



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

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AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network

Holiday catch up edition: 17 January 2018

Organisations referenced in this week's Field Notes include:

ADM Capital	KFC
Agria	Kura
Alltech	Lactalis
American Farm Bureau Federation's	Massey University
ANZCO	McDonalds
ASB Bank	Mission Produce
Auckland Airport	MPI
Australian Wool Innovation	Nature Conservation Association
Avocados Australia	Nestle
Blue Apron	New Zealand Rural Support Trust
Bunnings	Overseas Investment Office
Cargill	Padiberas Nasional
Crown Irrigation Investments	PGG Wrightson
Dairy Women's Network	Sealord
Danish Organic Association	Sealord Caistor
Federated Farmers	Statistics New Zealand
Ferrero	The US Food and Drug Administration
Finless Foods	The Vegan Kind
Fonterra	Vetlife
Global Dairy Trade	Westland Milk
Greenlea	Wiesenhof
HVMN	Wood Processors and Manufacturers Association
Improvement Corporation	Yates Confidor
Itoham Yonekyu Holdings	

21 December 2017

Cultured fish company Finless Foods aims to achieve price parity with Bluefin tuna by the end of 2019 [International /Food Navigator USA] Finless Foods, a Bay Area start-up is looking to bring a high quality cultured Bluefin tuna product to the market in 2019 with an ultimate goal of matching the market prices of cheaper conventional tuna alternatives. The company has cut costs of production by 50% since September and believes price parity is a possibility. Co-founder and CEO, Mike Selden, acknowledges that initial supply will be limited and they propose to initially work with high end restaurants to spark a conversation about the product before they move into retail stores. The company has started with Bluefin tuna for conservation reasons but also as the fish is high value it enables the company to get to the market faster – Mr Selden believes it will be easier for cultured Bluefin tuna to achieve price parity than a cultured chicken product for example. He also noted that the company is in the process of closing a seed fund round currently, with expectations of doing a Series A round in 2019, adding that the investors were in the business for the long haul and recognise that it is not an app or as SaaS play.



22 December 2017

Farmer support for Brexit as strong as ever, FW poll reveals [International /UK Farmers Weekly] A recent survey of readers of Farmers Weekly in UK indicates that support for Brexit remains as strong as ever in the rural sector with few who voted leave in the EU referendum saying that they would vote any differently should another referendum be conducted. The survey indicated that 53% of farmers voted to leave and the same amount would still vote to leave despite the waning confidence that the UK government will be able to deliver a good trade deal with the EU after the country leaves the union. The continuing support for leaving the union also appears to be in contradiction with farmers more pessimistic belief about the impact that Brexit will have on their businesses. The strongest support for leaving comes from non-supported sectors of British agriculture (sugar beet, poultry and horticulture) while dairy and sheep farmers are more inclined to want to stay in the EU. The survey also highlighted that non-farmers associated with the agriculture sector are more inclined to want to stay in the EU, with some indicating that they had no real understanding of the implications a leave vote would have at the time of the referendum.



24 December 2017

Mozzarella plant on track for May start [Dairy /Otago Daily Times] Fonterra Operations Manager at the Clandeboye Plant, Steve McKnight, has said that the Co-operative's \$240 million investment into a mozzarella cheese plant at the site is on target for commissioning in May 2018. The project has already created 75 new jobs and 25 further people will join the Fonterra team at Clandeboye in February. The investment will make Fonterra the largest producer of natural mozzarella in the southern hemisphere. The Clandeboye site will be 30% larger once the new plant is complete and would be supplying product to 70 different markets around the world.

27 December 2017

Sealord's annual profit falls 19% on write down of now-exited UK business [Fishing /National Business Review] Sealord's holding company, Kura, has lodged its financial statements at the Companies Office showing a net profit of \$18.5 million for the year to September 2017, having incurred a loss of \$3.2 million on discontinued operations. The financial statements indicate that the company has sold its UK processing business, Sealord Caistor, to its 50% shareholder Nippon Suisan Kaisha resulting in the company booking an impairment charge of \$4.9 million. At an operating level the company reported a 5.4% gain in earnings and paid dividends of \$9.2 million to its shareholders. The company said that its sale of Sealord Caistor is consistent with the group's focus on operational performance, noting that the group now has a more sustainable margin structure. The company also noted that construction of the group's new \$70 million purpose built trawler remains on track for delivery in May 2018 and it is expected to create 80 new positions.

