



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

**The new Field
Notes App is
now available.**

Download now!

Search "KPMG Field
Notes" on your iOS and
Andriod devices.



AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network

20 September 2017

Organisations referenced in this week's Field Notes include:

AgriHQ	Ministry for Primary Industries
AGT Foods	Mistletoe
Apiculture New Zealand	Moa Brewing Company
Bayer	Murray Goulburn
Blue Bottle	National Party
Dairymaster	Naturex
DairyNZ	Nestle
Environment Southland	New Zealand First
Gastrotope	NIWA
Ginkgo Bioworks	North Canterbury Rural Support Trust
Green Party	Rabobank
Hampton Creek	Silver Fern Farms
Horizons	Statistics New Zealand
Labour Party	Trinity Lands
Livestock Improvement Corporation	Viking Global Investors
Lobethal Bierhaus	Westland Milk Products
Manawatu River Leaders' Accord	Yorke Peninsula Field Days

This week's headlines

Red Meat	QR code to prove Silver Fern Farms product origin [18 September/ NZ Herald]
Farmers and Producers	Young farmers to be offered Landcorp farms [16 September/ Rural News Group]
Rural Communities	Mental health support needed for rural communities [14 September/ Otago Daily Times]
Environment and Emissions	DairyNZ says farmers can take some hot air out of greenhouse gas emissions by managing herds [19 September/ NZ Farmer]
Agri-Tech	CIDR technology improves herd's fertility [NZ Farmer/ 19 September]

Horticulture

Niwa finds green kiwifruit under threat from climate change in Bay of Plenty growing [15 September/ NZ Farmer] A study by Niwa has shown that growers of the main green variety of kiwifruit in Bay of Plenty could find that their businesses were no longer commercially viable due to warmer winter temperatures. Kiwifruit required cold temperatures between May and July to produce a large number of flowers which resulted in fruit. Therefore, warmer temperatures due to climate change would decrease production. NIWA Climate Scientist, Andrew Tait said their study had shown kiwifruit production would be marginal by 2050 and likely not viable by 2100.

Dairy

Global prices push butter to NZ record [20 September/ Otago Daily Times] Statistics New Zealand's Food Price Index showed butter prices rose 11 percent in August to a record high of \$5.39 a block. The previous record was \$5.05 a block in June. Consumer Price Index Manager, Matthew Haigh said overall food prices rose 0.6 percent in August, with a 5.4 percent increase in vegetable prices being the main contributor. The price of an avocado fell by 19 percent to \$2.59, still higher than the August 2016 price of \$1.72.

Big changes proposed for Westland Milk board after 2016 loss [18 September/ NZ Herald] Shareholders in Westland Milk Products will vote on a package of proposed changes on 5 October in an attempt to improve the company's governance after it reported an operating loss last year and offered a milk price well below those of its competitors. The recommendations included a reduction in the total number of directors from eleven to eight, and a cut in the number of shareholder elected directors from eight to five. The proposals followed an extensive governance review conducted by a sub-committee of the board.

Tougher economic and environmental conditions cause new dairy farms to slow to a trickle [NZ Farmer/ 19 September] Horizons Regional Council and Environment Southland figures showed a dramatic decrease in the area of land being converted to dairy farms. In the Manawatu to Wanganui region the number of conversions per year has decreased from 24 in 2017 to zero this year, while in the Southland region conversions have decreased from 35 in 2014 to two this year. DairyNZ Senior Economist, Matt Newman said the decrease in number of conversions was due to the dairy downturn straining farmers financially and an uncertainty around environmental requirements and regulations and the potential investment required.

Viticulture

Marlborough and Ningxia sign deal ... over a glass of wine [15 September/ NZ Farmer] Marlborough and Ningxia, the leading wine producing regions in New Zealand and China, have joined forces and signed an agreement to share training and expertise. Marlborough Mayor, John Leggett said the agreement would help Marlborough wine technology companies grow their exports to China, and encourage Chinese students to travel to Marlborough for education and training. Ningxia was the fifth largest winegrowing region in the world with around 40,000 hectares of vineyards, while Marlborough was the largest winegrowing region in New Zealand with around 25,000 hectares of vineyards.

Red meat

QR code to prove Silver Fern Farms product origin [18 September/ NZ Herald] Silver Fern Farms has been in the process of introducing new retail packaging in New Zealand and overseas which allowed customers to view the origin of the product. Silver Fern Farms Chief Executive, Dean Hamilton said the investment in traceability delivered transparency in the food chain for customers who were increasingly interested in knowing where their food had come from and that their food had been produced safely and in a sustainable way. The packaging would contain a unique QR code on every pack which consumers could scan to verify it was a 100% authentic Silver Fern Farms product. Mr Hamilton explained that the QR code would also show which region in New Zealand the product came from, illustrate stories of Silver Fern Farms farmers in the region, and provide recipes for the specific product purchased.

