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**KPMG Agribusiness
Agenda 2017**

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Field Notes

Weekly news update from the KPMG Agribusiness network

19 July 2017

Organisations referenced in this week's Field Notes include:

AgResearch	Heartland Bank
Alliance Group	HelloFresh
Amazon	Horticulture New Zealand
Auror	Impossible Foods
Barry Callebaut	International Serum Industry Association
Beef + Lamb NZ	JD Farms
Beingmate Baby & Child Food	Kiwifruit Vine Health
Bevi	Lactalis
Blue Apron	Land O'Lakes
Copa & Cogeca	Marley Spoon
Countdown	Ministry for Primary Industries
CropLogic	My Food Bag
CSIRO	Nestlé
Dairy Farmers of America	New Zealand Kiwifruit Growers Incorporated
Dairy Trust Taranaki	Olive Growers' Association
Dangote Group	OnFarmSafety New Zealand
Danone	Oritain
Delegat Group	Plant and Food Research
Department of Conservation	Plantech
Employment New Zealand	Rabobank
Environmental Protection Authority	Real Estate Institute of New Zealand
European Food Information Council	Rebbl
European Union	Ripple
ExportNZ	Sealord
Federated Farmers	Silver Fern Farms
Fonterra Cooperative Group	StockX
Forsyth Barr	Stonyfield
FrieslandCampina	Talley's
GE Healthcare	The Jackfruit Company
Haloodies	Worksafe New Zealand

This week's headlines

Horticulture	Lost vege plots [18 July/Rural News Group]
Fishing	Commercial fishers to phase in digital monitoring from October [13 July/ NZ Herald]
International	CropLogic issues prospectus for \$8m ASX IPO [14 July/ National Business Review]
Health and safety	Still too many quad bike fatalities, safety expert says [17 July/ Stuff]
Research and development	New \$8.4m horticultural research institute for Tauranga [14 July/ NZ Herald]

KPMG Agribusiness Agenda 2017, The Recipe for Action**Alternative proteins will shape the food system but don't expect every great idea to come from the Valley**

Being in Silicon Valley provided a perfect opportunity to gain greater understanding of developments in alternative proteins sector. The evening I arrived at the Te Hono Bootcamp at Stanford, the team I joined had been testing hemp milk and during the next few days I found Palo Alto is to alternative milks, what Napa is to wine. I believe that emerging forms of plant or cultured meat, egg and dairy products, together with entirely new segments of plant centred nutrition will become a significant component of the global food system. I have also believed that the entrepreneurs and innovators in the Valley would take a lead in shaping the future of the alternative protein sector.

There were milks that come from a wide variety of plants available in Palo Alto; not just hemp but pea (Ripple's chocolate milk was as good as any organically produced, traditional cow dairy chocolate milk I have tasted) and coconut (including Rebb'l's Turmeric Lemon Tart elixir, which delivered a unique experience to the palate) amongst others. My observation was that most of the products I was able to experience were products that we had heard, written and talked about over the last few years.

I had been expecting to find the next generation of plant based food solutions, alternative nutrition 3.0 if you like, but there was no evidence of a major step change in the Valley at the current time.

Despite the money being directed towards the food and agriculture sector, it remains only a small cog within the innovation ecosystem in Silicon Valley, the big money and the best returns are still available in sectors like digital technologies and communications. If you break down where the funding has been directed in agri-food sector, much of it has gone towards e-commerce and delivery solutions, with alternative foods, biotechnology, precision agriculture and Internet of Things solutions all receiving lower levels of investment.

There is definitely money going into alternative protein but I believe don't believe that those funds are sufficient to mean that every game changer is going to come out of Silicon Valley; there remains scope for other innovators around the world to bring impactful solutions to consumers. Many of the alternative protein products currently in the market are targeted at the premium consumers; the committed vegan or lifestyle of health and sustainability types ('LOHAS'), those with money and the ability to make good choices about what they eat. This demographic likes the clean food story that sits behind these products; the reduced environmental impact, the elimination of animal welfare issues, the ability to deliver consistent quality and safety.

As demand for animal based proteins continues to grow globally, largely driven by growing wealth in emerging markets, there appears little chance that current agricultural practices will be able to satisfy demand, particularly amongst consumers that are just securing sufficient wealth to start to be able to make choices about what they eat. The future of alternative proteins to me are not the consumers innovators are currently targeting.

While there will remain markets for the high end products that are currently the focus of alternative protein sector, there is a mainstream future for the sector at significantly lower price points. Alternative protein solutions will, as a result of economic and environmental pressures, undoubtedly substitute the lowest value uses of animal protein, either entirely or through the introduction of blended products. For instance, I would not be surprised to see burgers in mainstream restaurant chains being a blend of processing beef and plant based protein in the not too distant future to keep costs down and improve environmental footprints.

I expect to see a series of transactions over the next few years where the leading alternative products are acquired by larger food companies and their solutions evolved to make them accessible to a wider customer base. We have already seen some moves in this direction, the most significant being Danone's purchase of Whitewave Foods but the investment by Tyson Foods into Beyond Meat is also an example of what we are likely to see occurring.

There is though one issue that could have a material impact on how the sector evolves and that is how consumers over time will view genetically modified solutions. The uncertainty around the issue was brought home in one of our sessions at Stanford, when there was much confusion as to GM status of the Impossible Foods burger (according to the FAQ's on Impossible Foods website, they are very clear that it contains a key ingredient, heme, with a GM element).

