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**KPMG Agribusiness  
 Agenda 2017**

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AGRIBUSINESS

# Field Notes

Weekly news update from the KPMG Agribusiness network

6 December 2017

**Organisations referenced in this week's Field Notes include:**

Amazon	Labour Party
Apiculture New Zealand	Lincoln Agritech
Auckland Council	Maple Leaf Foods
Bayer New Zealand	Mars
byFlow	Massey University
Campbell Soup	Ministry for Primary Industries
Chobani	National Party
Cocoa+	New Zealand Avocado
Comvita	New Zealand Police
DairyNZ	NIWA
Danone	NZ Sport Fishing Council
DC Wines	Rabobank
Delegat Group	Reserve Bank
Department of Conservation	Rural Health Alliance
Farm & Oven	S&P
Field Roast Grain Meat	Scion
Fish and Game	Silver Fern Farms
Fonterra	Sistema
Forsyth Barr	Synlait
Green Party	Tannacrieff Wines
Hampton Creek	United States Department of Agriculture
Hawke's Bay Winegrowers Association	Weatherwatch
International Union for Conservation of Nature	Wools of New Zealand
Kind	Zespri
Kraft Foods	

**This week's headlines**

Horticulture	<b>Auckland's future: vertical farming?</b> [1 December/ Radio New Zealand]
Red Meat	<b>Ex-Zespri head to lead Silver Fern Farms</b> [5 December/ Otago Daily Times]
Research and Development	<b>New Zealand needs to pull ahead of world on agri-innovation</b> [1 December/ NZ Herald]
Rural Communities	<b>New push to tackle rural health issues will support youth at risk of suicide</b> [1 December/ NZ Herald]
Forestry	<b>Robots could soon take over dangerous forestry jobs</b> [5 December/ Radio New Zealand]

**Horticulture**

**Auckland's future: vertical farming?** [1 December/ Radio New Zealand] Sustainability Strategist, Henry Gordon-Smith said vertical farming in high-rise buildings, warehouses or shipping containers could benefit a rapidly expanding Auckland. Mr Gordon-Smith added that vertical farming was becoming more popular overseas as more importance was placed on the idea of buying local and fresh. Mr Gordon-Smith explained that vertical farming yielded a lot more per square foot close to the consumer, providing them with fresh, local, clean, transparent produce.

**Blackcurrant grower quits business in face of oversupply** [4 December/ NZ Herald] Blackcurrant grower, Chris Nelson has ripped out all 30 hectares of blackcurrant bushes on his farm and has sown much of it in grass. Mr Nelson said it was a difficult decision because it had been a family business for nearly half a century, but there had been a change in the global blackcurrant market. Mr Nelson said there was a large oversupply of the berries around the globe, with the international marketplace becoming a lot more competitive, especially in the northern hemisphere.

**China now open to NZ avocado exports** [5 December/ Rural News] New Zealand avocado exporters have started looking at how to develop a niche market in China following the signing of an agreement between the two countries allowing avocados to be exported to China. New Zealand Avocado Chief Executive, Jenny Scoular said New Zealand did not produce a significant volume of avocados, so instead the country must create a high value market for avocados within China. The next step before trading could begin was an audit by Chinese authorities and the New Zealand Ministry for Primary Industries.

**Dairy**

**Synlait Milk founder John Penno to step down after 12 years at the helm** [29 November/ Stuff] Synlait Founder and Chief Executive Officer, John Penno has announced he will be stepping down from the position within the next 12 months. Mr Penno would continue in a governance role as a director of the board. Synlait Chairman, Graeme Milne said Mr Penno had been an exceptional leader and had left the company in a very healthy shape with a strong balance sheet and clear future growth plan. Mr Milne said the board would search internationally for a new chief executive officer, and Mr Penno had committed to continuing in the role until a successor was found and in place.

**Government announces this year's Partnerships Scheme Investment Round recipients** [30 November/ NZ Herald] DairyNZ has secured \$8.4 million in funding from the Government over the next seven years to develop genetically low nitrogen excreting animals and farm management strategies to reduce greenhouse gases. DairyNZ Strategy and Investment Leader for Productivity, Bruce Thorrold said the funding would enable the dairy industry to lower its environmental footprint by up to 20 percent. Mr Thorrold added that the first step would be identifying whether genetics controlled the nitrogen efficiency of animals, followed by whether the animals could be bred for these genetics. Mr Thorrold noted that the industry would know within two or three years whether it would be possible or not.

