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AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network

31 January 2018

Hot Off The Press:

KPMG Agribusiness Agenda 2017

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Organisations referenced in this week's Field Notes include:	
a2 Milk Company	General Mills'
Alibaba	Glanbia Ingredients
Alpine Energy	GlobalDairyTrade
Beef+Lamb New Zealand	Horticulture New Zealand
Beingmate	IKEA
Beyond Meat	Innovation Park
by New Zealand Apples and Pears	IRD
Cargill	Junken New Zealand
Cargo	Kelloggs
Coca- Cola Amatil	McDonalds
Colmar-Brunton	Memphis Meats
Comvita	Ministry for Primary Industries
Craggy Range	Nestle
Craggy Range Winery	NZ Beekeeping
DairyNZ	Open Country Dairy
Federated Farmers Meat & Fibre	Real Estate Institute of New Zealand
Ferrero	Storebrand
Fish and Game	SPC Ardmona
Fonterra	Synlait Milk
Food Waikato	TINE
Forest and Bird	Tyson
Foundation for Arable Research	Wool NZ Trust
	Zespri

Horticulture

No leftovers for NZ shoppers – we get export grade fruit and vegetables [18 January/NZ Farmer] The horticulture industry has followed statements from Beef+Lamb New Zealand to assure consumers that they are enjoying export quality fruit and vegetables rather than being left with only leftover products. Mike Chapman, CEO of Horticulture New Zealand, said that most of the vegetables grown in New Zealand were sold and eaten in New Zealand, meaning the best vegetables are available to local consumers. Mr Chapman's comments were echoed by New Zealand Apples and Pears CEO, Allan Pollard, who said that there is no difference between the fruit sold locally and exported product, while a Zespri spokesperson said that up to 300,000 trays of export quality kiwifruit were sold domestically each year. Zespri noted that not all kiwifruit sold in New Zealand is class one as some fruit has cosmetic differences which means it may not be suitable for export markets, but all kiwifruit that bears the Zespri and Family Kiwi brand is sourced from the same orchards and grown to the same standards as fruit that is exported.

Viticulture

Craggy Range Winery named top winery 2017 [18 January/The Country] Craggy Range Winery is now able to add another accolade to its list of achievements having been awarded Bob Campbell's annual Golden Grapes Award for contribution to the New Zealand wine industry and to the people of New Zealand. Craggy Range CEO, Michael Wilding, said the winery has a clear ambition to sit alongside the great wineries of the world and such an award gives them great confidence that they are on the right track. Mr Wilding added that he believes the award recognises not only the company's wines but also the investment that Peabody family have made with their investment and support into the industry as well as the work that the Craggy Range team does everyday building. Mr Campbell noted that Craggy Range has added value to New Zealand in the most important overseas markets and made a massive contribution to wine tourism in the Hawkes Bay.

Low-alcohol project gathers momentum [18 January/Radio New Zealand Business] The New Zealand wine industry is halfway through a seven-year research project to wines for export that are naturally low in alcohol. The Lifestyle Wines Primary Growth Partnership is targeting producing wines with 8 to 10% alcohol by volume with work being done on Sauvignon Blanc, Pinot Gris and Pinot Noir variants. The work is using natural techniques including less effective yeasts and restricting exposure to sunlight to reduce alcohol content.

Dairy

a2 Milk expands brand in North East United States[17 January/NZ Herald] The a2 Milk Company said it is planning to expand its brand of milk across the North East of the United States this year. The company noted that it had been focused on achieving sales based targets in its initial markets before it started to expand its footprint in the US into other regions, adding that as sales have achieved sustainable levels in California, the South East Region and select natural retail chains there is now the support to open up a new region. The North East region, which is home to around 60 million consumers, is a strong market for the refrigerated milk category and the company has had its products accepted by a number of major retailers including Ahold, Shoprite and Safeway. The regional expansion will be supported by increased marketing expenses. The company also reported that it was investigating specific new product opportunities for the US to capitalise on growing brand awareness and distribution.