29 December 2017

Cargill to double cooked poultry output on mainland [International /South China Morning Post] Agricultural trader, Cargill, will invest USD50 million to double its cooked poultry foods capacity in China in response to changing consumer tastes and growing demand from key customers like McDonalds and KFC. The company's plant which is a fully integrated facility covering breeding, raising and processing, was opened in 2013 and it will be expanded by 2019 to make ready to eat, cooked poultry products. The investment reflects the growth in the sector compared to traditional raw meats businesses. The President of Cargill Animal Protein in Greater China, Omar Sadeque, said the company will secure growth by enticing customers with new offerings, products, experiences and emotional connections. The investment is leveraging insights Cargill has gained from its e-Commerce business in China (Innovation Lab) and R&D centre in Shanghai.



30 December 20167

Growing discord in Malaysia's paddy industry [International /The Straits Times] Despite a wide variety of choices available in supermarkets the majority of rice in Malaysia is supplied by companies connected to Padiberas Nasional, or Bernas, the national rice agency. The monopoly control over the nation's rice supply has been a key issue for farmers in upcoming election after complaints of unfair trade practices by the company which is controlled by a politically connected tycoon, Syed Mokhtar al-Bukhary. The company was established as a state run board to maintain adequate rice supplies and maintain fair farm gate prices in the 1970's, was privatised with the same obligations in 1996, however farmers are complaining that it has failed to protect and promote the local industry favouring cheaper imported products to drive its profits. The rice bowl for Malaysia, Kedah state, is a swing state in the elections making the dispute a key one for the ruling BN party to address in the run up to the election. Opposition parties have stepped in to back rice growers calling for the National Rice Board to be reinstated and urging the Bernas to drop legal action it has threatened against grower representatives for defamatory statements.



31 December 2017

'Fat-burning' Silicon Valley wonder drink heading to UK [International /The Sunday Telegraph] HVMN (pronounced Human) is planning to market its product which has taken Silicon Valley by storm in the UK in 2018. HVMN Ketone Ester is a chemically engineered drink that is claimed to deliver the fat-burning benefits of fasting without having to cut back on the food you consume. The product was launched in the US earlier in 2017 and costs USD33 for a 65ml bottle. The product which has been brought to the mass market by Geoff Woo, a 28 year old Stanford graduate, says the drink can deliver the same effects to the body as days of fasting using a process called ketosis, however some scientists are sceptical about the benefits of the product, questioning whether benefits seen in studies on animals would translate to better health in humans.



1 January 2018

Cold turkey on meat and dairy in 'Veganuary' [International /The Daily Telegraph] The latest trend in new year detox's is Veganuary, a commitment to eat a meat and dairy free diet for the month of January. In the UK the number of people making the commitment has increased from 1,500 in 2014 to 52,000 in 2018 making the UK the largest market for the challenge, followed by the US. The Veganuary campaign, promoted by a charity of the same name, reports that over 120,000 people around the world have accepted the challenge to go vegan for January and follows other campaigns encouraging people to give up alcohol for a month a year. The operator of the UK's largest vegan supermarket, The Vegan Kind, said sales have increased month on month every month for the last four years since the store opened, noting that concerns over health, the planet and cruelty to animals were at the forefront of people's minds as they committed to eating vegan. He also noted that with more restaurants offering vegan options on their menu there is no longer a need to change or give up a lifestyle to give up meat and dairy. The number of vegans in the UK has grown threefold in the last decade to 542,000 with around half aged between 15 and 34 years old.



3 January 2018

Fed Farmers urge govt to reconsider irrigation loans [Water /Radio New Zealand National] The Labour/ New Zealand First Coalition government is being urged by Federated Farmers not to follow through on its promise to cancel any new loans to irrigation schemes. Labour campaigned on introducing a water levy on farmers (although this has been placed on hold as a result of the coalition deal with NZ First) and promised to wind up Crown Irrigation Investments, the company the previous government had established to provide bridging finance to irrigation schemes. Former Federated Farmers President, William Rolleston, said he believed putting Crown Irrigation Investments on ice once it had honoured existing contracts was a mistake as it was based on a simple analysis that irrigation equals cows rather a consideration of all the benefits of irrigation. He noted that data showed that schemes such as the Opuha Dam had lifted the GDP of the Timaru district above the national average as well as creating recreational opportunities for boaters, more flow in the Opihi River for fishing and provided more water to Timaru for domestic use.