**Fonterra maintains its S&P ratings following \$183m damages decision** [4 December/ Stuff] Fonterra has maintained its S&P Global Rating despite being ordered to pay \$183 million in compensation to Danone for losses suffered after products had to be recalled following a botulism scare in 2013. S&P said Fonterra had enough liquidity to cover the payment and it believed the company had appropriately addressed its food safety monitoring processes. Forsyth Barr Analyst, James Bascand said he was not surprised at the rating, as the impact on Fonterra's balance sheet was relatively immaterial given the size of the company.

**Viticulture**

**Winner learned it all along the way** [1 December/ Otago Daily Times] Tannacrieff Wines and DC Wines Owner, Debra Cruikshank has been awarded the Supreme award at the Enterprising Rural Woman Awards in Invercargill. Ms Cruikshank said from day one on her journey with her own business, she knew she had to create a niche market. Ms Cruikshank added that everything she has done, she has learned along the way. Ms Cruikshank said the next step in her journey would be moving to Bannockburn, where she was building a winery and eventually a wine tasting facility.

**Delegat lifts full-year earnings guidance on sales growth and weaker kiwi** [5 December/ National Business Review] Delegat Group, New Zealand's largest listed winemaker, has increased its 2018 earnings guidance after benefiting from sales growth and a weaker kiwi dollar. The company announced that operating profit for the 12 months ending 30 June 2018 was expected to be \$40.7 million, up from the existing forecast of \$38.5 million. The company had a target of lifting sales to 3.69 million cases by 2022, driven by growth in sales of Oyster Bay wines in North America and Barossa Valley Estate.

**Red meat**

**Ex-Zespri head to lead Silver Fern Farms** [5 December/ Otago Daily Times] Silver Fern Farms has named Zespri Chief Operating Officer, Simon Limmer, as its new Chief Executive. Mr Limmer had worked for Zespri in a variety of general management roles in New Zealand and China, and would take over from Dean Hamilton in March 2018. Silver Fern Farms Chairman, Rob Hewett said Mr Limmer came with deep commercial experience in the food, manufacturing and service sectors, both in New Zealand and in several of the key international markets in which Silver Fern Farms operated.

**Fishing**

**Nash coy on fisheries changes, after report calls for major overhaul** [4 December/ Stuff] Fisheries Minister, Stuart Nash said plans would be announced before Christmas which may affect recreational fishers. The statement followed the release of 'The Future Catch', a report which called for compulsory fishing licences and the possible removal of minimum size limits for some species. NZ Sport Fishing Council Vice president, Bob Gutsell said the council did not support any of the recommendations, particularly those around proportional allocation. Mr Gutsell added that they represented a huge risk for the interests of the public and non-commercial fishers of New Zealand.

**Warmer oceans: 'We need to start planning for this now'** [5 December/ Stuff] According to the National Institute of Water and Atmospheric Research (NIWA), New Zealand's fishing industry could hit a snag if it didn't plan for warmer oceans significantly affecting marine life. The organisation explained that warmer oceans could affect phytoplankton, a key part of the marine ecosystems. A decrease in phytoplankton could lead to a reduction in food supply for fish. The organisation noted that the current La Nina pattern meant sea surface temperatures were more than 6 degrees Celsius warmer than usual for this time of year in some areas.

**Apiculture**

**Honey producers abuzz over promising harvest** [5 December/ Radio NZ] Apiculture New Zealand Chief Executive, Karin Kos said this year's honey production season was shaping up to be one of the best in years, primarily due to the warmer weather. Ms Kos explained that it was a complete turnaround from last year's poor season where Comvita's profits halved to just under \$10 million. Ms Kos added that there were regional variations, with beekeepers in the South Island being the most optimistic. Ms Kos noted that things could still turn if conditions became too dry in the coming months.

**Forestry**

**Robots could soon take over dangerous forestry jobs** [5 December/ Radio New Zealand] Some of the most dangerous and labour intensive jobs in the primary sector could soon be done by robots. Researchers from Lincoln Agritech, Scion, and several universities around the country have been working to develop robots that could be trained to work alongside people in the sector. The \$2 million project would take place over the next two years. Agritech Group Manager, Armin Werner said the group would investigate how sensors and artificial intelligence would be used to help robots understand their surroundings and adapt to them. Mr Werner added that they would provide enormous benefits to the primary sector, especially in dangerous industries such as forestry.