The open presence of this ingredient has not constrained the excitement about the Impossible Foods burger. I believe this reflects how consumers are thinking about biotechnology; if it creates a more sustainable, more ethical, tastier product and a better experience, providing it is safe consumers will be prepared to queue and pay premiums for the product.

I look forward to discovering innovative new foods as I get the opportunity to travel around the world. Silicon Valley will continue to bring innovation to consumers but will not have the same dominance in this sector as it does in other segments of the global economy. It is my belief that alternative protein sector is one where the true spirit of the Valley, the committed entrepreneur starting up in a garage with a desire to change the world (or maybe a hired kitchen in this case), still has the opportunity to reshape how the whole world eats.

The first of Ian's Stanford blogs on the opportunities for wellness in the food system is already available on the KPMG Field Notes App

Horticulture

The story of fresh fruit and vegetables – from the seed to your plate [13 July/ Horticulture NZ Press Release] A video by Horticulture New Zealand was released showing the story of New Zealand's fresh fruit and vegetables, from the seed through to food on a plate. Hort NZ Chief Executive Mike Chapman said New Zealand's fresh fruit and vegetables tell a story of successful, inter-generational family businesses providing good, healthy food using sustainable, environmentally sound production practices. Mr Chapman noted the trends that had prompted the creation of the video such as New Zealand's urban populations being disconnected with rural communities creating a lack of horticultural understanding. Trends also indicate a strong consumer desire to buy locally-grown food and understand the process of producing that food. Consumers are increasingly demanding sustainable, environmentally friendly and ethical food production practices, as well as a healthy diet. Mr Chapman also noted the global demand for New Zealand produce due to its strong reputation.

Bledisloe Cup for kiwifruit grower [14 July/ Rural News Group] Kiwifruit industry leader Peter Ombler received horticulture's premier award, the Bledisloe Cup. Hort NZ President Julian Raine said Mr Ombler is an exceptional grower who has been involved in the kiwifruit industry for 36 years and took a lead role on critical issues, like Psa, for the benefit of all kiwifruit growers. Mr Ombler applied his orchard knowledge to the search for solutions during the 2010 discovery of Psa in Te Puke and was a Foundation Member and Second Chairman of Kiwifruit Vine Health to address the Psa outbreak. Mr Ombler, as President of New Zealand Kiwifruit Growers Incorporated, was in central to retaining the kiwifruit industry's single desk status. Dr Bruce Campbell from Plant and Food Research was awarded the industry's life time achievement award for his role in many of the scientific advances that have helped to propel the industries growth over the years.

NZ fruit & vegetable sector urged to watch consumer trends [17 July/ Rabobank Media Release] Rabobank's California-based Senior Fruit and Vegetable Analyst Dr Roland Fumasi said there is a great potential for New Zealand to increase fruit and vegetable produce sales; however, the industry must anticipate and respond to evolving consumer consumption patterns to maximise export opportunities. Dr Fumasi said the growing middle-class population in developing countries created greater global fruit and vegetable demand, with early 1990s global consumption increasing 175 kg per capita per year to over 250kg per capita per year more recently. The trend of rising fruit and vegetable consumption in developing nations is expected to continue, particularly in Asia. Dr Fumasi said New Zealand's reputation as a supplier of top quality produce meant it should look to target increased exports into developed markets where consumers could pay premium prices. Dr Fumasi said the New Zealand fruit and vegetable industry must preserve its brand equity and continue investment to maximise the returns from exported produce.

Sunless season dries up olive oil production [17 July/ Radio NZ] New Zealand's olive oil producers have had a tough production season, and some growers fruit volume and oil production is less than half of last year's. Wairarapa Olive Grower Andrew Priddle said there had been a lack of sunshine hours in summer and autumn, and the crops had matured three weeks later than usual. Mr Priddle added these late crops created more bird damage and coincided with a bad year for the trees. Mr Priddle said the Olive Growers' Association is funding a large research project analysing how to improve yields by using different pruning and spraying regimes.

Lost vege plots [18 July/Rural News Group] Horticulture NZ Chair Julian Raine said house building competing for productive land in urban areas might cause the end of some New Zealand horticultural production. Mr Raine said housing's competing for land means the country must work out what the design of our cities should be to allow for food production and housing as the two must coincide together. He added urban sprawl into productive areas around a town is problematic for future populations, and thus Hort NZ is raising the issue with the Ministry, the government and councils as more houses built on high-quality, productive soils mean less land for food production. Mr Raine said all our apples, kiwifruit, other fruit and vegetables are grown on a very small area, and concreting those areas will force the country to import produce and grow less causing the consumer to face higher prices.

Kiwifruit contractors shamed in damning report [18 July/ NZ Herald] A Labour Inspectorate investigation showed 53 percent of Bay of Plenty kiwifruit contractors had breached employment obligations, with one owing at least \$25,000 to workers. These firms failed to meet all minimum employment standards, such as providing employment agreements and paying the minimum wage at least. Inspectors audited 62 labour contracting companies and interviewed 687 employees during the operation, and ninety-four breaches of minimum employment standards were found. 20 improvement notices and six warnings were issued, with two of the notices including \$1000 fines. Labour Inspectorate Regional Manager Kevin Finnegan said almost all of the breaching employers were using migrant labour. Mr Finnegan noted these cases have the potential to damage New Zealand's fair and equitable reputation. New Zealand Kiwifruit Growers Inc Chief Executive Nikki Johnson said the group would work with industry stakeholders and changes were already being made. From next season, orchard contractors and growers will be assessed and monitored by a worldwide standard for good agricultural practice.

