for the cheese powders.

Glyphosate joins Prop 65 list, but what does this mean for packaged food manufacturers? [7 July/ Food Navigator] Glyphosate, the active ingredient in Monsanto's herbicide RoundUp, will be included in California's Prop 65 list on 7 July. Prop 65 requires manufacturers selling products in California to give clear warnings if their products expose consumers to 800 or more chemicals linked to cancer or reproductive toxicity. The International Agency for Research on Cancer said glyphosate was likely carcinogenic to humans. This will mean warning labels will be required by July 2018. An Office of Environmental Health Hazard Assessment (OEHHA) Spokesman said the OEHHA has proposed 1100 micrograms as a safe harbour threshold for daily exposure and will make a final determination soon. Packaged food product that may have been sprayed with glyphosate and might contain trace levels of pesticide residue would likely fall below the safe harbour level, and the OEHHA is not expecting warnings for packaged food products.

Hispanic groceries Cardenas Markets and Mi Pueblo merge [10 July/ Food Dive] KKR announced it is combining Cardenas Markets and Mi Pueblo to become Cardenas Markets LLC. The resulting supermarket chain will be one of the largest Hispanic groceries in the United States. Each store brand will operate separately but managed under a single executive team led by CEO John Gomez. The launch will enable both businesses to maximise efficiencies, offer competitive pricing and invest in customer experiences to improve value and quality. The company has locations in California and Nevada, however, plans to establish new store offerings in key Hispanic markets over the next few years.

Economics and Trade

ExportNZ sounds warning over Labour, Greens, NZ First coalition government [7 July/ National Business Review] ExportNZ is concerned that New Zealand's trade landscape will deteriorate if New Zealand First, Labour and the Greens form a coalition government after the election. Ms Beard said uncertainty regarding NZ's trade future became apparent after Labour, Greens and NZ First opposed the Trans-Pacific Partnership deal. Labour has argued it is not anti-free trade agreements but was against provisions stating the government no right to control who buys New Zealand land. Ms Beard said free trade cannot occur without compromise, and being open to foreign direct investment is part of being an open trading economy. Ms Beard added a lack of trade deals competitively disadvantages NZ's exporters. The NZIER said the tradable sector accounts for 43 percent of New Zealand's GDP and over 750,000 jobs, and the OECD estimates further multilateral trade liberalisation would increase NZ's real GDP by \$18 billion over the long run.

Wool

Worst wool season since GFC ends [5 July/ NZ Herald] New Zealand finished its worst wool season since the global financial crisis due to Chinese preference moving to fine wool. Out of 420,378 bales auctioned, 311,698 were sold in the season ending June 30, giving an average clearance rate of 74 percent. The number of bales increased 1.1 percent compared to the previous season due to unsold bales being re-offered at auction, while the volume of bales sold dropped 15 percent. New Zealand is the world's largest exporter of crossbred wool, totalling 80 percent of the national clip and weak demand has dampened prices this season, causing farmers, brokers, merchants and exporters to stockpile between 150,000 to 200,000 bales in total in hopes the market will recover. The Ministry for Primary Industries forecasted that wool export revenue likely fell 28 percent to \$550 million in the year through June, with wool production and exports likely falling 5.3 percent and 16 percent respectively. The ministry noted the inventory stockpile would make it difficult for prices to rise quickly.

Farmers and producers

Farmers' social licence fast expiring – warning [4 July/ Rural News] Dairy Farmer, Businessman, former National Minister of Agriculture and former DairyNZ Chairman John Luxton said farmers' social license to operate was expiring as rules and regulations requiring farmers to improve farm systems were becoming more complex. Mr Luxton said the world is entering an industrial revolution with the emergence of new technologies and unprecedented advances and sees volatility driven by new science as well as pseudoscience, use of new media and social media by single-issue activist groups, and news media. Mr Luxton proposed four principles to respond to the changes. The first was farmers need to concentrate on systems rather than technologies. Secondly, farmers must empower society to understand the complexity of farming and encourage farm staff to master new technologies and break down negative viewpoints. Thirdly, there must be collaboration between all stakeholders to help integrate new transformative technologies to prioritise farming's future by design. Fourthly, dairying must focus on key values as a feature of new technology.