Dairy prices rise after supply concerns [18 January/The Country] The latest GlobalDairyTrade auction saw dairy commodity prices rise 4.9% as buyer concerns increased about supply levels given the dry conditions in New Zealand. Most products showed gains, however the key whole milk powder prices showed a 5.1% increase and skim milk powder prices increased 6.5%. Analysts said the latest result supported price forecasts around the level of Fonterra's current forecast however they did note that the weather in the first weeks of January had improved suggesting that the supply dip may not be as great as Fonterra had forecast. If supply does recover it is possible that the price strength seen at this auction could be temporary.

Fonterra launches China product [19 January/Otago Daily Times] Fonterra is working with Alibaba's new physical retail concept, Hema Fresh, to launch a fresh milk product in China. The milk product which will be supplied in 750ml products from Fonterra's farms in Hebei province and shipped to the 14 Hema Fresh stores in Shanghai and Suzhou. Fonterra President Greater China, Christine Zhu, said the product was a response to consumer demand in China for higher quality products. Hema Fresh was only launched in early 2016 and it enables shoppers to shop in-store using their mobile phones to browse and purchase or to order online with 30 minute delivery within a 3km of the radius store. Ms Zhu noted that no other multinational dairy company has a local milk pool to draw on in China placing Fonterra in an advantageous position. , adding that the product launch with Hema is a sign of things to come as the co-operative seeks to push more of its local milk into higher yielding consumer and foodservice products.

Hefty loss expected by Fonterra's Chinese investment partner Beingmate [22 January/Stuff Business] Fonterra have released a statement saying that they are extremely disappointed with a profit downgrade announced by Chinese partner, Beingmate. Beingmate had been expecting a loss of $75 to $107 million but the company has increased the size of the expected loss for the year to December 2017 to between $171 and $214 million. Fonterra invested $700 million for an 18.8% stake in Beingmate in 2015 as part of its strategy to build a strong footprint in the Chinese infant formula market. Fonterra said in its statement that they were seeking more information on the forecast downgrade and will consider the financial implications on the carrying value of the investment when the co-operative releases its interim financial statements. The statement also noted that four directors of Beingmate, including two appointed by Fonterra, had expressed reservations about some aspects of Beingmate's financial management and reporting practices.

Fonterra targets Aussie with $179 million expansion [24 January/NZ Herald] Fonterra Australia's Managing Director, Rene Dedoncker, has confirmed the co-operative's previously stated intention to invest in expanding and upgrading its Australian plant footprint. The company plans to spend AUD165 million at key sites in Victoria and Tasmania in the current financial year to enable it to maximise the value of 400 million litres of additional milk it has grown its milk pool by this year and expected future growth. Fonterra Australia now collects around 2 billion litres of milk a year and AUD130 million of the investment is about increasing capacity to handle the milk, with much of the investment being made at the flagship Stanhope plant to double its Cheese processing capacity. The investment also includes AUD35 million of annual site improvements as part of the co-operative's regular capital investment plan in Australia.

Is the 20-year white gold rush over for dairy industry [25 January/NZ Herald] Chairman of New Zealand's second largest dairy processor, Open Country Dairy, Laurie Margrain said that the company believes milk production growth in New Zealand has peaked and that they do not believe overall milk production would rise much beyond what it is today. Mr Margrain said that while there will always be variances due to weather it is not realistic to believe that the growth curve seen over the last 10 years would continue. He added that dairy has to be both economically and environmentally sustainable which imposes some natural barriers and as a consequence individual companies and the industry need to get better at protecting the environment and lifting production per animal. He believes that the industry has to operate smarter and more efficiently. DairyNZ Chief Economist, Matthew Newman, agreed that growth has slowed in recent years having achieved 4.4% growth per annum since 1990, he said that DairyNZ expect to see 1 to 2% growth per annum over the next decade. The industry composition is also evolving, with processors like Open Country gaining share at the expense of Fonterra, who have seen their share of milk collections fall to 82.4% last season from 96% when the co-operative was created in 2001. Open Country is set to start processing milk in its seventh dryer at Horotiu in September and Mr Margrain said the company is well on its way to signing up the milk to fill the plant. Mr Margrain said that Open Country was now a significant player in the industry and while some believe the company should do more to publicly express its views, he said their priority was maximising payout to farmers through maximising the recovery they get from the milk they collect.