Viticulture

Delegat predicts rise in profit [18 July/ Otago Daily Times] After record wine production of 2.65million cases, producer Delegat Group decided to increase full-year after-tax profit guidance by almost 7 percent to \$38.5million, with results scheduled for release in late August. Forsyth Barr Broker Damian Foster had forecast after-tax profit at \$37million, believing the main upgrade driver was cost control, with a solid vintage, increasing 10 percent compared to last year, helping spread the costs. Mr Foster said there was a challenging currency outlook to full year 2018-19 estimates, particularly from the pound sterling which is currently ahead of expectations. Mr Foster also noted some UK sales volume risk following price increases in that market which may pressure Delegat's volume targets.

Fishing

Joint survey pools resources for underwater roughy stock-take [12 July/ Stuff] An expedition on board the Amaltal Explorer to survey the orange roughy population off New Zealand waters has helped collect data on two of New Zealand's key orange roughy fisheries. The vessel spent ten days around the closed Cook Canyon (7B) fishery on the South Island's West Coast. Talley's supplied the Explorer vessel for both surveys, and Sealord provided its multi-frequency Acoustic Optical System (AOS) developed by Australian CSIRO scientists and the NZ seafood industry. The AOS collected underwater acoustic and video data from depths of 1000 metres and allowed video to be viewed on the vessel in real-time. Footage of the fish was reconciled with acoustic marks to estimate the fish numbers and species present. Using the technology and biology of different fish species, scientists were able to use the frequencies to sort through the biomass clusters. The broadband resolution of the technology also enabled scientists to better measure the size of the fish.

Commercial fishers to phase in digital monitoring from October [13 July/ NZ Herald] A new regulatory regime which seeks to get better information to manage the country's fisheries system means that New Zealand's commercial fishers will phase in digital monitoring devices from October. The new regulations will require all trawl vessels 28 metres and longer to use geospatial position reporting and electronic log books from October, representing 70 percent of the commercial catch by volume. All other commercial fishers will have a six-month transition period. Commercial vessels will also be required to start installing cameras from October next year to have them in place by April 1, 2020. Primary Industries Minister Nathan Guy said digital monitoring would revolutionise fisheries management decisions. The Ministry for Primary Industries expects most fishers will be able to bear the cost of installing the new equipment and cameras. Digital monitoring is part of MPI's broader 'Future of our Fisheries' programme seeking to maintain the sector's sustainability in fisheries management.

Dairy

Fonterra wins top export award [11 July/ Rural News Group] ExportNZ Auckland and Waikato gave Fonterra Foodservice the 2017 Supreme Award after the co-op earlier won the Westpac Exporter of the Year category. Chairman John Wilson said the win recognises that the co-op's product innovation is meeting customer expectations and adapting to rapid key export market change. Fonterra entered the award for the performance of its fast-growing foodservice business, particularly in Asia, to cater for out-of-home outlets such as bakeries, cafes, restaurants, hotels and fast food chains. Mr Wilson said an important part of the co-op's strategy is to grow value by converting more milk into higher value consumer and foodservice products- this involves growing the foodservice business in line with Fonterra's goal of \$5 billion sales by 2023. Mr Wilson noted that China is Fonterra's fastest growing foodservice market, of which Fonterra holds 40 percent of the imported dairy foodservice.

Butter prices hit a record: 500g at least \$5 [13 July/NZ Herald] June butter prices reached a record high of \$5.05 per 500g block, compared to \$3.38 in June 2016. The average price for a 200g avocado was \$4.52 in June 2017, compared with \$3.38 in May 2017. Vegetable prices increased 18 percent in the year ended June 2017, led by higher prices for tomatoes, kumara and lettuce. Grocery food prices rose 2.1 percent in the year to June 2017, led by higher prices for dairy products. The overall increase in food prices was just 3 percent.

Beingmate Baby & Child in trading halt pending asset sale [13 July/NZ Herald] Beingmate Baby & Child Food had its shares on the Shenzhen stock exchange halted ahead of an asset sale to a related party. Beingmate Baby & Child Food sought the trading halt on 12 July and expects an announcement in the next ten days. Beingmate Baby & Child Food considers Fonterra a cornerstone shareholder. The Chinese infant formula manufacturer decreased its annual earnings guidance, prompting Fonterra to reassure shareholders that the long-term outlook for Beingmate was strong and the company was an important part of its strategy in China.

Fonterra's Maori strategy appointment not universally accepted [17 July/ National Business Review] Fonterra's recent appointment of a General Manager of Maori Strategy, Tiaki Hunia, has been questioned in a poll of NBR subscribers. Mr Hunia joins Fonterra from Te Puni Kōkiri and has been involved in many governance and leadership roles with iwi and Industry organisations over the past ten years including Te Tumu Paeroa, Ngati Awa Group, Māori Investments and Putauaki Trust. The poll of subscribers showed 77 percent of respondents considered the appointment was a waste of money, and 23 percent said it was a canny commercial move. Fonterra said Mr Hunia would continue to progress the co-op's strategic Maori commitments and strengthen Fonterra's bicultural capability.