**International**

**Why Chobani Is Reinventing Itself—and Why It Had No Choice** [29 November/ Adweek] Chobani Chief Marketing and Commercial Officer, Peter McGuinness has led the brand that has revolutionised the yoghurt category over the last decade, increasing the market share of Greek Yoghurt from 1 percent to around 50 percent. Mr McGuinness said virtually everybody had copied Chobani and there was now too many products with similar packaging and buzzwords such as "natural" and "creamy". Mr McGuinness added that this competition had not been good for the category. Mr McGuinness said Chobani was currently reimagining its brand which would move the company beyond its image as just a yoghurt company, and instead position it as a food focused wellness company.

**Mars takes stake in Kind Bar as nut bar eyes international growth** [29 November/ CNBC] Mars has taken a minority stake in Kind, with the option to fully acquire the company later on at the value of USD 3-4 billion. Kind is a bar brand made of ingredients which people can see and pronounce. The acquisition gave Mars a larger stake in the USD 33 billion United States snack category. Kind Founder and Chief Executive Officer, Daniel Lubetsky said the company's vision was to become the foremost health and wellness platform.

**Hampton Creek cracks the egg substitute market with Just Scramble** [1 December/ Food Dive] Hampton Creek has announced the launch of its Just Scramble vegan egg substitute. The product would debut in San Francisco and would be available throughout the United States in 2018. Initially the product would be sold to chefs, companies and restaurant chains, but would be available to consumers later in 2018. The egg substitute was made of mung beans and did not contain any cholesterol or antibiotics. Hampton Creek Chief Executive Officer, Josh Tetrick said the product also tasted like an egg.

**Former Kraft Foods and Campbell Soup's exec to bring probiotics snacks to Amazon** [1 December/ Food Navigator] Former Kraft Foods and Campbell Soup's Executive, Michael Senackerib has launched a new start-up, Farm & Oven, hoping to sell his vegetable and probiotic snacks on Amazon within the next couple of weeks. The company would offer bakery bites that contained 40 percent of the recommended daily vegetable intake and one billion probiotics per pack. The bites would be available in four flavours including beet dark chocolate, carrot cinnamon, pumpkin maple pecan, and zucchini lemon poppy seed.

**Trump relaxes salty school dinner rule** [1 December/ Global Meat News] The United States Department of Agriculture has delayed a rule from Obama aimed at making school meals healthier for children. The delay meant schools did not have to reduce sodium levels in school meals for the next academic year. United States Department of Agriculture Secretary, Sonny Perdue said the delay allowed food producers more breathing space to tweak recipes to reduce salt levels. Mr Perdue added that schools needed flexibility in menu planning so that they could serve nutritious and appealing meals.

**Campbell Is Testing Online Soup Delivery** [2 December/ Bloomberg] Campbell Soup has been testing an online service that would deliver soups to customers' doors. The company would begin a pilot test of the program next month, shipping out premium soups to customers that could heat them up at home. Campbell Soup Vice President, Mike Paul said it was part of a push to overhaul the way Campbell did business in order to lead disruptive innovation. Mr Paul explained that it was necessary as Campbell had been facing a problem where shoppers kept to the outer perimeter of supermarkets where fresh foods were kept, and avoided the centre of the supermarket where the company's products were.

**Maple Leaf buys vegan meat company for \$120M** [3 December/ Food Dive] Maple Leaf Foods has announced that it has acquired Field Roast Grain Meat for USD 120 million. Field Roast Grain Meat was a premium make of grain based meat, with annual sales of around USD 38 million. Maple Leaf Foods President and Chief Executive Officer, Michael McCain said the acquisition complemented and expanded the company's portfolio in the fast growing North American market for alternative proteins. Mr McCain added that it aligned with the company's vision to be a leader in sustainable protein and create shared value through making a positive social impact.

**Cocoa+ sees gap for protein in UK luxury chocolate market** [4 December/ Food Navigator] Cocoa+, a United Kingdom start-up company, has launched a new milk chocolate protein bar with 42 percent cocoa and 27 percent protein. Cocoa+ Co-founder, James Bhasme said the rise in dark chocolate was not due to its bitter taste, but rather the fact that it had less sugar and was perceived as healthier. Mr Bhasme explained that the Cocoa+ bars had less sugar than an average block of 70 percent dark chocolate, while having four times as much protein.