Synlait holds steady on its forecast payout to farmers [29 January/Stuff Business] Synlait Milk is holding firm on its forecast $6.50 per kilo milk solids payout to farmers for the 2017/18 season however it noted that relied on commodity prices staying firm the remainder of the season. Managing Director, John Penno, said that the price had remained in place since May 2017 but global pricing remains unpredictable, adding that the company believed that there may now be a period of price stability in the coming months. Synlait's forecast payout sits 10 cents above the current forecast from Fonterra of $6.40 before dividends. Synlait currently contracts supply from around 200 Canterbury farmers but has announced plans to develop a second plant in the North Island.

Sheep Milk

New Dryer to cope with sheep milk boom [23 January/Dairy News] Food Waikato has announced that it will construct a new $45 million dryer at the Waikato Innovation Park to complement its existing open access development spray dryer, which is operating at capacity five years after it opened. Innovation Park CEO, Stuart Gordon, said that growth in the sheep milk industry in the Waikato region requires extra capacity with the current 900,000 litres of milk being processed expected to double by the 2019/20 season. Mr Gordon said that with the existing dryer having delivered on its promises and sitting at capacity there is a need to be proactive and get ahead of the rapidly increasing demand from the sheep milk sector. The new dryer will have a capacity of 2.4 times the existing dryer and will be able to support $129 million exports a year.

Red meat

Beef+Lamb: Exports drive red meat prices up [22 January/NZ Herald] Analysis from Beef+Lamb New Zealand's economic service shows red meat exports hit record levels in the last quarter of 2017 driven by high volumes and record average pricing for lamb and mutton and near record values for beef together with a relatively strong New Zealand dollar. Prices for lamb and mutton were up 30% and 59% respectively for the first quarter of the season on the prior year while beef prices were up 5%. Production volumes in the first quarter were high as farmers responded to dry conditions but B+LNZ expect total volumes for season will be in line with the prior year. Lamb export receipts were a record high of $677 million in the quarter, 47% up on 2016.

Wool

Low financial returns have New Zealand's crossbreed wool industry in a crisis [18 January/ The Country] Campaign for Wool NZ Trust chairperson, Renata Apatu, says the race is now on to reconnect consumers with products that maximise the incredible natural properties of wool. He hopes for a new era of manufacturing, using robotic technologies to produce niche woollen goods for consumers hungry for sustainable products otherwise it is hard to see how returns from wool will justify farmers investing the time and money in growing the product. He notes that returns for crossbreed wool have been in a kamikaze dive although merino wool was doing fine, but it represents less than 15% of the total clip. Federated Farmers Meat & Fibre group chair, Miles Anderson, described wool as a wonder product - fire retardant, breathable, easy to clean, warm, non-allergenic and non-toxic to the environment - yet noted that crossbreed wools have not been promoted on the global stage, suggesting that the farmer decision to scrap the wool levy was in hindsight a mistake. He said that without a viable wool industry much of what we currently consider sheep country would be likely used to finish cattle or grow pine trees with huge impacts on local communities and the environment.