Dairy Trust Taranaki begins Stratford research project [17 July/ Stuff] Dairy Trust Taranaki (DTT) has begun a two-herd farm let trial to evaluate the benefits of a covered stand-off and feed pad at the East Rd farm. For the past six weeks, half of the animals have used the covered pad every night and would do so through winter, the remaining animals formed a control herd and would be paddock wintered as usual. The trial was expected to last four years and would analyse the impact of using the covered stand-off pad on pasture growth, pugging damage, cow weights and condition, cow health and breeding, milk production, and nutrient and fertiliser losses and management.

Red meat

Crime groups stealing supermarket meat to sell on black market [12 July/ Stuff] Radio New Zealand's Checkpoint reported all Silver Fern Farms meat was temporarily removed from shelves at Sylvia Park's Countdown supermarket after the products were being targeted by thieves. Countdown advised customers that the Silver Fern meat would only be available on request. The products returned to the supermarket shelves shortly after, and a Countdown spokesperson noted this was a one-off incident. Auror statistics showed meat was the most stolen grocery item of the stores they monitored with at least 20 thefts each worth more than \$200. This meat was commonly stolen by organised crime groups to sell quickly on black markets. Auror Chief Executive Phil Thomson said stolen meat was being sold to restaurants, pubs and dairies as well as on social media channels such as Facebook. Last April almost \$10,000 worth of meat was stolen from grocery and speciality food stores in Auckland.

Alliance targets food service [13 July/ Otago Daily Times] Alliance Group is targeting the high end of the food service market for red meat in the United Kingdom as part of a food service pilot programme. The pilot programme is part of the company's strategy to extract greater market value, and after completing work on food service in the UK, looking at the growth potential, the company decided it was an opportunity that was worth more investment. An aim of the pilot programme is to strengthen relationships with top-end chefs, who make decisions regarding what was on their menus and could tell the story of the product to consumers. After only several months of programme operation, the pilot has created many contacts and celebrated some small successes.

International

From marketing to taste: How virtual reality will change the food industry [7 March/ Food Navigator] Virtual reality has been introduced to the food industry and is expected to change the way consumers taste food through use of multisensory experiences. Several food and drink manufacturers, such as premium tequila brand Patrón and French cheese manufacturer Boursin, are already using virtual reality to convey their brand message. The combination of taste, sight and sound can heighten consumer's sensors, with consumers reporting tasting new depth of flavour when tasting the food and using virtual reality concurrently. Giant Peach Managing Director James Read said the use of virtual reality will be difficult to ignore and may change the world.

Introducing jackfruit: The next big thing in plant-based meat alternatives? [30 June/ Food Navigator] The jackfruit is the largest tree-borne fruit globally with a fibrous texture that can be shredded, minced or pulled. The jackfruit is cheaper than soy, high in fibre and sugar-free. Vice President of Food Service and Industrial Ingredients at The Jackfruit Company, Eric Evans, said the jackfruit is a great meat alternative as it mimics the texture and appearance of meat without any negative nutritional effects, and it requires minimal processing to be turned into a usable ingredient. The fruit boasts 7 grams of fibre and 2 grams of protein per serving, a neutral taste and no sugar. The Jackfruit Company works with over 350 contracted farmers in rural Southern India and processes the fruit in India. Mr Evans said the majority of jackfruit grown in Southern India goes to waste, so the Jackfruit Company is creating a sustainable supply chain for the US and eventually the world.

Marley Spoon just solved one of the biggest issues with meal kits [11 July/ CNBC] Marley Spoon is launching Dinnerly, a cost-conscious meal kit that costs USD5 per serving and was designed to help families cook inexpensive, quality dinners. The company cut meal kit costs by decreasing the number of ingredients, shedding excess packaging and spending less on marketing materials. The kit provides more basic ingredients in an attempt to appeal to picky eaters and incorporate recipes for meals like spaghetti and meatballs, cheesy chipotle beef tacos and pan roasted chicken with potatoes to appeal to both adults and children. The company can reduce the meal kit's cost by decreasing the number of ingredients and cutting excess packaging and spending less on marketing.

Nestlé holds on to top spot in Rabobank's global dairy top 20 [12 July/ Dairy Reporter] The Global Dairy Top 20, looks at dairy turnover in billions of US dollars to create its chart. Nestlé has retained its number 1 ranking, with USD24 billion. Danone is now the number two company at USD18.3 billion, with Lactalis in third place at USD18 billion. The data Rabobank used for its calculations were based on 2016 financials, as well M&A transactions completed between January 1 and June 30, 2017. This calculation method meant the Lactalis acquisitions of Stonyfield and Omira were not considered. Dairy Farmers of America reached fourth place with a USD13.5 billion turnover. FrieslandCampina rose to fifth place while Fonterra slipped into sixth place. Rabobank attributes this to FrieslandCampina's acquisition of a 51 percent share in Engro Foods. Rabobank noted the dairy sector has started to recover after two years of significant downturn.