**byFlow to focus solely on 3D printing for food as it sells 100<sup>th</sup> printer** [5 December/ Food Navigator] byFlow has changed its business model and would now focus solely on 3D printers for food. Previously, the company produced over 20 multi-material products including clay for ceramics, filaments for plastics, paste for bronze, and granulate for recycled materials. byFlow Chief Executive Officer, Nina Hoff said the company could now print more than 50 ingredients from chocolate to marzipan, icing sugar, vegetables, fruit, dairy and meat. Ms Hoff added that the market was slowly starting to experiment with 3D printers.

**Economics and Trade**

**NZ carbon price highest in six years** [30 November/ News Room] The New Zealand carbon price has hit its highest level in more than six years due to speculation the Labour Government was likely to lift a cap on the maximum price emitters paid. The price for a New Zealand carbon unit under the Emissions Trading Scheme last traded this morning at \$19.85 per tonne, the highest level since May 2011, having traded in a range of around \$19.30 per tonne for the past couple of weeks. Green Party Leader and Climate Change Minister, James Shaw said an announcement would be made before Christmas surrounding the process of establishing a climate commission and implementing a higher carbon price cap.

**Dairy-farm finances healthier, FSR says** [1 December/ Otago Daily Times] The Reserve Bank's latest Financial Stability Report showed that most dairy farms were expected to be profitable in the 2017 - 2018 season as higher dairy prices continued to support farm incomes. As a result of this, the performance of banks' dairy loan portfolios had improved. The report showed that banks were reporting fewer loans that needed to be closely monitored and were starting to reduce their provisions against losses on their dairy loans. The number of banks' dairy loans that were non-performing has decreased from 1.9 percent at the end of 2016 to 1.6 percent.

**Farmers and producers**

**Government to tighten rules around selling land to overseas buyers** [29 November/ Stuff] Land Information Minister, Eugenie Sage, and Associate Finance Minister, David Parker, have announced restrictions on foreign land buyers. The new restrictions meant any sale of more than five hectares of New Zealand land to a foreign buyer would have to undergo scrutiny by the Overseas Investment Office before it could be approved. Ms Sage explained that the existing directive was very weak and generally only applied to sheep and beef farms of more than 7,000 hectares. Ms Sage added that the new directive put a greater emphasis on the importance of jobs, new technology and business skills, increased exports, processing of primary products, and the oversight and participation of New Zealanders.

**Earthquake-damaged rural land use studies begin** [30 November/ NZ Herald] Farmers, growers and foresters in the South Island's earthquake affected regions have been encouraged to use the \$5,000 worth of funded advisory services each to plan how they would farm in the future. The Ministry for Primary Industries has approved at least 20 suppliers of advisory services to help farmers decide the best way to farm or use their damaged land in the future. Services could include long term land use planning, farm business strategic planning, environmental plants, farm system analysis, alternate use and farm change scenarios, and technical or financial advice and planning.

**Dry weather spells potential problems for farmers** [30 November/ Stuff] Weatherwatch Head Weather Analyst, Philip Duncan said farmers in some parts of the country could be in trouble if it did not stop raining soon. Mr Duncan explained that Northland, Auckland's West Coast, Taranaki, Manawatu, Canterbury and Southland were drier than normal and contractors were concerned about the fact that grass had stopped growing for silage and hay making. Mr Duncan added that apart from an area of low pressure coming in about the middle of December, it looked like high pressure would dominate to the end of the year.

**Farmer confidence drops 41 per cent** [5 December/ NZ Herald] The Rabobank Rural Confidence Survey results have shown New Zealand farmer confidence drop in the final quarter of the year and has tumbled 41 percent in the past six months. Rabobank New Zealand General Manager for Country banking, Hayley Moynihan said around 80 percent of farmers who believed the rural economy would worsen over the next 12 months cited the new government's policies as a key reason for holding this view. Ms Moynihan added that farmer confidence had also been dented by expectations they would face rising input costs and falling commodity prices.

**Dry weather already feeding into NZ markets** [5 December/ NZ Herald] The National Institute of Water and Atmospheric Research (NIWA) said a powerful and persistent ridge of high pressure over much of New Zealand during the second half of November caused near-record or record dryness in some locations, and has led to the depletion of soil moisture levels. NIWA explained that plants in some areas of the lower North Island and South Island were approaching their wilting points.

**Water**

**Hawke's Bay winegrowing future uncertain in face of water order** [5 December/ NZ Herald] Hawke's Bay Winegrowers Association Legal Counsel, James Gardner Hopkins said winegrowers could live with some form of water conservation order on the upper Ngaruroro River, and it aligned with the association's industry sustainability values so it could conditionally support it. However, Mr Hopkins added that this support was based on multiple assurances from the applicant, Fish and Game, about the intention of the water conservation order as it related to existing land-use activities.