Forestry

Up to 100 jobs to go as Gisborne Mill struggles against international competitors [23 January/NZ Herald] Junken New Zealand has announced that it is proposing to halve its workforce at its Matawhero Mill as demand for plywood and structural building products has declined from Japan. The General Manager, David Hilliard, said that there is no expectation that the decline in demand will reverse as the population ages in Japan, adding that the company had also struggled to compete globally with large scale wood processing plants in China and South America. He said the team of 200 staff at the plant had worked hard to stay competitive for five years, had diversified their markets and reduced operating hours but the business has struggled to produce product at a price point required by customers. First Union President, Robert Reid, said that the restructure was a bitter blow for workers and could be linked to the level of raw logs being exported from New Zealand. He called for the government to intervene and fast track initiatives that they had announced during the election to create more jobs in Gisborne's wood products industry.

Arable

New FAR CEO well versed in industry [17 January/The Country] The Foundation for Arable Research has appointed Dr Alison Stewart as its new CEO to replace Nick Pyke who signalled last year that it would be stepping down from the role he has held since the organisation was founded in 1995. Dr Stewart is currently General Manager Forest Science at Scion and will take on her new role in mid-March. FAR levy payers voted overwhelmingly in support of continued investment in research and extension in the arable sector last year, and Chair, David Birkett, noted that Dr Stewart has a strong understanding of the New Zealand science sector, particularly as it relates to primary industries, and is familiar with FAR and its research having been a member of the independent external programme management review panel that overviewed the organisations activities in 2016.

Fishing

Fishing for the truth about penguins and dolphins snared in nets [16 January/Stuff Environment] Forest and Bird have obtained a copy of a letter sent by a number of New Zealand's commercial fishing organisations under the Official Information Act that asks the Ministry for Primary Industries to restrict access to video images that will be captured by electronic monitoring aboard fishing vessels. Forest and Bird claim that the letter demonstrates that the fishing industry is trying to hide the impact of bycatch from the public. Under the Official Information Act anyone can make a request for information gathered by a government department or a Minister, which would include information captured by the proposed Electronic Monitoring and Reporting System. The industry said in the letter that information from monitoring could be used by individuals and organisations that had campaigned against commercial fishing and provide ammunition for their anti-fishing agendas. The fishing industry highlights that it is up to them to ensure that New Zealand fisheries have a good reputation and if information is used out of context it could risk New Zealand's reputation as a source of quality, sustainably produced seafood. Forest and Bird said that it the industry eliminates bad practices such as bycatch of endangered species and dumping it would reduce the risk of criticism rather than trying to hide the evidence of practices that are unacceptable to most New Zealanders.

Biosecurity

Cattle disease Mycoplasma bovis now on 17 farms [18 January/ NZ Herald] The Ministry for Primary Industries has confirmed that three further farms had been confirmed as infected with the Mycoplasma bovis bacterial cattle disease. David Yard, the incident controller for MPI, said that eradication remains the preferred option and the Ministry believes this is possible. He note that they believe the disease has not been in New Zealand for very long given it has been detected on only 17 farms given that there are 12,000 dairy herds across the country. MPI expect a milk testing programme that is expect to start in February will help determine whether there are any other pockets of infection across the country. Agriculture Minister, Damien O'Connor, said he believes that there is a willingness to do whatever it takes to eradicate the disease.

Mycoplasma bovis: Cow disease now on 20 farms [30 January/Radio NZ Rural] The Ministry for Primary Industries has announced that two further farms have tested positive for cattle disease, Mycoplasma Bovis. The new farms are located in South Canterbury, where the initial outbreak of the disease was detected, and Southland. There are now 20 infected properties across South and Mid Canterbury, Southland and Hawkes Bay. The disease has also caused South Island Cattle breeders to withdraw their entries from the New Zealand dairy event in Fielding because of fears their attendance could spread the disease.