Land O'Lakes launches incubator to challenge plant-based alternatives [12 July/ Food Dive] Land O'Lakes has started an incubator to invest in dairy product startups struggling to reach scale. The program, called Dairy Accelerator, consists of a three-month boot camp focussed on brand building, financing, manufacturing, distribution, sales and leadership development. Land O'Lakes hopes the accelerator will foster dairy product innovation, equipping the segment to better compete with popular dairy alternatives. Land O'Lakes primary goal in this first year is to support dairy industry growth, primarily by targeting small entrepreneurs who need assistance getting to that next scale level.

Africa's Richest Man Invests \$4.6 Billion in Nigeria Farming [12 July/ Bloomberg] Dangote Group, controlled by Africa's richest man, Aliko Dangote, will invest USD3.8 billion in sugar and rice and USD800 million in dairy production in Nigeria over the next three years as the company seeks to expand. Dangote Group plans to increase its production of sugar to 1.5 million metric tonnes a year by 2020 from 100,000 tonnes now and is seeking to add 1 million tonnes of rice by cultivating 350,000 hectares of land for sugar cane and 200,000 hectares for rice. The company also plans to have 50,000 cattle producing 500 million litres of milk a year by 2019. Dangote is also considering investments in other agricultural projects such as production of soybean, oil palm, palm kernel and corn.

Halal meat business sets out 'ambitious' trade plans [12 July/ Global Meat News] Haloodies will begin exporting meat products to UAE supermarkets with an aim to become a global halal brand. Haloodies sells halal meat to retailers including Tesco and Amazon Fresh. By September 2017, the firm hopes to have multipacks of two brand new meat snack flavours stocked by major UAE retailers. Haloodies CEO Dr Imran Kausar said although Haloodies is proud to be a British brand, the UK market is too small, and Haloodies needs to establish itself in multiple markets to create a global halal brand. Haloodies planned to enter France and Germany before the Middle East; however, Brexit changed this decision. Chilled meat snacks are a relatively new protein category for the UAE which may make it hard for Haloodies to crack the UAE market. Once the UAE market is established, Haloodies will launch the range of meat snacks in the UK in October 2017, while France and Germany remain long-term targets.

Global olive oil supply under threat as tree disease reaches Spain [13 July/Food Dive] The EU is the world's largest olive oil producer, accounting for 73 percent of global production- with over half of this coming from Spain, producing 56 percent of the world's olive oil supply. The incurable *Xylella fastidiosa* bacterium was found in 12 almond trees after farmers noticed a yield decrease. It has yet to spread to the region's olive trees however European regulations require all those within a 300-foot radius to be destroyed. The olive tree disease was first detected in Italy in 2013 and has since been found in Corsica and mainland France. Up to one million trees in Italy were killed by the bacterium in 2016, forcing officials to raze trees to contain the disease.

CropLogic issues prospectus for \$8m ASX IPO [14 July/ National Business Review] CropLogic has lodged a prospectus with Australian regulators to raise up to AUD8 million in an initial public offer to list on the Australian Securities Exchange. CropLogic develops technology enabling farmers to control inputs like fertiliser and water, and plans to issue 25-40 million shares at AUD20c per share in the IPO, to raise AUD5-8 million. Capital raised will be used to fund market development, research and development, ASX listing costs and working costs. CropLogic noted key risks of investing in the company included business failure, licensing and intellectual property risk, and competitive rival pressures. CropLogic added forecast or projection information would contain such a broad range of potential outcomes that it is not possible to prepare a reliable best estimate. CropLogic's financial statement for the year to 31 March shows an AUD1.34 million total loss. The company aims to improve crop yields by combining research and proprietary technology with an in-field agronomy support team to provide growers advice.

U.S. farm lobby turns up heat on Trump team as NAFTA talks near [14 July/ Reuters] With NAFTA negotiations nearing, US farm groups and lawmakers from rural states are intensifying lobbying of President Donald Trump's administration to leave farming out of discussion. Despite President Trump's hatred for NAFTA, US farmers believe the agreement ensures access to stable, lucrative markets in Mexico and Canada that make up over a quarter of US farm exports. Another concern is that uncertainty of open-ended trade talks could cause Mexico to move to alternative suppliers of grains, dairy products, beef and pork. An outline of the administration's goals for the NAFTA talks will be announced to Congress next week, causing the farm lobby to increase efforts to ensure that its interests will make the list. The groups involved include the American Soybean Association, Corn Refiners Association and National Grain and Feed Association and firms like Land O'Lakes, Tyson Foods, Louis Dreyfus Company North America, Archer Daniels Midland Co. and others.

A JPMorgan exec and a cybersecurity expert bet on a billion-dollar future for hemp [15 July/ NZ Herald] Ex-JPMorgan Chase Managing Director, Mark Justh and ex-Counterterrorism Expert, Dan Dolgin, have become hemp business partners after Mr Justh's 2008 purchase of JD Farms, New York's first legal hemp farm in more than 80 years. Hemp has many reputed health benefits, and its seeds can be crushed into oil, resulting in a by-product that can be produced into flour to create products such as pasta. JD Farms began cultivating young hemp leaves for salad mixes. The farm is receiving attention from notable chefs as well as Whole Foods Market due to the increase in consumer demand for hemp products and the increased promotion of hemp's nutritional benefits by food brands. JD Farms has teamed with Satur Farms, on a baby greens mix of kale and hemp that will be available at Whole Foods by the end of July. The farms have also partnered with Sfoglini to create a charcoal-coloured, nutty-tasting dried pasta.