Fonterra lowers NZ milk collection forecast for this season [Dairy /National Business Review] Fonterra has advised that it expects to collect 3% less milk from suppliers in the 2017/18 season as dry weather stunts grass growth and lowers milk production. The co-operative now expects to collect 1,480 million kilos of milk solids in the season compared to expectation in December that milk production would be in line with the 1,525 million kilos it collected in 2016/17 season. Fonterra said that wet conditions in spring improved from late October but recent dry and warm weather has impacted soil moisture and pasture quality across the country, with expected rain being insufficient to bring production back to previously anticipated levels.

New China infant formula rules finally introduced, global firms seeking much needed stability [International /Dairy Reporter] The Chinese Food and Drug Administration has finally brought into effect rules announced in June 2016 to regulate infant formula markets. The rules limited every firm to a maximum of three brands and nine formulations and since the rules were announced companies have been seeking to secure registrations. To date, 400 products have been approved with around 60 of them coming from international companies. Around a third of annual demand of a million tonnes comes from international suppliers with Australian and New Zealand products being in particularly high demand. Exports from New Zealand are tipped to top NZD1 billion in the current year. Many suppliers have reported challenging trading conditions since June 2016 as domestic manufacturers in particular heavily discounted prices to off load inventory before the new rules came into force. Those on the approved list are now hoping the market will stabilise, with product choices easier for consumers as the range of brands reduces.



4 January 2018

Global Dairy Trade powder prices up as production forecast falls [Dairy /Otago Daily Times] The first GDT auction of the year produced a positive result for farmers with the overall index lifting by 2.2%. The price of Whole Milk Powder performed the strongest recovering 4.25 to USD2,886 per tonne while skim milk powder and butter also showed increases. The auction saw 25,400 tonnes of product being sold and it followed Fonterra's announcement that they expected their milk intake to be down around 3% in the 2017/18 season. ASB Bank Chief Economist, Nick Tuffley, said that the weather is having a significant influence on New Zealand dairy supply and prices in the current season, although he noted the bank would hold their season forecast at \$6.50 per kilo milk solids at the current time and perform a reassessment in coming weeks.

Omega-3 enriched milk by microalgae-fed cows could boost food nutrition [International /Food Dive] Alltech has funded research work conducted at Harper Adams University in the UK which has seen scientists increase the level of long chain omega-3 polyunsaturated fatty acids in milk by feeding microalgae to cows. The researchers found that the enhanced liquid milk then improves the level of nutrients in cheese produced from the enhanced liquid. The study could spur farmers to explore using microalgae in feeding their animals as well as having wide reaching benefits on the nutritional content of products using milk as an ingredient. Many food manufacturers are exploring a diverse range of uses for microalgae including enhancing nutritional value of existing foods, replacing colourings and other additives, with the market for microalgae based foods and ingredients expected to reach \$44.7 billion by 2023.



Farmers to be paid for improving public access [International /The Daily Telegraph] UK Environment Secretary, Michael Gove, is to announce to the Oxford Farming Conference that farmers will be rewarded for opening up the countryside to the public and enhancing the environment after Brexit, as the UK Government plans to replace EU subsidies with a system that rewards farmers for how they use their land. The proposals include rewarding farmers that plant woodlands, turn fields into meadows and provide new habitats, with support payments being linked to public good action through both environmental actions and technology adoption. Mr Gove will stress a belief that there is no inherent tension between productive farming and care for the natural world and highlight that leaving the EU will allow the government to deliver policies that enables farmers to leave the environment in a better condition than when they found it. To facilitate a shift to the new system, the government will guarantee that annual subsidies of GBP3 billion will continue to 2024, however there will be a cap on payments to wealthy landowners, some 39 of which are believed to receive more than GBP1 million each in EU subsidy every year.