International

TINE signs up to 'My Paris Agreement' with Storebrand and IKEA [16 January/Dairy Reporter] In response to the Norwegian government's target to cut greenhouse gas emissions by 40% by 2030, a declaration made as part of the Paris Climate Change Agreement, dairy producer TINE has worked with IKEA and Storebrand to create 'My Paris Agreement'. The company said that it hoped that bringing together the business community and the environmental movement, Norwegians would be inspired to create their own personal Paris Agreements. The organisations hope that by signing their own agreements it will help to lead to change across all aspects of the community. Individuals are being invited to make their own climate change pledges to do more for the environment on a website that has been created including items like wasting less food, buying products with lower packaging footprints and making their next vehicle an electric car. The goal of the initiative is to give people clear, achievable goals and tips on how to achieve these goals so that everybody can contribute towards Norway achieving its reduction target. TINE CEO, Hanne Refsholt, noted that it was important for the company to follow through and make changes in their own business, adding that the company cannot encourage consumers to buy and consume differently if they are not willing to make changes themselves.

Waste crackdown: McDonald's commits to renewable, recyclable packaging by 2025 [16 January/Global Meat News] McDonalds have announced that all packaging across its global restaurant network will come from renewable, recycled or certified sources by 2025 as well as having plans to recycle packaging in all of the networks 37,000 stores in more than 100 countries. Currently only half of packaging comes from such sources and only one in ten stores are recycling. Chief Supply Chain and Sustainability Officer for McDonalds, Francesca DeBiase, said the company had an obligation to use its scale for good by making changes that will have a meaningful impact across the globe. She noted that feedback indicates that packaging waste is a top issue that consumers want the company to address. The company plans to work on smarter packaging designs, kick-start new recycling programmes, devise new measurement requirements and educate staff and consumers on the importance of recycling.

Nutella owner buys Nestle's US candy business for USD2.8 billion [17 January/Food Dive] Nestle has announced that it will be completing its exit from its US confectionary business through a sale of the business to Italian family owned company, Ferrero. Ferrero is best known for the Ferrero Rocher pralines as well as Tic Tacs and Nutella. The sale includes more than 20 American candy brands and is Ferrero's third US based acquisition in the last year. The transaction will make Ferrero the third largest player in the US confectionary market and will assist the company in reducing its production, distribution and ingredient costs. Most of the brands being sold are iconic candies popular with consumers and the Ferrero noted that they intend to continue to invest in and grow all of the products and brands in this key strategic market. Nestle has divested the business as it wants to focus more of its attention on faster growing businesses, despite the brands being divested being healthy, money making operations.

Cargill gives peas a chance through investment in Minnesota protein supplier [18 January/Food Dive] Cargill has taken another step to position itself for the emergence of new forms of protein through an investment in Puris, Minneapolis based pea protein supplier. Tyler Lorenzen, Puris President, said that the financial backing and market reach of Cargill will assist the company in expanding operations globally. The company has recently expanded into starches, fibres and carbohydrates made from peas. Demand for pea protein is increasing as consumers look for great taste, simpler labels and products that solve personalised nutrition choices; the US has recently seen a growth in demand as the product shows up in everything from smoothies to protein bars to meat alternatives to yogurt. Pea protein can be processed in many of the same ways as soy, making it a versatile value add to existing facilities, which may make the product financially attractive to Cargill.

China deal puts SPC back on front foot [19 January/ Australian Financial Review] Australia's largest fruit and vegetable processor, SPC Ardmona, is showing a positive outlook as it pursues growth in new markets and through new channels. The Coca- Cola Amatil owned business is expected to enter into an arrangement with a Chinese based distribution partner to take Goulburn Valley packaged fruit into Chinese food stores and through online retailers. It is using Coca-Cola owned distribution channels to take Perfect Fruit, a fruit based frozen desert, into Japan, India and Indonesia while also developing new channels for ProVital (a fruit based product used in the health and aged care sectors) in Australia including expanding into the pharmacy sector and utilising online platforms for the in-home palliative care markets. The company has invested AUD100 million over the last three years and expects to continue to invest in upgrading its plant capability.