The future of food is this creepy [16 July/ NZ Herald] CSIRO's Food Structure Research Group has begun a three-year study into the personalised fabrication of smart food systems. Personalised nutrition involves creating tailored diets based on data including genetic information and lifestyle and physiological states, and is considered the future of food. The European Food Information Council said smart food systems would help to optimise individual health and prevent society-wide diseases like obesity, Type 2 diabetes, cardiovascular disease, cancer, and malnutrition. CSIRO's Food Structure Research Group Dairy Science Team Leader Dr Amy Logan envisioned smart food systems being incorporated in everyday lifestyles via food generators in 20 years, however, noted that the end product wouldn't be a Soylent Green-style, food-like sludge. Dr Logan said her team is currently conducting the underpinning work to examine how to structure these foods, and added that the three-year programme would look for new, innovative technologies that can help smart food systems grow.

Police in Europe Break Up Network Selling Illegal Horse Meat [17 July/ The New York Times] The European police have dismantled a criminal network that was selling horse meat across Europe that was not suitable for consumption. 66 arrests have been made, all but one in Spain, as part of a four-year investigation prompted by the discovery of horse meat in burgers sold as beef in Ireland in 2013, and was then widened to other European countries in dishes like frozen lasagne labelled as containing beef. The criminal gang acquired horses on the Iberian Peninsula that were judged to be in bad shape, too old or labelled as not suitable for consumption. The animals' meat was processed and sent to Belgium, one of the European Union's biggest exporters of horse meat, and the criminal organisation modified the horses' microchips and documentation to ensure the fraudulent export.

Protein yet to plateau in chocolate confectionery, says Barry Callebaut [17 July/ Food Navigator] Barry Callebaut has launched its FortiPro brand, a chocolate coating that contains 15- 20 percent protein per serving. The high-protein coating is available in dark, milk and white chocolate flavours and in addition to yoghurt flavoured compounds, and can be used in applications such as cookies, snacks, and energy bars. The move was prompted by the market trend of adding protein as a key product ingredient. FortiPro primarily contains whey protein but also offers a mix of plant-based protein depending on customer demands. FortiPro is sugar-free, using stevia as a substitute to ensure the product is more natural.

Bevi aims to make bottles and cans obsolete through data-driven beverage dispenser [17 July/ Food Navigator] Bevi, a custom beverage machine start-up, has raised USD16.5 million in Series B funding led by Trinity Ventures to launch its counter-top beverage dispenser model and expand its North American reach with the aim of making packaged beverage waste obsolete. The funding further develops the company's IoT-enabled technology that allows consumers to customise beverages. Bevi Co-Founder Frank Lee said the purpose is to stop consumption of bottled beverages. Bevi machines are internet connected and collect data to perform operations such as maintenance and refilling, as well as monitor flavour and usage trends and amount of waste saved. Already Bevi machines have saved 10 million beverage containers from landfill and each machine saves 30,000 bottles of waste annually. In 2016, Bevi experienced 1,000 percent revenue growth and had hundreds of clients including Apple and Netflix. Bevi has begun expanding into hotels, fitness centres and schools in the US, and international markets such as Hong Kong and shortly Canada.

Amazon files meal-kits trademark, treading on Blue Apron's turf [18 July/CNBC] Amazon has registered a U.S. trademark for a service described as "we do the prep. You be the chef." The service will provide customers with prepared food kits that are ready for cooking and assembly as a meal. The kits will mainly consist of grains, rice, noodles, pasta and bakery products. This service could threaten meal-kits provider Blue Apron, which has seen its stock perform poorly on its IPO. Blue Apron's stock closed on 14 July at USD7.36 per share, a 10 percent decrease for the week. Blue Apron holds the title as the largest meal-kit provider in the US, followed by German-based HelloFresh.

Economics and Trade

EU farmer subsidies under threat [17 July/ Farmers Weekly] The large subsidisation of European agriculture under the Common Agricultural Policy (CAP) could be cut back as bureaucrats in Brussels struggle to control the European Union's finances. The European Commission is looking for ways to mend an EUR12 billion shortfall created by Britain's 2019 EU exit. The commission published five scenarios for the EU budget after 2020, four of which included cuts to the CAP. For decades, New Zealand has fought the policy, believing it keeps European production higher than justified by market prices and supply on global markets unaligned with demand. In 2016, the EU provided EUR5 billion in payments to farmers under the CAP. European farming lobby Copa & Cogeca said any CAP cuts would jeopardise the delivery of the EU's environmental and social goals and called for increase spending to protect the EU's heritage and 10 million farming jobs. Agricultural Trade Envoy Mike Petersen said cuts to subsidies in the near term were likely.

Wool

NZ wool market shows signs of life in latest auction [14 July/ National Business Review] A weaker dollar and wider range of wool types offered has helped lift New Zealand wool prices at a more robust clearance rate. 77 percent of the 4,432 bales offered were cleared and prices were higher than last week's North Island sale. The coarse crossbred indicator showed a 9-cent price increase to \$2.76 per kilogram as the longer 37-micron crossbred second shear prices increased 15 cents to \$2.80/kg, and the shorter 37-micron second shear prices decreased 5 cents to \$2.40/kg. However, the previous South Island auction two weeks ago showed varied price movements. Lower quality crossbred fleece 37 micron decreased 15 cents to \$2.95/kg while higher quality wool increased 5 cents to \$3.10/kg. There was a limited lamb wool range, and 31-micron lamb wool prices increased 15 cents to \$3.20/kg. The Ministry for Primary Industries projected wool exports fell 28 percent to \$550 million in the year through June due to the lack of Chinese demand.