Young Farmer decider on this weekend [6 July/ NZ Herald] Grand Final of the FMG Young Farmer of the Year begun last Thursday at Massey University, with the seven grand finalists battling over three days to be named New Zealand's top Young Farmer. The finalists include Lisa Kendall from the Northern region, Richard French from the Waikato/Bay of Plenty, James Lawn from Taranaki/Manawatu, Hamish Best from the East Coast, Andrew Wiffen from Tasman, Arjan van't Klooster from Aorangi and Nigel Woodhead from Otago/Southland. The first Trans-Tasman Olympic Ag Battle with current FMG Young Farmer of the Year Athol New and Tasmanian Young Farmer of the Year Marty McConnon will also feature. The AgriKidsNZ and TeenAg Grand Finals will also take place.

Brethren charities worth \$300m under investigation [8 July/ NZ Herald] A network of Brethren-run registered charities, limited partnerships and companies centred on Waikato-based Trinity Lands face a Charities Service investigation following complaints that their tax-free status allows unfair competitive advantage, allowing accumulation of hundreds of millions of dollars of farmland. Trinity reported tax-free profits of \$21.6m between 2012 and 2016 that were distributed to its charitable shareholders, causes or directly donated. The remainder was reinvested. This reinvestment, combined with farmland value appreciation, saw the period's net assets increase from \$100m to \$174m. Trinity CEO Peter McBride said Trinity reinvesting half its profits was prudent commercial practice. Trust Lawyer Vicki Amundsen said Trinity's operations were legal but inequitable. The Government was called to review laws allowing charities to reinvest profits from commercial operations tax-free. Adjunct Fellow at the University of Canterbury Michael Gousmett noted a fundamental tax policy flaw and saw no intention of current legislation to allow charity tax exemption for unrelated commercial activities.

Young Farmer win 'still sinking in' [10 July/ NZ Herald] Sheep and beef farmer Nigel Woodhead was named Young Farmer of the Year after three days of intense competition spread across Palmerston North and Feilding. He won a prize worth almost \$100,000, including a 25hp tractor, a quad bike and \$15,000. Mr Woodhead said it is a dream come true and an unbelievable win considering the high standard of the other six finalists. Mr Woodhead added that a lot of what the Young Farmer of the Year grand final is about is problem-solving, and stepping outside of your comfort zone. Mr Woodhead holds a bachelor of agricultural science degree and worked at Midlands Seed in Ashburton for five years before renting his family's farm. The 400ha property held 3500 stock and strived to be among the top 10 percent of farms in New Zealand while looking after the environment.

Agri-Food Strategy

Foodstuffs challenging My Food Bag by offering meal kits [6 July/ NZ Herald] Since mid-February 2017 Foodstuffs has sold DIY dinner kits in response to the social trend of spontaneous dinner decisions and the rise of home-delivered meal solution kits. Foodstuffs Marketing General Manager Steve Bayliss said Just Cook It meal kits are prepared fresh in-store daily with pre-measured ingredients including meat or fish, vegetables, spices and sauces, with two new recipes per week with easy-to-follow recipe cards and start at \$22.99 for a two-person serving. Foodstuffs' Just Cook It meal kits are in competition with popular home-delivery business My Food Bag that holds an annual growth of 120 percent in weekly deliveries in New Zealand and Australia, as well as WOOP, FoodBox and Bargain Box.

Environment and Emissions

Fonterra announces ambition to restore 50 of New Zealand's freshwater catchments [6 July/ Fonterra Media Release] Fonterra CEO, Theo Spierings announced an ambition to restore 50 freshwater catchments, highlighting Fonterra's want to take a forefront role in improving New Zealand's waterways. Mr Spierings said Fonterra would work with local communities Government and key partners to develop a strategic framework for the programme and improve the quality of streams and rivers. In 2013, Fonterra launched its ten-year Living Water partnership with the Department of Conservation with the aim of achieving sustainable dairying in healthy freshwater ecosystems focussing on five catchments, and now Fonterra plans to amplify those results with the launch of a new initiative that will target 50 catchments.