General Mills' VC arm leads USD17 million investment in Urban Remedy [19 January/Food Dive] General Mills' VC arm, 301 INC, has led an investment round into Urban Remedy, a California based maker of fresh juices and ready-to-eat plant based meals. This is another example of big food partnering with a newcomer to the industry as legacy food manufacturers led both cash and advice to fresh and trendy food start-ups. Urban Remedy ships products directly to customers and sells through 13 controlled retail locations and kiosks in 30 Whole Foods stores. The funding will be used to expand production capacity and enter a second market outside of the San Francisco Bay Area. This investment is in line with 301 INC's other investments into start-ups focusing on organic, plant based nutrition and gives an indication that General Mills is positioning for expansion beyond the sluggish growth of the cereal aisle.

Kellogg's investment arm buys stake in ride-share snack company [29 January/Food Dive] Kellogg's investment arm, eighteen94 Capital, has announced that it will be taking a stake in New York start-up, Cargo, a company provides ride share drivers with snacks for their passengers. Cargo provides ride share drivers with a free box of products to install in their vehicle for display, passengers then order products and get samples through an app and the driver receives commission when the passenger engages with the cargo box. The Cargo service has been described as installing a convenience store in a rideshare vehicle and with rideshare forecast to grow from USD36 billion to USD285 billion by 2030, Cargo has the potential to become an important distribution mechanism for snack companies. The investment joins other VC investments that Kellogg's has made into Myco Technology, an organic food technology company.

Tyson spreads its protein bets with minority stake in cultured meat start-up Memphis Meats [29 January/Food Navigator USA] While some commentators predict a pitch battle between plant based, animal based and cellular agriculture, the largest meat-packer in the US, Tyson Foods, appears to be agnostic about its protein source with its venture capital arm taking a stake in cultured meat start-up Memphis Meats having already invested in plant based meat company, Beyond Meat. Tyson said the move would broaden their exposure to innovative, new ways of producing meat and while they continued to invest significantly in their traditional business, they also need to explore additional opportunities for growth. Tyson said that the question facing the industry was not 'an either or' one but how will the industry feed a growing number of people the protein they want in ways that are sustainable. The quantum of the investment in Memphis Meats was not disclosed but the company closed a USD17 million funding round in August which saw investment from Cargill and other unnamed industry giants.

Glanbia Ingredients to spearhead EUR30 million European whey research project [29 January/Dairy Reporter] Glanbia Ingredients has commenced a EUR30 million project with the European Commission to develop an integrated biorefinery for conversion of dairy side streams into high value bio-based chemicals. The plant will be a first of a find industrial scale biorefinery that will convert more than 25,000 tonnes of whey permeate and de-lactosed whey permeate to value added products that can be sold in global markets as both ingredients for human nutrition and bio-based fertilizers. The project also includes University College Dublin, Trinity College Dublin, Teagasc and others in Ireland as well as partners in Belguim, Austria and Germany. The EC said the project offers society and industry the opportunity for greater resource efficiency – less food waste, more products from raw milk – through the integration of food and non-food material.

Economics and trade

'Hallelujah' moment: Revised TPP to be signed in March [24 January/Radio New Zealand Business] Trade Minister, David Parker, has confirmed that the Trans Pacific Partnership is to be signed in March following talks in Tokyo. The 11 remaining nations, following the USA withdrawing last year, have revived the agreement that will eliminate more than 98 percent of tariffs in the free-trade zone. The deal had looked dead in November when Canada walked away from negotiations, however several issues have been resolved and Canadian Prime Minister, Justin Trudeau called the agreement the right deal. The agreement will be signed in Chile as the rebranded Comprehensive and Progressive Trans-Pacific Partnership. Trade experts called the deal less problematic than the initial agreement with a number of areas, particularly the intellectual property provisions, having been suspended. Concerns still exist around the secrecy surrounding the deal, with the final text not expected to be revealed until after signing; Todd McClay National's trade spokesperson said that the original agreement's text was released before signing. He noted that National was open to supporting the necessary legislation but that would depend on the details.