Farmers and producers

Wider view for former industry chairman [12 July/ Rural News Group] Federated Farmers' new Vice-President, Andrew Hoggard plans to take a much wider view of agriculture. Mr Hoggard's previous role of Chairman of the dairy section has been taken over by Waikato Dairy Farmer Chris Lewis. Mr Hoggard said farming faces a difficulty in numerous areas and catchments where dairy and sheep and beef farmers are against each other. Mr Hoggard added this needs to be resolved and by working together to look for sensible solutions in the long-term interests of people who own the land, rather than short-term industry-type solutions. The new Vice President promises to report the reality to fellow farmers and presenting the situation to make sure sensible, practical, affordable, smart and common-sense outcomes are achieved.

Tenancy law changes apply to farmers [16 July/ Otago Daily Times] The Residential Tenancies Amendment Bill (No 2), is before a parliamentary select committee and will affect landlords, including farmers who provide accommodation as part of an employment package. The Bill would make three areas of change to the Residential Tenancies Act to better manage methamphetamine contamination, liability for careless damage and the tenancy of unsuitable properties.

'Quietesting off' in farm sales continues [18 July/ Radio NZ] Real Estate Institute of New Zealand (REINZ) figures show thirteen fewer farms were sold for the three months ending June compared to the year before. Rural Spokesperson Brian Peacocke said the median price per hectare for all farms sold decreased slightly; however, REINZ's farm price index, which takes into account farm size, location and farming type differences, increased 4.9 percent. Mr Peacocke said traditionally sales fall at this time of the year as farmers are currently preoccupied with the wintering programme for both dairy and sheep and beef, as well as calving and lambing in some areas. Mr Peacocke also noted that a much lower level of farmer income might also play into the quietening. However, some areas experienced increased sales volume, with Otago having 13 more sales than last year, followed by Gisborne and Southland.

Food Safety

Oritain, GE Healthcare form serum testing partnership [12 July/ Otago Daily Times] Oritain has partnered with GE Healthcare to run a test-based traceability programme to authenticate the country of origin of foetal bovine serum used in human and animal health vaccines. Oritain has been a global leader in using forensic science to determine product provenance since its inception. GE Healthcare was already traceability-certified by the International Serum Industry Association, but would now put its sera products through a testing process that went beyond industry-standard traceability practices to ensure that premium raw serum from Australia, New Zealand and the US was from that country of origin. Oritain's scientific traceability method measured the naturally-occurring chemical elements that existed within the serum as a consequence of the environment the cows were being raised in.

Water

Jon Morgan: All is not lost for Ruataniwha Dam [17 July/ Opinion Piece- Stuff] NZ Farmer Editor Jon Morgan believes it is encouraging that the Government thinks the law around land swaps, such as the swap of DOC Ruahine Forest Park land for farmland to pave the way for the Ruataniwha Dam, should be clarified. Mr Morgan said the dam's future is in the hands of regional councillors, whom many previously voted to stop the dam. Mr Morgan believes that although many people believe the dam is sunk, the \$19.5 million spent so far should ensure its survival, but it is ultimately up to the councillors and it will be paramount for dam supporters to win over urban doubters who made a large impact last time. The scheme is expected to create benefits of between \$130m- \$380m for the Bay, create 3580 jobs and give at least \$2 million more funding to the Port of Napier. Mr Morgan noted the increasing number of environmentalists face the detriment of increased dairying which to them means more pollution.

Health and Safety

Still too many quad bike fatalities, safety expert says [17 July/ Stuff] Managing Director of OnFarmSafety New Zealand, Bronwyn Muir, said too many New Zealanders are being killed or injured in quad bike accidents. WorkSafe statistics for the first half of 2017 show three out of the nine agricultural workplace related deaths involved quad bikes. Ms Muir said these injuries and deaths could have been prevented if health and safety on-farm was taken more seriously. Ms Muir noted health and safety systems should be incorporated as part of usual farm work routine and did not need to be complicated or costly to implement. WorkSafe's Agriculture Sector Leader Al McCone said a change in culture could occur by involving workers in farm health and safety decisions. Ms Muir noted new legislation penalties would be harsher and tougher on workplaces that haven't carried out their due diligence and put health and safety systems in place.

Agri-tech

'Step-change' innovator award winner [18 July/ NZ Herald] Hawke's Bay-based StockX won the Tru-Test Innovation Award at the Beef + Lamb NZ Sheep Industry Awards. StockX is an online service allowing farmers to trade stock directly with other farmers nationally. StockX has over 2000 registered users across New Zealand after 18 months of trading. The company is assisted by strategic partnerships with Federated Farmers and Heartland Bank. At the National Fielddays, StockX was a Merit Award winner for Launch NZ Innovation Awards and a finalist in the New Zealand Hi-Tech Awards for the Innovative Agritech Product Award. At the Beef + Lamb awards Head Judge Hamish Bielski said StockX was a unanimous winner due to its ability to provide sales and purchase process transparency, and cost-effectively connect buyers and sellers. Mr Bielski added the firm's concept represents an industry change in trading livestock. The win has increased StockX's business, with increased enquiries, registrations and invitations to speak at events.