6 January 2018

Westland Milk – closing the gap on dairy's big brother [Dairy /NZ Herald] Following some challenging seasons where Westland Milk Products fell significantly behind Fonterra in payout return, new CEO, Toni Brendish, has set out closing the gap following her appointment in September 2016. The co-op has focused heavily since Ms Brendish's arrival on cost cutting and growing revenue and has spent time explaining to farmers what they are doing to turn around the milk price short falls. She notes that Westland farmers are feeling more positive given the milk price forecast but also there is more confidence around the actions that the company has taken to address the issues. The strategy of diversification that the co-op had previously adopted remains in place but the focus has been on executing the strategy. She considers that the investments made in infant formula and UHT products were the right decisions however the timing had been challenging as the investments came on line at the same time as global milk prices fell and the company had found itself exposed as customers had not been secured before the money had been spent. She notes that the UHT plant is now running at 50% capacity and the nutritionals plant at two thirds capacity and is adding significant value to payout. The co-op has also benefited from its butter production capacity which has seen record high prices in recent months. The company has so far realised \$77 million in cost savings and revenue uplifts compared to a target of \$78 million. The company is also focusing on segregation of milk and traceability as well as how it can leverage more value from its home location on the West Coast.

Honour in the face of adversity [Agribusiness Strategy / NZ Farmers Weekly] A number of primary sector leaders have been recognised in the New Year Honours for their service to the industry. National President of the New Zealand Rural Support Trust, Neil Bateup, received an Officer of the NZ Order of Merit award for his services to agriculture and the community. Mr Bateup has taken a strong leadership role in rural mental health initiatives and was elected inaugural national chair of the Rural Support Trust Council. Ex-Federated Farmers President, Dr William Rolleston, received the Companion of the NZ Order of Merit for his services to the farming community. Penny Mudford was also made an Officer of NZOM for her extensive involvement in primary sector industry groups. Others that received awards connected to their contribution to the primary sector included Fonterra research scientist Dr Palatasa Havea, wool researcher Dr Gareth Carnaby and Southland Farmer Stuart Collie.

Once-hungry investors pass on meal-kit start-ups [International /The Wall Street Journal] Only a few years ago the idea of delivering packages with all the ingredients for a meal measured out was novel and saw venture capitalists invest hundreds of millions of dollars into the companies developing these businesses. However, many are now questioning the validity of meal kit delivery businesses given the logistical challenges, the costs of attracting and retaining customers and the arrival of often bigger rivals. More than 70% of Blue Apron customers had stopped regularly buying from the company within six months of signing up, while the figure is 80% for HelloFresh. In the last five years, 150 new meal-kit companies were founded, often targeted at narrow niches, and found significant investor enthusiasm that peaked in 2015 when 25 companies raised USD308 million. While analysts expect the sector to continue to grow significantly (from USD2 billion of revenue in 2016 to USD6 billion in 2021) many of the start-up companies are looking for mergers or acquisitions before their valuations dip as companies like Amazon, Walmart and Kroger get into the business leveraging their existing supply-chains and significantly lowering costs. The cost of meal kit services, the burden of the subscription, challenges in receiving orders and wastage were all highlighted by consumers as reasons they are not interested in meal kit services. The challenge for meal kit companies was summed up by CEO of Blue Apron, Brad Dickerson, who noted the company needs to be much more than it is today through the addition of more variety for consumers and easier to prepare meals.



9 January 2018

Vetlife warned over alleged price fixing [Rural services /Stuff Business] The Commerce Commission has warned Vetlife, a Timaru based vet group over alleged price fixing in 2015. Vetlife operates 17 practices in the South Island and the warning relates to a complaint over the pricing for the sale of a prescription of Cepravin to a long standing customer by a third party practice. The Commerce Commission noted that the warning was a reminder to Vetlife, veterinarians and businesses in general that they need to make independent decisions about pricing of products. The Commission has not named the other practice as they have decided to take no action against them despite neither party submitting a competitive price to the customer as a result of their agreement.

ADM buys Aussie almond orchard in third ag deal [International /Agri Investor] Cibus Fund, the initial agribusiness fund from ADM Capital, has completed its third deal being the purchase of a mature almond orchard in Lake Powell, Victoria, Australia. Cibus had its first close in May 2017 having raised USD101 million and is targeting a final close in mid-2018, with a reported target of USD500 million. Founder and CIO at ADM Capital, Rob Appleby, said that Cibus had been attracted to the orchard as the Australian almond harvest is counter-cyclical to the US harvest providing a selling opportunity for product. He also noted the desirability of the location and the opportunity to expand operations through further mature orchard purchases, greenfield developments and processing extensions. Mr Appleby noted that in addition to looking at permanent crops the fund was also looking at protein based investments and agtech opportunities that either standalone or are complimentary to the asset portfolio being developed.



