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**KPMG Agribusiness
Agenda 2018**

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Weekly news update from the KPMG Agribusiness network

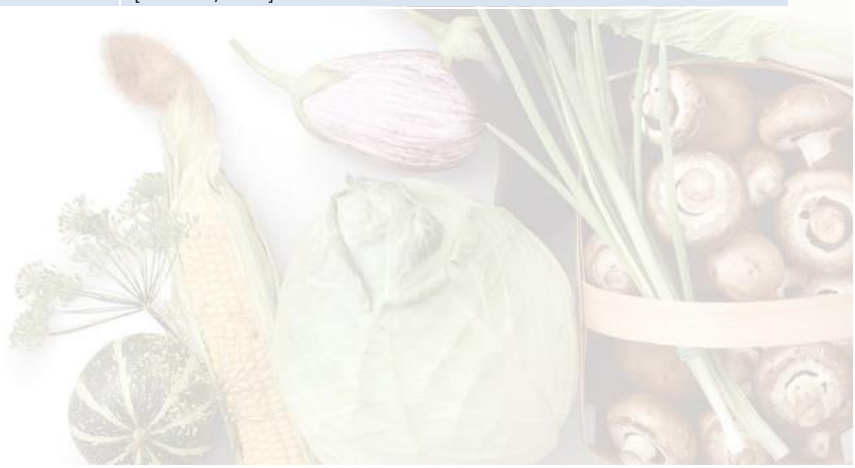
13 June 2018

Organisations referenced in this week's Field Notes include:

| | |
|-------------------------|--|
| Air New Zealand | Ministry for Primary Industries |
| ASB Bank | Molson Coors |
| Avocado Council | Monsanto |
| Bayer AG | New Zealand King Salmon |
| Beef + Lamb New Zealand | New Zealand Plant Producers |
| BlackRock | New Zealand Shearing Contractors Association |
| BNZ | New Zealand Young Farmers |
| Bounty | Nutrino |
| Cargill | Organic Consumers Association |
| Center for Food Safety | Organic Winegrowers New Zealand |
| Clearly Kombucha | PepsiCo |
| Costco | Seafood New Zealand |
| Federated Farmers | Steelworkers Union |
| Fieldays | Tegel Group |
| Fisheries Inshore NZ | The a2 Milk Company |
| Forest & Bird | The Hatchery Chicago |
| Greenpeace | The New Zealand Shearers Contractors Association |
| Hikurangi Forest Farms | Tyson Foods |
| Hungry Harvest | Waikato University |
| KFC | Westpac |

This week's headlines:

| | |
|---------------------------|---|
| Wool | Shearers push for 25 per cent pay hike, as farmers struggle to make earning from wool [8 June/Stuff] |
| Environment and emissions | Farmers welcome further greenhouse gas discussions [8 June/Radio NZ] |
| Biosecurity | Economists concerned by risk of mycoplasma bovis [7 June/The Country] |
| Red meat | Beef + Lamb's new environmental strategy earns high praise [7 June/Rural News] |
| Fieldays | Record spend predicted for New Zealand National Fieldays 2018 [10 June/Stuff] |



KPMG Agribusiness Agenda 2018, We need to tell you our stories – LAUNCHES TODAY

Biosecurity incursions, environmental challenges, water quality, labour availability, trade wars and inadequate rural infrastructure all feature prominently in the ninth KPMG Agribusiness Agenda, which is released at the National Fieldays at Mystery Creek.

KPMG's Global Head of Agribusiness, Ian Proudfoot, said "the last year has not played out how industry leaders expected. Whereas the 2017 Agenda was outward looking and focused on the opportunities in global markets, this year the Agenda is directed towards a range of domestic issues that dominated our conversations with industry leaders".

"It has been a challenging year for the industry, where the mainstream narrative has been predominately negative despite agri-food continuing to dominate New Zealand's export revenues," says Proudfoot. The negativity presents risks to the industry's social license to operate and its ability to command a premium price in global markets.

This year's Agribusiness Agenda, '[We need to tell you our stories](#)', calls on the sector to tell honest stories relating to how products are grown, processed and distributed, to highlight the many positive attributes inherent in the products we grow and deliver to the world. Proudfoot added that "articulating the attributes inherent in New Zealand products will provide verifiable stories to counter those based on perceptions that have dominated the conversation for far too long."

Biosecurity: Given the discovery of *Mycoplasma bovis* and Myrtle Rust in the last year, as well as the ever present threat from the Brown Marmorated Stink Bug, it is unsurprising that maintaining world class biosecurity was again rated the highest ranked priority for industry leaders, recording its highest ever priority score in the survey. "There was a clear message that the speed of response to *Mycoplasma bovis* has been compromised by farmers not fulfilling their obligations under NAIT," said Proudfoot. "This highlights that managing biosecurity risks must become enshrined as part of the day to day responsibility of everybody that works in the agri-food sector".

Environment and water: The central role that environmental degradation and water quality played in last year's election featured strongly in many of our conversations, with concern over the way the issue is constantly presented as the primary sector's problem. "Whether we like it or not, every New Zealander has contributed to the degradation of our environment, waterways and beaches. Addressing these issues needs whole of community responses. Agri-food sector leaders recognise they have a major role to play, demonstrated by the significant rise in priority attached to restoring native ecosystems in the survey [largest rising priority, up 8 places to be ranked 9th]. But, they also recognise that they can't solve the problems alone". The Agenda also highlights the need to ensure land use plans are optimised in response to community requirements and market expectations.