New Zealand's exports to China jump by a quarter, total exports hit records [30 January/Stuff Business] New data shows that New Zealand exports rose to a record high in 2017 with total exports climbed 11% to $53.7 billion. With imports increasing 9.4% to $56.5 billion the trade deficit of $2.8 billion was the lowest in three years. December was the strongest export month of all time for New Zealand. Half the growth in exports came from China, with total exports to China being $12 billion in 2017, up 27% on the previous year, while exports to Australia grew more modestly at 6.5% to $8.8 billion. Economists noted that the scale of the surge in exports was unexpected but cautioned that the dryer weather is likely to see the rate of growth of dairy exports slow in coming months.

Agribusiness education

Taratahi set for growth [16 January/Rural News] Taratahi, the agricultural training provider, has said that efforts to attract new students have paid off with definite enrolments for 2018 looking great according to CEO, Arthur Graves. Mr Graves said that Taratahi had been part of wider industry efforts to promote the job rich agricultural environment and extensive career pathways and these activities are yielding great results. Mr Graves noted that the training organisation is also responding to consumer feedback in the way that it operates its farms recognising that people want more information about the provenance of the products they eat, giving the example of the adoption of sexed semen which negates the need for a bobby calf trade which is viewed by many consumers as unacceptable.

Farmers and producers

Tax relief for drought-hit farmers [18 January/Rural News] With the government having made drought declarations in regions across the lower half of the North Island as well as Grey and Buller Districts in the South Island, Revenue Minister Stuart Nash has noted that government agencies can now provide additional support to farmers and growers in affected areas. Mr Nash said many farmers have more urgent issues on their mind than tax compliance and given the drought declaration the IRD has confirmed that there will be greater flexibility and assistance for those affected. He added that farmers struggling to meet their obligations because of adverse conditions should talk with their accountants and engage with the Inland Revenue. Farmers will be permitted by the IRD to make late income equalisation deposits as well as being able to apply for early refunds for the current tax year.

Increase in farm sales bucks trend [19 January/Otago Daily Times] Real Estate Institute of New Zealand data for November 2017 indicates that only Southland and Taranaki saw a higher level of farm sales in the three months to November 2017 than the preceding year. Overall sales saw a significant easing on 2016 according to spokesperson, Brian Peacocke, however he noted that the increases in Taranaki and Southland reflected anticipated increases in volume from previous months. Southland has a large number of farms for sale but a shortage of buyers and Mr Peacocke noted that there had been solid activity and good prices on better finishing and grazing properties. The largest reduction in farm sales occurred in Otago with the market being impacted by climatic conditions and a lack of liquidity.

Water

Power firm asks region's farmers to use irrigators safely around power lines [30 January/Timaru Herald] Alpine Energy is warning South Canterbury farmers to be alert to the significant risks of using irrigators around power lines after five outages occurred in January caused by jets of water. The company is asking farmers to be consider where they place their portable irrigators and to be careful when moving them to avoid putting themselves in danger. A spokesperson said it was important that farmers thought about where the water was going to go when it left the irrigator, adding that there had been an example where an irrigator ran into a powerline, setting it on fire and causing a power outage for the farmer and his neighbours. They added that farmers should not forget about the fact that water is conductive to electricity.

Drought

Much-needed rain has helped farmers dodge a bullet [19 January/ Hawkes Bay Today] Significant rainfall in drought affected parts of the lower North Island may have come just in time for many farmers to dodge a bullet, although rainfall has been variable leaving some farmers facing significant hardship. Rainfalls in excess of 100mm has come as a relief for many farmers in the Tararua district, although many note that even with rain the temperatures have not dropped leaving the month feeling dry. The early start to summer has left many farmers unable to make and save much supplementary feed for later leaving some having to use their winter feed, dry off or cull cows or bring in supplemental feed. Local support groups are encouraging farmers to ensure that they think about the longer term impacts of the dry weather and take steps to plan for all possibilities to get through winter.