Restaurants snap up fake donkey meat [International /China Daily] Hundreds of workshops making and selling fake donkey meat have been discovered in Heijian resulting in a city wide inspection being launched. Heijian is famous for its 'donkey burger' (a product called lyrou huoshao, snack of ground donkey meat in a baked wheat bun) and authentic meat commands a premium given the time and complexity associated with raising donkeys. Investigators found that many family businesses were using cheap cuts from mules, horses and pigs to make illegal products and selling them for a sizeable profit to restaurants (although at a price point only about half of the price of authentic meat). The cheaper cuts are cooked together with food additives to make the meat smell like donkey often by businesses that have no operating licenses. Much of the meat produced is being transported to other cities for sales where consumers will be unable to tell the difference between authentic and fake products. City officials said unlicensed businesses would be shut down immediately and their managers punished while any city employees who are found to have failed in their supervision duties would also face penalties.

10 January 2018

Grey, Buller districts added to drought list [Drought /Otago Daily Times] Agriculture Minister, Damien O'Connor, has added the Grey and Buller Districts on the West Coast to the list of regions currently experiencing a medium-scale drought. The declaration means that the local Rural Support Trust and other recovery organisations are able to access a funding boost. Minister O'Connor declared 13 districts in drought across the South of the North Island just prior to Christmas as a wet winter has turned into a very dry start to summer. In a statement, he noted, that on the back of a very wet winter which left many farmer unable to grow pasture or crops for spring, the early and unusually dry start to the summer turned West Coast pastures from swamp to concrete. It was noted that MPI is currently reviewing its drought policy framework with a new policy expected to be in place by the middle of the year.

Danish retailer helps herd shoppers into organic farmland fund [International /Agri Investor] In September last year the Danish Organic Association and Nature Conservation Association launched the Danish Organic Agriculture Fund with the goal of raising DKR35 million to invest in projects designed to increase the availability of organic food in Denmark. After a slow start to the fund raising seeking investors prepared to commit a minimum of DKR25,000 to the fund, they approached Danish supermarket chain, Coop Denmark, about an offering to their shoppers with a minimum investment of DKR250. The offering, promoted as enabling shoppers to express their support for the growth of organic agriculture in Denmark, opened in mid-December and has assisted the fund in raising DKR29 million. The fund will look to use the money to purchase farmland and will work with young farmers that are committed to organic production, soil maintenance and carbon footprint guidelines.



Avocado sales could more than double this year, helped by demand from China's middle class [International /CNBC] China's expanding middle class population is rapidly growing demand for avocado's which is expected to see imports of the fruit more than double in 2018 again according to Steve Barnard, the President of Mission Produce, the world's largest distributor of avocados. The pace of growth in sales of the fruit in China, which appeals to young and trendy people, shows no signs of slowing. The growth is benefiting producers in Mexico, the world leader in avocado production, where although the growth is strong in China they note the potential given it remains a modest market in comparison to the US. The demand in China is currently coming from urban consumers in the Tier 1 cities however the time taken to ship the fruit and the risks associated with this, together with challenging trading arrangements means Mexican producers continue to place most priority on the US as well as growing markets in Japan and parts of Europe. Producers do note that the Chinese pay a premium for fruit over the US and as a consequence more supply will be diverted to China and other new markets, making it likely that US consumers will be expected to pay more for their avocados. This was highlighted in the last few months of 2017 when supplies from the US to Mexico fell around 20% below the average and wholesale prices in the US quickly doubled.

Trump promises US farmers rural development improvements during annual meeting [International /Dairy Reporter] President Donald Trump addressed the American Farm Bureau Federation's annual meeting in Nashville and signed two executive orders at the meeting that would extend broadband access. The orders were implementing two of the more than 100 recommendations made by the Agriculture and Rural Prosperity Taskforce that had been led by Agriculture Secretary, Sonny Perdue. The Administration has also pledged to improve rural workforce development through other initiatives like increased biotechnology. The President also touted the benefits of the new federal tax bill to American farmers and promised that the Administration would strike a better deal from NAFTA for farmers, a deal that farmers see as critical to maintaining important markets for farmers in Canada and Mexico.