Water

Government may change law after court rules against DOC land-swap [6 July/ Stuff] The Government is prepared to change the law to overturn a Supreme Court ruling that conservation land cannot be taken by developers. In a 3-2 decision, the Supreme Court ruled the Director-General of Conservation was not entitled to revoke the special conservation status of a section of Ruahine Forest Park reserved for the proposed Ruataniwha dam- a major irrigation scheme that environmental groups considered to set a wider precedent. The ruling upholds an earlier Court of Appeal decision that the Department of Conservation has no authority to revoke the conservation status of forest park land to be handed to the scheme and flooded by the lake. Conservation Minister Maggie Barry said the Supreme Court finding has far-reaching implications and the Government will now be considering the effects of that and changing the law to ensure improved conservation outcomes by enabling the ability to land swap where the outcome would be beneficial for conservation.

Biotechnology

US company applies to bring GM potato products into New Zealand [6 July/ Stuff] American Agribusiness company JR Simplot, has applied to Food Standards Australia New Zealand (FSANZ) to export six food lines derived from potatoes to New Zealand. FSANZ said the only food derived from the potato lines that could be imported includes processed foods like frozen par-cooked fries, potato crisps, potato starch and alcohol, but did not say which of these products the company wanted to export, nor the brand the products would be sold under. JR Simplot said US genetically modified potatoes were russet burbank, ranger russet and atlantic potatoes. The modifications mean they bruise less and produce less potentially cancer-causing acrylamide. The Soil & Health Association opposed the application due to concerns about the increasing number of GE foods approved for sale in New Zealand and the health effects of consuming them. Since 2000 FSANZ has approved every GE food line application, and there are now 71 GE food lines in New Zealand.

Agribusiness Agenda

Labour backs new agri food advisor [6 July/ Rural News Group] Labour, if elected, plans to appoint a chief agri-food advisor with status similar to that of the present chief science advisor to government. KPMG's recent Agri Business Agenda proposed this idea; however, Labour Spokesman on Primary Industries Damien O'Connor said the proposal has always been a part of Labour's policy. Mr O'Connor added a primary sector council would form of people with strategic vision to directly advise the cabinet and provide over-arching leadership in the agri sector. Mr O'Connor said NZ still doesn't have a vision for agriculture, and this impedes farmer's messages on the big issues of GM, land use, water quality and soil management from getting through.

Biosecurity

Pest fence broken [10 July/ NZ Farmers Weekly] Ministry for Primary Industries Readiness and Response Director Geoff Gwyn said the country's biosecurity system would be unsustainable in five years, and this big challenge must be collectively addressed with effective leadership and governance. Mr Gwyn noted the biosecurity risk that tourism brings, and said transparency is the key to solving this. Foundation for Arable Research Chief Executive Nick Pyke said biosecurity readiness and response was a complex issue for the arable industry and stakeholders must collaborate with the Government Industry Agreement (GIA), adding that a GIA around biosecurity would work across the industry. An arable GIA has been postponed for over 18 months due to serious pest incursions. Mr Pyke said the industry is back on track to have an incorporated society established by September 2017 to deliver an interactive approach to prepare and respond to biosecurity with industry signatories and Government.

Wool

Winston Peters wants government departments to have wool carpets [10 July/ Stuff] NZ First is calling for wool carpets to be put back on the floors of government departments and state houses, with Party Leader Winston Peters believing the move would revitalise New Zealand's declining wool industry and make for better building. NZ First seek to use natural, renewable and sustainable wool and natural fibres, both as floor coverings and as a material of choice for insulation as it is naturally insulating, flame retardant, non-allergenic and it breathable. Mr Peters said government could help take the wool industry to the next level by specifying wool as a product of choice. Prime Minister Bill English is strongly opposed to the idea, as many industries would want a political boost and lacks commercial viability. Federated Farmers Meat and Fibre Chairperson Miles Anderson said the policy was terrific as the government should not be supporting synthetic industries more than their primary sector.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 12 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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