NZ lamb exports to UK drop to record low in August [18 September/ NZ Herald] New Zealand lamb exports to the United Kingdom reached a record low in August as exporters favoured other more lucrative trading destinations. AgriHQ Analyst, Reece Brick said the United Kingdom lamb market was slowly becoming less pivotal to New Zealand exporters. Mr Brick explained that a steady decline in lamb consumption in the United Kingdom combined with a loss of economic confidence following Brexit had resulted in a challenging market environment.

International

Hampton Creek obtains patent for unique plant protein scanning process [13 September/ Food Dive] Hampton Creek has received a patent for its method of combining robotics, proprietary plant databases, artificial intelligence and predictive modelling to scan and identify useful plant proteins. Hampton Creek said the process will help the company find the capabilities and nutritional value of plant proteins more quickly, allowing it to develop healthier, diversified plant products for the marketplace.

Dairy can save 171m energy costs [14 September/ Irish Examiner] Dairymaster has launched a new SwiftCool system and app in the United Kingdom. Dairymaster Research and Innovation Manager, John Daly said the SwiftCool app could benefit every dairy farmer in the country as it would allow them to control the water cooling and heating on their tanks remotely via an app. Mr Daly explained that this would deliver greater energy efficiency and therefore save farmers money. Mr Daly added that the system also recorded a full history of temperature, wash cycles, collection cycles and temperature washing to give farmers the power to ensure that milk was in the best possible condition before it left the yard.

Nestle targets high-end coffee by taking majority stake [14 September/ The New York Times] The Blue Bottle Coffee Company announced it has sold a 68 percent stake to Nestle. Blue Bottle specialised in artisanal coffee which accounted for less than 10 percent of the overall coffee industry, but it was growing rapidly and commanded higher prices and bigger profit margins. The investment would help Blue Bottle with its expansion plans which included opening new outlets across North America and Asia and selling roasted beans in stores.

Bayer Joins Forces with Ginkgo to Launch \$100m Microbial Startup [14 September/ AgFunder News] Bayer CropScience and microbe start-up, Ginkgo Bioworks, have partnered with hedge fund Viking Global Investors to invest USD 100 million in a new agri-tech start-up. The newly formed company will focus on manufacturing microbial products, aiding nitrogen fixation and minimising agriculture's environmental impact by decreasing the amount of chemical fertilisers farmers apply to crops. The new company will be co-located at Bayer's biologicals R&D facility in West Sacramento, at Ginkgo's Boston facility, and at a new Boston facility yet to be built. Ginkgo Bioworks said the new company would not compete with Bayer's existing biologicals business and that products produced by the new entity would not be exclusive to Bayer distribution.

Japanese billionaire Taizo Son launches agri-food tech accelerator 'Gastrotope' in India [15 September/ The News Minute] Japanese incubator, Mistletoe has launched a new agricultural technology accelerator in India. The accelerator, named Gastrotope, would invest in start-ups in various aspects of the agricultural industry, ranging from farmers, food transportation, processing, delivery and consumption. Mistletoe Founder, Taizo Son believed that India would be the centre of agricultural technology due to its rich talent pool of engineers, vast land and population, and its long and rich food culture. Mr Son hoped the accelerator would become the catalyst for the farm to fork movement.

China signs \$300m deal to buy lab-grown meat from Israel in move welcomed by vegans [16 September/ The Independent] China has signed a GBP 300 million deal with Israel to purchase laboratory grown meat, in a bid to reduce meat consumption in the country. Good Food Institute Executive Director, Bruce Friedrich said the deal was a colossal market opportunity, as Chinese officials have the ability to steer billions into the technology. The deal has been hailed by environmental and animal rights groups as it is a sign China is committed to reduce its greenhouse gas emissions. The deal is part of the Chinese government's plan to reduce meat consumption by 50 percent so that it can mitigate global warming.

Naturex to distribute MycoTech's vegan mushroom protein [18 September/ Foodnavigator-usa.com] Naturex has made plans to market and distribute MycoTechnology's fermented shiitake vegetable 'alternative' protein to the food and dietary supplements market. Naturex Marketing Director for Nutrition & Health, Timothee Olgne said the product has high protein quality and functionality, was easier to use and was comparable to animal protein with a DIAAS score of 1. Mr Olgne added that the interest for non-animal forms of protein was growing across the globe.