11 January 2018

Dairy Women's Network CEO steps down [Farmers and producers /The Country] Dairy Women's Network has announced that CEO, Zelda de Villiers, will step down from her role in May 2018 to pursue business interests in Northland. The organisation's Chair, Cathy Brown, said that Ms de Villiers commercial and financial expertise has led the not for profit into a strong position, thanking her for the leadership she had provided over the last four years. Ms Brown noted that membership had grown strongly over the period and a strong team of staff and volunteers had been developed that will support the delivery of services into the future. Ms de Villiers said that her journey as CEO of DWN has been inspiring and humbling and she has no doubt that the role will attract many worthy candidates.

LIC launches Space, the final frontier for livestock improvement [Agri-Tech /The Country] Livestock Improvement Corporation has announced a giant leap forward for pasture management, a satellite technology called SPACE or Satellite Pasture and Cover Evaluation. SPACE uses satellite images to measure pasture cover and sends detailed reports to farmers by email, saving farmer's significant time in checking pasture cover each week. Such technology has not been commercially viable in the past due to cloud cover, but LIC's satellite provider takes daily images to counter the problem. LIC CEO, Wayne McNee, said the product is part of LIC's ongoing commitment to develop solutions that improve productivity and decision making for farmers, with SPACE enabling them to make better decisions on grazing, fertiliser and feed management. The system will also integrate with LIC's MINDA Land & Feed product and will upload data directly to the web based system that farmers are already using.

New food wave demands primary sector unity [Agribusiness strategy /NZ Farmer] Meat industry leader and CEO of Waikato based Greenlea Premier Meats has called for New Zealand primary and food producers to work as one to plan how the country responds to new generation food challenges. Mr Egan made a call for a collective initiative to develop a common vision for the industry at MPI's recent Food and Fibre conference and has recently commented that he believes that there is a window of three to five years for the industry to define its future before it has no choice to focus on responding on the actions of others. Mr Egan believes that the government has an important role to play in leading such an initiative, a point that Agriculture Minister, Damien O'Connor agrees with, noting that the Primary Sector Council that he will be appointing soon will have that challenge as one of its priorities. Mr Egan said a collaborative vision needs to be something that can be embraced by all kiwis as well as customers offshore, adding that the vision needs to be not just something that the industry believes in but something everyone believes in so it becomes part of the understanding of what it means to be a Kiwi and proud of our primary industries.

Overseas Investment Office investigates PGG Wrightson owner Agria's 'good character' [Rural supplies /NZ Farmer] The OIO has confirmed that it is investigating whether Agria, the 50.22% owner of PGG Wrightson, is of good character given its delisting by the New York Stock Exchange, the company's public statements that it had received subpoenas from the US Securities and Exchange Commission and allegations made against the company and some of its Directors in related lawsuits. The OIO noted that only person had failed the good character test, however a PGW spokesperson said that the Independent Directors of the company had considered the implications that the matters may have on PGW and would update shareholders if there were any material developments that might require consideration by shareholders.

Nutella owner close to buying Nestle's US candy business for USD2.8 billion [International /Food Dive] Italian confectionary company, Ferrero, is rumoured to be the preferred purchaser for Nestle's US confectionary portfolio according to Bloomberg. The deal which includes many well-known brands in the US (Kit Kat, Crunch and Butterfinger) is part of Nestle strategy to focus on a range of growth opportunities available in other segments it competes in. The confectionary division accounts for only 3% of Nestle US sales. Other potential purchasers of the portfolio were believed to include Hershey, Mars and Lindt/ Ghirardelli. Mars and Hershey control around 75% of the market with Nestle a distant third with around 5% market share making it a significant challenge to bring the portfolio up to a position of market leadership. Ferrero has been undergoing a period of significant change recently; the family owned business has acquired the Ferrara Candy business in the US in 2017 following on from its acquisition of Thorntons in the UK under new CEO, Giovanni Ferrero.



12 January 2018

Milk to be tested nationwide [Biosecurity /Southland Times] The Ministry for Primary Industries has announced that in response to the Mycoplasma Bovis outbreak in dairy cows milk testing will be conducted nationwide from February. Milk surveillance has already been commenced in the impacted regions (Southland, Otago and Canterbury) but expanding the programme will provide more information to enable the Ministry to direct the response and develop a national plan. A spokesperson said the Ministry current focus remains on containing the disease and determining its spread. In a separate development, three A&P Associations (Southland, Winton and Otago Taieri) have announced that they will not be holding beef and dairy sections at their 2018 shows and while the Ministry had not given specific advice, one official noted that will the risk of spread is very low it is not zero making cancelling the competitions the only option.