Biosecurity

Crop and fruit devouring pest has potential to kick up a big stink [14 July/ Stuff] New Zealand orchardists and vegetable growers hope the brown marmorated stink bug (BMSB) doesn't find its way into the country, after devastating US crops and threatening crops in Europe. The bug feeds on over 300 host plants, including citrus, pipfruit, stonefruit, berries and grapes, corn, honeysuckle and roses. NZ growers and the Government have signed the BMSB Operational Agreement to prepare for the bug's arrival, clarifying responsibilities and funding agreements for the programme. Horticulture New Zealand Biosecurity Manager Richard Palmer said the number of stink bugs arriving at the border were rising. The Ministry for Primary Industries said the country's biosecurity system works to keep BMSB from establishing in NZ through mechanisms such as strict import requirements and inspections on imports from countries with high levels of BMSB. An application signed by many organisations, including MPI, has been made to the Environmental Protection Authority to introduce a Samurai wasp which destroys BMSB eggs.

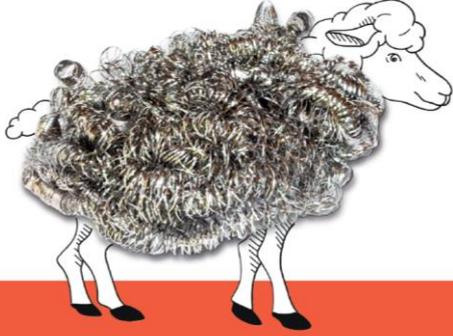
Agri-food strategy

My Food Bag launches heat & eat meals [12 July/ NZ Herald] My Food Bag Founders Cecilia Robinson and Nadia Lim have launched their first range of heat and eat meals. My Food Bag, a company that now delivers more than one million meals each month, said it would be offering full meals that can be placed straight into the oven along with sides, typically rice or fresh vegetables that can be prepared on the stove top. My Food Bag said the limited heat and eat range could be included as an add-on to a regular My Food Bag order, under the new brand From My Kitchen by Nadia. Customers can subscribe to a chicken or beef or lamb options with the family-sized meals priced at \$39.99, each offering four servings. Ms Lim said the meals use the same, high-quality ingredients as the My Food Bags.

Research and Development

New \$8.4m horticultural research institute for Tauranga [14 July/ NZ Herald] Science and Innovation Minister Paul Goldsmith announced a new \$8.4 million research institute for Tauranga to leverage the Bay of Plenty's strengths in horticulture and accelerate and commercialise research and innovation. The institute will be named Plantech: The New Zealand Institute for Technology and Innovation in Premium Plant-based Value Chains, and will be led by Priority One. The Government would provide \$8.42 million over five years for the institute and, with additional industry funding, will operate as a private and independently governed organisation. Plantech will initially focus on device digital automation research for growers, including robotics and digital sensing. Plantech's aim is to become a leader in supporting customised, precise and automated production systems accessible for businesses at a range of scales. Bay of Plenty and Tauranga MPs Todd Muller and Simon Bridges said the institute would bring a range of economic benefits to the region.

Sustainability key to role as new AgResearch leader [15 July/ Otago Daily Times] Southland Farmer Jeff Grant has taken over as AgResearch Chairman. Mr Grant said focus would be continuing to build on AgResearch's ability to deliver highly relevant science to the future of farming to target farm and environmental sustainability issues. Mr Grant said regional council changes to improve land and water outcomes would force AgResearch to provide the science to give solutions and tools for farmers to meet the expectations for high-quality food production in natural and sustainable environments, while also running a viable business. Mr Grant noted the importance of attracting and retaining top scientists and technicians, as well as investing in scientific laboratories, equipment and technology. Mr Grant added he believes the country needs to provide capacity for the next generation to operate in an environment that gives them as much freedom as possible.



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Weekly news update from the KPMG Agribusiness Network – 19 July 2017

Contact Us			
Auckland/ Audit Ian Proudfoot 09 367 5882 021 656 815 iproudfoot@kpmg.co.nz	Taxation Greg Knowles 09 367 5989 021 307 332 gknowles@kpmg.co.nz	Tauranga Robert Lee 07 571 1773 027 451 1035 relee@kpmg.co.nz	Wellington Graeme Edwards 04 816 4522 027 296 5050 gdedwards@kpmg.co.nz
Christchurch Andrew Hawkes 03 353 0093 027 508 0135 ahawkes@kpmg.co.nz	Financial Advisory Services Gary Ivory 09 367 5943 021 932 890 givory@kpmg.co.nz	Management Consulting Simon Hunter 09 367 5881 027489 9737 simonhunter@kpmg.co.nz	Hamilton/ Private Enterprise Hamish McDonald 07 858 6519 021 586 519 hamishmcdonald@kpmg.co.nz
Ashburton/ Private Enterprise Maurice Myers 03 307 0768 027 208 3405 mauricemyers@kpmg.co.nz	Farm Enterprise North Island Roger Wilson 07 858 6520 027 281 9575 rogerwilson@kpmg.co.nz	Julia Jones 07 858 6553 027 524 8901 juliajones1@kpmg.co.nz	South Island Brent Love 03 683 1871 027 528 1537 blove@kpmg.co.nz

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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