Pulses beating for lentil beer [18 September/ The Advertiser] Australian Craft Brewery, Lobethal Bierhaus has arranged to have tastings of its lentil beer at the Yorke Peninsula Field Days. The brewery released Australia's first lentil beer, after being approached by pulse processor AGT Foods. Lobethal Bierhaus Brewer, Alistair Turnbull said the beer is made from 70 percent barely and 30 percent whole and diamond cut red lentils, giving it an earthy taste. AGT Foods SA Acquisition Manager, Leigh Wright said the idea behind the craft beer was to show how the pulses could be used as a key ingredient in everyday foods.

Dairy industry undergoing supply chain revolution: Rabobank; Farming [19 September/ The Sydney Morning Herald] Rabobank Senior Dairy Analyst, Michael Harvey said in a report that the Australian dairy industry was to undergo a supply chain revolution as a result of problems within the industry. The report said that problems engulfing dairy co-operative, Murray Goulburn, the fall in production and the reset of farmgate milk prices during 2016 would cause the supply chain to emerge vastly different and almost unrecognisable to what it has been before. Mr Harvey added in his report that there has been a break-down in the loyalty between dairy farmers and processors, with farmers more willing to change processors, another factor driving the supply chain revolution.

Economics and Trade

Farmers protest against Jacinda Ardern's tax policies [18 September/ NZ Herald] Around 600 farmers have gathered in Jacinda Ardern's hometown of Morrinsville to protest against the Labour Party and Green Party proposition to implement water and pollution charges. New Zealand First Party Leader, Winston Peters would not say whether he would allow the proposed water taxes to go ahead if in coalition with Labour. Rally Organiser, Andrew McGiven said the high turnout showed farmers were sick of the bad reputation they were getting in the lead up to the election. Mr McGiven added that taxing farmers was not the right way of addressing issues as extra taxes would delay any return to profitability and have a detrimental effect on our communities.

Farmers seek carrot, not a big stick [18 September/ Rural News] Morrinsville Dairy Farmer, Lloyd Downing said the protest centred around the disappointment amongst farmers due to the public blaming them for all the environmental problems in New Zealand, including the degradation of the country's rivers. Mr Downing said he accepted that the expansion of dairying over the past two decades had had an impact on the environment, but over the last few years farmers had been cleaning up their act by excluding cattle from watercourses, planting riparian margins, and reinstating wetlands. Mr Downing explained that if a future government were to implement punitive taxes, farmers would have no money left to spend on cleaning up rivers themselves, and progress would slow.

Morrinsville farmer not impressed with Labour's plan for water tax [19 September/ NZ Herald] Morrinsville Farmer, Bradley Pickett said Labour's plans to tax 1-2 cents for each 1000 litres of irrigation water would cost him about \$1,500 a year in taxes. Mr Pickett added that the Green Party's nitrate tax along with the carbon tax would add the shock, and would likely lead to a decrease in production. Labour Party Leader, Jacinda Ardern said it was ridiculous how many farmers turned up to the rally considering only three farmers near Morrinsville had irrigation consents and would be affected by the royalties for water used in irrigation.

Apiculture

Thefts of honey, hives on the rise [14 September/ Rural News Group] Apiculture New Zealand Chief Executive, Karin Kos said that the theft of honey and beehives was a growing issue for beekeepers, with police now taking the increase in thefts very seriously. Apiculture NZ and the police are working together on improving intelligence at national and regional levels, and are educating beekeepers on how to keep their honey and hives safe. Hawke's Bay's largest honey producer, Arataki Honey recently had approximately 500,000 bees, worth around \$20,000, stolen from a pine forest block in northern Hawke's Bay. Arataki Honey Beekeeper, Duncan Johnstone said theft was the worst it had ever been, and was driven by Manuka honey as it was one of New Zealand's highest priced exports.

Farmers and producers

Sheep on loose in Ponsonby after escaping from beer launch [15 September/ NZ Herald] A sheep with pastel coloured wool was on the loose in central Auckland after escaping from a rural themed Moa beer launch in Ponsonby. The sheep had been sheared and coloured in pastels before it escaped. Moa Brewing Company Chief Executive, Geoff Ross said the beer launch would help close a perceived gap between New Zealand's rural and urban communities. Mr Ross added that most New Zealanders, if not rural, were only a generation or two from their rural roots anyway.