Sausage smuggler refused entry into NZ [Biosecurity /Radio NZ National] A man travelling to New Zealand from Belgium has been refused entry to the country when he was discovered to have concealed pork and salami sausages from Biosecurity officers at Auckland Airport. The man was found to have intentionally concealed the sausages in a backpack but they were identified by one of the x-ray operators at the airport. Both pork and salami sausages could have carried diseases with the potential to harm New Zealand agriculture. The man was returning to New Zealand on a work visa and was aware of the country's strict biosecurity requirements.

NZ softwood log exports hit new record, raising ire of processors [Forestry /National Business Review] Data from Statistics New Zealand shows that New Zealand log exports hit a new record last year, with softwood log exports amounting to \$2.41 billion in the 11 months to November 2017, higher than previously recorded for any full calendar year. The figures are a concern to local manufacturers who have expressed concern that too many unprocessed logs are being sent offshore. The figures reflect strong demand for logs from China where the government has restricted harvesting of local forests. The New Zealand forestry industry considers it has been a low priority for governments in recent years but starts 2018 in more positive mood with the Labour/ New Zealand First coalition government committing to re-establish the Forestry Service, plant more trees, focus on regional economic development, place more scrutiny on foreign ownership of assets and improve the ETS scheme for forestry. Jon Tanner, CEO of the Wood Processors and Manufacturers Association, noted that the new government was very much pushing in the right direction, but highlighted the need to focus on the shorter term issues around competition in the domestic market and how it is going to be regulated and tracked. He said that the organisation would like to see the government take a complaint to the World Trade Organisation given the subsidies and support that competitors around the world receive.

13 January 2018

FDA to 'modernize certain standards of identity' as part of strategic policy roadmap [International /Food Navigator USA] The US Food and Drug Administration has indicated that it will be modernising certain standards of identity in its 2018 strategic roadmap, which is likely to see it taking a more active role in issues such as descriptions and terminology applied to dairy and meat alternatives, with a particular goal of removing barriers to development of healthier products while also ensuring that consumers have accurate information about the food they eat. The National Milk Producers Federation was cautious about what the FDA has in mind, but said they hope it is about assessing the accuracy of information that consumers receive about their food, which should lead to a prioritisation of enforcement of existing dairy standards. The Plant Based Foods Association said it was great to see the FDA acknowledge the need to modernise its out dated approach to food labelling.



Cut short: Shear numbers can't keep up [International /The Australian] It is often said that it was the blood, sweat and shears that built Australia but the industry is now struggling to find shearers precisely when they are needed. The industry has been celebrating a record wool price yet the number of shearers has fallen to 2,842 the lowest level in a century leaving crews working flat out and missing out on Christmas holiday breaks to meet demand for their services. Australian Wool Innovation acknowledges that there are seasonal and geographical shortages of shearers, particularly in Queensland. One contract crew manager noted that young people are cautious about the hard work associated with shearing and many are not interested in the career option given the offers available from employers which expect less from their employees.

14 January 2018

Bunnings to pull Yates pesticide allegedly linked to bee deaths [Apiculture /Stuff Business] Bunnings stores across Australia and New Zealand will cease stocking the Yates Confidor product by the end of this year, given concerns that the pesticide contributes to affecting the navigation and immune systems of bees. The company acknowledges that decision was based on precaution rather than scientific evidence, with a spokesperson noting that given the conflicting evidence they had decided to err on the side of caution. The product will be replaced by natural and organic replacements. Bunnings was targeted by a petition to stop stocking neonicotinoid products which collected 25,000 signatures in three days, with campaigners now indicating they will target other retailers that continue to stock the products.

Chicken king Wiesenhof invests in cultured meat [International /Handelsblatt Global] While there is little doubt that German consumers love meat, Wiesenhof, the country's largest poultry supplier, has made an investment into Israeli start-up, SuperMeat. SuperMeat is focusing on using stem cells to grow meat with a goal of making a product that is cheaper than conventional meat using significantly less resources. Wiesenhof's investment follows a trend already seen in the US where animal product firms are looking for alternative protein sources. The company will invest EUR3 million of seed funding into SuperMeat to support it to further develop artificial meat bypassing animal welfare issues. In 2012, Wiesenhof was hot with a series of scandals revolving around allegations of mistreatment of poultry, events that helped changed consumer sentiments about meat consumption.