Drought declared in Southland, parts of Otago [30 January/The Country] Minister for Agriculture and Rural Communities, Damien O'Connor, has declared a medium scale adverse event in respect of drought conditions in Southland and large parts of Otago (including Queenstown Lakes, Central Otago and Clutha districts). The declaration triggers additional funding of up to $130,000 for the local Rural Support Trusts and industry groups to coordinate recovery support. Mr O'Connor noted that some useful rain is predicted for later this week however the drought has already taken a toll on farmers which will take time for them to recover from. Rain now will still take a month to translate into feed and many farmers are now well behind in their winter preparations. The latest declaration extends drought classifications that have already been declared in the Lower North Island and on the West Coast of the South Island.

Environment and Emissions

Businesses should pay for their pollution - poll [25 January/Radio New Zealand Business] A survey commissioned by Fish and Game indicates that 71% of the people questioned believe that businesses should have to pay for the impact that they have on the environment. Seventy percent of respondents do not believe that the dairy industry should be treated any more leniently than other commercial operations. The CEO of Fish and Game, Martin Taylor, said the survey showed that farming had to stop trying to dodge responsibility for environmental damage and argued that strong and decisive action was urgently needed. He added that the corporate dairy industry has to stop defending poor operators that damage the reputation of good farmers and get rid of them. The survey, conducted by Colmar-Brunton, has a margin of error of 3.1%.

Apiculture

MPI's definition of Manuka honey changed on eve of legal challenge from beekeepers [29 January/Stuff Business] The Ministry for Primary Industries has backed down on its proposed definition for Manuka honey as beekeepers claimed the proposals could cost the industry $100 million a year in exports. NZ Beekeeping was due to challenge the proposed definition in the High Court this week but MPI have moved in advance of the court action to slash the level of required level of a key chemical marker to avert the case coming to court. NZ Beekeeping argued the definition would mean around $100 million of honey exports would no longer be able to be called Manuka. Agriculture Minister, Damien O'Connor, had said when the definition was released it was based on robust scientific analysis and would help protect New Zealand's trade reputation, however the industry said that the requirement for honey to contain at least five micrograms of 2-methoxyacetophenone per kilogram came as a surprise. MPI's back track sees this requirement reduced to one microgram, with the Ministry saying that new information from NZ Beekeeping showed that the definition was set too conservatively and would exclude legitimate product from being sold as Manuka.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 31 January 2018

Comvita predicts return to profit after better honey season [30 January/NZ Farmer] Comvita is predicting a recovery this year from one of the poorest honey seasons in decades and expects to return to profitability for the 2017/18 financial year. The company last year reported an operating loss after tax of $5.5 million but Chairman, Neil Craig, says that based on a normal harvest the company expects to report a profit of greater than $17.1 million for the current year. Comvita CEO, Scott Coulter, said that estimates currently suggest it will be an average season although the full picture would not be clear until April or May when beekeepers have completed collecting honey from their hives. Mr Coulter said that cool conditions in spring had impacted production in the upper North Island while a storm in early January had impacted manuka flower production at a critical part of the season. The dry conditions in the lower North Island mean that the company expects to yield greater honey production than average in these regions.

Bloodstock

Karaka yearling sale gets a makeover [29 January/Radio New Zealand Business] The Karaka yearling sales have seen some changes this year with the intention of encouraging international buyers to stay longer and spend more. The sales are the biggest week of the year for the New Zealand bloodstock industry as buyers fly in from around the world to source New Zealand bred horses. This year's sale started on Sunday night with 100 horses being put under the hammer. Over the course of the week, 1200 horses will be offered for sale with vendors hoping that sales exceed the record set 10 years ago when $111 million of bloodstock was traded. Sales in 2017 amounted to $82 million and Head of NZ Bloodstock, Andrew Seabrook, said he hoped that the new format would see the week's tally exceed this. The opening session on Sunday saw 76 horses sold for $11.5 million. In 2016/17 the New Zealand Bloodstock industry exported 1771 horses worth $138 million, with Australia being the largest market for the industry, with significant buyers also coming from Hong Kong, Singapore and China.

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