**Forestry**

**Kauri headed for extinction, scientist warns** [1 December/ Radio New Zealand] International Union for Conservation of Nature (IUCN) New Zealand Board Chair, Peter de Lange said kauri trees were heading for extinction because of public apathy and stupidity. Mr Lange explained that the panel had resisted putting kauri on the threatened list, but data showing kauri dieback had doubled in the Waitakere Ranges in five years left them with little choice but to add it to the list. Mr Lange said pigs and possums spread kauri dieback, but the biggest problem was people who refused to clean their shoes, stay on the tracks, and stay off closed ones. Auckland Council would vote next week on whether to close the Waitakere Ranges to save threatened kauri trees.

**Research and development**

**New Zealand needs to pull ahead of world on agri-innovation** [1 December/ NZ Herald] Ministry for Primary Industries Director General, Martyn Dunne said New Zealand needed to be in a better position to respond to challenges like increased competition, environmental and climatic impacts, and disruptive technologies in the agri-food sector. Agriculture Minister, Damien O'Connor said the sector had to compete with others around the world who were catching up fast. Mr O'Connor added that it was critical that research and development became business as usual, or else the sector could be taken over by the Irish, South Americans, or Europeans.

# Field Notes

Weekly news update from the KPMG Agribusiness Network – 6 December 2017

**Government to review primary sector research programmes** [4 December/ Stuff] The Government has announced that it would keep the Primary Growth Partnership (PGP) programmes running until it reviewed them. Under the previous National Government, the 22 PGPs were its flagship research and development programme for the primary sector. Of the 22 programmes, six have been completed and 16 were currently still underway. The final PGP would be completed by 2025, with \$759m having been spent by taxpayers and the industry. Around \$385m of this would have come from the Government.

## Wool

**Wools of NZ strategies for the future** [30 November/ NZ Herald] Wools of New Zealand held their Annual General Meeting in Christchurch last week. Wools of New Zealand Chairman, Mark Shadbolt said the company would drive towards revolutionising the industry through a focus on research and development, the development of innovative technologies, and product authenticity initiatives. Mr Shadbolt added that ongoing success would be greatly enhanced by choosing the right partners who shared the company's drive. Mr Shadbolt noted that the company had increased transparency as consumers around the world demanded more knowledge of what they were purchasing, its origins, and the ethics that surrounded its production.

## Biosecurity

**Leptospirosis strain discovered in alpaca for first time floors researchers** [4 December/ Stuff] A leptospirosis strain has been found in New Zealand alpaca for the first time. The disease was more common in dairy cows and could occasionally be passed on to dairy and abattoir workers. In humans, the disease could appear as a minor flu-like sickness, but may put some people in intensive care at hospital with lasting kidney or liver damage. Massey University Leptospirosis Research Group Member, Julie Emerson said two young alpacas in Manawatu died from the disease, while 12 other pregnant alpacas were aborted.

**Anti-1080 group threat to take down helicopters, poison milk** [5 December/ NZ Herald] An anti-1080 group has threatened to bring down Department of Conservation helicopters if it dropped the controversial pesticide in Taranaki's Egmont National Park. In a letter to the Department of Conservation, the group said "this will be a war like no other" and "these hunters have more guns that you or the police". The Department of Conservation and the New Zealand Police have confirmed that they were investigating the threats.

## Rural communities

**New push to tackle rural health issues will support youth at risk of suicide** [1 December/ NZ Herald] The Rural Health Alliance Aotearoa New Zealand and Bayer New Zealand have announced a new partnership to support rural youth, especially those at risk from suicide. Other initiatives would include a rural youth health challenge, support of the RuralFest NZ event, and tailored suicide prevention training for veterinary and rural health students. Rural Health Alliance Aotearoa New Zealand Chief Executive Officer, Michelle Thompson said the organisation was thrilled to be working with Bayer New Zealand on initiatives targeted at improving rural health and wellbeing.

## Bloodstock

**Famous Cambridge Stud sold** [29 November/ Radio New Zealand] Champion Breeder, Patrick Hogan has sold his champion stud to Sistema Founder, Brendan Lindsay, and his wife Jo Lindsay. Mr Patrick said there had been strong foreign interest in the stud, but he wanted to wait for the right time and the right buyer. The stud had produced horses that have won all the major Australasian racing trophies, including eight Melbourne Cups.

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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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