15 January 2017

Virus vs disease: New bid to help our honeybees [Apiculture /NZ Herald] Massey University will be leading a government funded project this year that will look into natural bio-protective agents that will assist in keeping the American Foulbrood pathogen at bay. The American Foulbrood disease is the largest single disease affecting honeybees in New Zealand, it spreads by spores that break down the young bee larvae bodies. New Zealand law bans the use of antibiotics to control the disease meaning beekeepers need to take preventative measures and infected hives need to be destroyed. The research is going to look at the effectiveness of bacteriophages, simple viruses that infect the pathogen and destroy it from within, and as a consequence is looking for measures that prevent infection of a hive rather than cure an infected hive. It is expected that the ideal bacteriophages are present in the soils beneath healthy hives, meaning that obtaining samples from beekeepers is crucial to unlocking the secret to why these hives are successful.

Drop in the cost of butter leads to small fall in food prices [Economics and trade /Radio NZ Business] Figures from Statistics New Zealand show that food prices fell 0.8% in December compared to the month before on the back of cheaper fruit and vegetables and grocery prices. The price of butter also fell to an average of \$5.46 for a 500g block. Despite prices falls for many types of fruit, avocado prices were noted as being almost double what they were this time last year. Statistics New Zealand noted that on annual basis consumers were paying more for food this year than last, with prices being 2.3% higher than December 2016.

Recall of French baby milk products extended after salmonella scare [International /NZ Farmer] Lactalis, the French milk company, has confirmed that a recall of infant milk formula products from its factory in Craon in northwest France now covers some 12 million boxes of products which have been sent to 83 countries. The product has been recalled following the discovery of salmonella bacteria at the factory in December. The announcement follows a meeting between the President of Lactalis, Emmanuel Bresnier, and France's economy Minister.



16 January 2017

Canada's PSP Investments buying Canterbury farm for \$17.7 million [Farmers and producers /NZ Herald] Canada's Public Sector Pension Investment Board (PSP Investments) has been greenlighted to purchase a medium sized dairy farm and support block in Hororata, Canterbury by the Overseas Investment Office. The approval for the \$17.7 million purchase was granted just ahead of the Labour/ NZ First Coalition government introducing tougher requirements on land sales to foreign buyers. The farm and support block will be amalgamated to create a larger farm. The new directive which applies to any land purchase over 5 hectares was introduced by Associate Finance Minister, David Parker, in late November, tightens how we assess overseas investment in New Zealand to ensure authorised purchases provide genuine benefits, applies from 15 December, however PSP was granted approval on 30 November. The approval noted that PSP Investments had previously made beneficial investments in New Zealand, creating jobs and introducing extra investment for development purposes.

Single owner for ANZCO [Red meat /Otago Daily Times] Japanese listed company, Itoham Yonekyu Holdings, has been granted OIO approval to increase its holding from 65% to 100% in ANZCO Foods, through its fully owned subsidiary, Itoham Foods. The company will be acquiring shares currently held by Sir Graeme Harrison, the company's chair, company management and Nippon Suisan Kaisha Ltd. The change in shareholding completes a planned succession process for the business, with Sir Graeme indicating that he will retire in March. Itoham has signalled that it will not be making any significant changes to the business, which employs 3,000 people, in the foreseeable future.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 17 January 2018

Avocado squeeze end in sight [International /Australian Financial Review] Relief is in sight from the great avocado shortage gripping Australia as supplies are expected to be sourced from New Zealand and Western Australia. Prices have risen from around AUD6 per tray before Christmas to AUD80 a tray currently as supplies have fallen significantly below expectations in early January. Avocados Australia Chair, Jim Kochi, said that the product was available but it was still on trees as growers had taken holidays and there had been some production issues in New Zealand. Australia relies heavily on New Zealand for avocados during the summer period, but Mr Kochi said production was down as much as 70% in some regions on last year due to biannual fruiting patterns and storms around the New Year period. He expected the fruit shortage to be eased by around 500,000 trays of supply from New Zealand and 800,000 trays from Western Australia. Many cafés in Sydney have temporarily taken avocado dishes off their menus until the shortage is resolved.



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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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