Young farmers to be offered Landcorp farms [16 September/ Rural News Group] The National Party said it would offer state-owned Landcorp farms to young farmers to help them into farm ownership. The farms will be awarded on a lease-to-buy arrangement, awarded by a panel and ballot, with priority to young farmers who have experience at running a farm operation but have never had sole ownership of one before. Minister for Primary Industries, Nathan Guy said around 100 young farmer families would benefit from the programme. Mr Guy added that the farms were better off in the hands of hard working young families who were committed to modern farming and environmental best practice.

Success of value-added products pays off for farmers [17 September/ NZ Farmer] Silver Fern Farms Chief Executive, Dean Hamilton said farmers were \$4 million richer from delivering more high value meat to Silver Fern Farms. Mr Hamilton added that the number of livestock supplied into its value added supply programmes had reached 1 million for the first time in a 12 month period. Silver Fern Farms General Manager of Sales, Grant Howie said demand for value added ranges had been strong, with programmes such as the Silver Fern Farms Reserve Beef having linked farmers to the needs of consumers through the feedback and market derived premiums received through the grading process. Mr Howie added that the company had a number of new initiatives planned over the coming months that would drive further growth in the company's programmes.

Water

Accord Fund opens for water projects [18 September/ NZ Herald] Applications for the Manawatu River Leaders' Accord community grants programme have opened. The grants aimed to assist non-profit organisations such as community groups and schools with projects that would help increase engagement with Manawatu waterways and improve water quality in the catchment. Previous applications had received funding to complete stream fencing, riparian planting, wetland enhancement, educational projects and longfin eel repatriation. Horizons Freshwater Co-ordinator, Lucy Ferguson said this year's applications would be assessed based on environmental benefits, feasibility, community involvement, education and long term benefits to the catchment. Applications for the grants would close on 16 October 2017, with the grants coming from a pool of \$80,000.

Animal Health

LIC will test its bulls for mycoplasma bovis as farmers prepare cows for mating [14 September/ NZ Farmer] Livestock improvement Corporation (LIC) has announced it would test its artificial breeding bulls for the cow disease mycoplasma bovis. The announcement came after the Ministry for Primary Industries advised dairy farmers to ask suppliers if their bulls had been tested. LIC Biological Systems General Manager, Richard Spelman said the corporation had taken the advice on board to test their bulls themselves to remove any uncertainty among farmers. Mr Spelman explained that he was confident the bulls were free of the disease, but testing would be carried out as an extra precaution to provide farmers reassurance this mating season. Testing results were expected in October.

Wool

Crossbred wool prices stabilise from previous plunges at Christchurch sale [15 September/ NZ Farmer] The crossbred wool market remained firm for a high quality offering at the Christchurch wool sale on 14 September. Strong demand from Asia meant crossbred wool prices continued to steadily move in a positive direction. The better prepared wools showing uniformity of length were the most sought after. Prices have yet to fully recover from recent lows, meaning it would still be some time until farmers were smiling again.

Environment and Emissions

DairyNZ says farmers can take some hot air out of greenhouse gas emissions by managing herds [19 September/ NZ Farmer] DairyNZ has told farmers they needed to reduce their greenhouse gas production to meet consumer and political demands. The organisation added that consumers wanted a smaller environmental footprint and this was not something farmers could ignore. DairyNZ Analyst, Kara Lok said New Zealand only caused 0.16 percent of global warming, but it combined with other small countries to make up 30 percent of all greenhouse gasses. Ms Lok explained that the government could lower greenhouse gas emissions through buying carbon credits, encouraging the adoption of electric cars and by planting more trees.

Agri-tech

CIDR technology improves herd's fertility [NZ Farmer/ 19 September] Trinity Lands In-house Vet, Richard Tiddy said the business had identified that reproductive performance was a major area of opportunity for the business to lift its performance overall. Last season the farm used controlled Internal Drug Release (CIDR) Cattle Inserts as a tool for improving their herd's reproductive performance. This coming season the business would build on this platform in order to get their cows in calf earlier and maximise their days in milk.

Rural communities

Mental health support needed for rural communities [14 September/ Otago Daily Times] According to the Chief Coroner's annual suicide statistics, Canterbury has the highest rate of suicide in the country. North Canterbury Rural Support Trust Chairman, Doug Archbold said he would like to see more support in rural schools. Mr Archbold added that Canterbury farming families have had to cope with drought, earthquakes, storm events, flooding and low commodity prices in recent years. Mr Archbold explained that it was crucial that rural schools in Canterbury had access to counselling services, a resource not normally available in primary schools.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 20 September 2017

Subscribe

To subscribe to future editions of Field Notes please [click here](#).

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.

The information provided herein is of a general nature and is not intended to address the circumstances of any individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received nor that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.