Labour resources: The challenges faced securing labour to support growth was another common theme in our conversations with industry leaders. Uncertainties around being able to recruit and retain migrant labour and the Recognised Seasonal Employer scheme have left many organisations facing labour shortages. "Leaders are very supportive of ensuring New Zealanders have the skills to access the wide variety of employment opportunities available across the industry but we need to recognise that this takes time. Current policy settings are putting at risk the ability of organisations across the primary sector to complete the work that needs to be done today," Proudfoot commented.

Trade: The Coalition Government's decision to sign the CPTTPA agreement was welcomed, however concern was expressed about the stability of the global trade system, particularly with the Trump Administration appearing to take the view that a good deal can only be one where America is the winner. "Leaders were concerned that should trade wars eventuate between the US and China or Europe it will be increasingly difficult for New Zealand to maintain a neutral position, which could put market access at risk to one or more of our major markets".

Rural infrastructure: The infrastructure challenges in rural areas also featured predominantly in our conversations this year. In relation to connectivity the call was clear, it is no longer acceptable for rural people to be treated as second class digital citizens; they have the right to expect the same levels of connectivity all other New Zealanders expect, especially given the critical role technology should be playing in maintaining quality of life and supporting businesses to prosper.

"It was notable that the reliability and cost of electricity networks in rural areas featured in a number of discussions for the first time." Proudfoot noted. "Energy is always a topic of conversation internationally but has never been raised in our Agenda Roundtables before".

Contributors highlighted the increases they have been experiencing in energy costs, something they expect to continue, and challenged whether ageing distribution networks are sufficiently safe and reliable.

Other notable highlights of the 2018 Agribusiness Agenda

- The overall priority score recorded in the Industry Leaders survey reached a new high of 7.41, reflecting the continual increase of the number of high priority issues that industry leaders are having to manage.
- The priority score for establishing an umbrella body for the industry and restricting foreign ownership of land reported the greatest increases on last year of any priorities.
- In preparing this year's Agenda two grassroots Roundtables were held involving good farmers; while they were very proud of their roles as food producers they are looking for regulatory certainty, relevant technology and a little bit of support every now and then.

The Agenda also analyses key learnings from recent agri-food innovation events in San Francisco, which highlighted the need to be constantly alert to change through the development of networks, partnerships and collaborations.



Forestry

Council to get to root of logging debris problem after floods [6 June/Radio NZ] Tolaga Bay logging companies could be subject to investigation after a deluge of logging debris was left strewn over properties, roads and rivers from flash flooding. Farmer Dean Breshnell said locals spent five years petitioning authorities over the mismanagement of forestry slash. Residents were lucky to escape unharmed as a torrent of debris went through properties. Mr Breshnell added there had been meetings around this issue. Gisborne District Council Environmental Services Director, Nick Zaman, said the debris was likely to have come from two logging companies in the area. He noted there had been land slips but it could also be due to the practices the forestry companies had adopted. Resident Lisa Goff woke up to find a river of around 3m deep running under her elevated house. Hikurangi Forest Farms was puzzled by how much debris was there. An online petition has been set up calling for stricter controls on forestry debris.

Wool

Shearers push for 25 per cent pay hike, as farmers struggle to make earning from wool [8 June/Stuff] Shearers are seeking a 25 percent pay rise in anticipation of another crisis. More shearers are having to travel to Australia to make a good living, and the workforce is steadily aging. The New Zealand Shearers Contractors Association recommended workers' pay and entitlements are improved by up to 25 percent. Federated Farmers Meat and Wool Chairman, Miles Anderson, said he had sympathy for the shearers' claims, even if they would come at a cost to farmers. Shearers could earn more in Australia because the bulk of the wool clip was more lucrative merino. Mr Anderson added that many farmers were making little if anything from wool, and often shearing came at a cost. NZSCA President, Mark Barrowcliffe, noted the recommendation came after looking at issues facing shearing, including lifting recruitment and retention rates, improving trading opportunities, and leading new standards in health and safety. Mr Anderson said Federated Farmers was working on a generic approach to promoting wool.

Aquaculture

Southland Aquaculture group looking into offshore aquaculture at conference in Norway [8 June/Stuff] A Southland delegation are headed to a global aquaculture summit in Norway to look for ways to expand the industry in the region. The group which included members of the local industry steering group as well as NZ King Salmon group members attended the conference. The group was looking into offshore aquaculture in deep water and how it was being successfully commercialised in Norway. A near-term opportunity the group was focusing on was salmon marine farming. A spokesperson noted that while they were focusing on salmon this did not mean they were precluding other marine species, but they believed fin-fish offered the greatest potential for the value region. Salmon had been successfully farmed in Big Glory Bay since the 1990s. They added that although the region had experienced a number of false starts in aquaculture, Southland should still look for other ideas to develop the industry.

NZ King Salmon expects a record result despite poor farming conditions [6 June/NBR] New Zealand King Salmon just went through its worst summer, but still expected to reach the top end of its profit guidance. Chief Executive, Grant Rosewarne, said even though they had their most difficult farming year ever, the company was still headed towards a record financial result. He noted it was a chance for investors to see how they have coped with difficult circumstances. Mr Rosewarne said its EBIT would be at the top end, or even beat its previous guidance of \$24.5 to \$26 million. The company had been fine-tuning its production and selling more under its brands. It was continuing discussions with the government around relocating some of its existing salmon farms in the Marlborough Sounds into cooler, deeper waters that would mitigate the impact of such a warm summer. They intend to spend on a three-year capital investment phase during which the company planned to keep its dividend ratio at 50% of net profit.

Dairy

Massive fund manager BlackRock reveals 5 per cent holding in a2 Milk [7 June/NZ Herald] One of the world's biggest fund managers, BlackRock, emerged as a significant shareholder in the a2 Milk Company with a 5 percent stake. It said recent purchases took it over the 5 percent threshold, meaning it was required to declare its stake. A2 Milk Company became New Zealand's largest listed company earlier this year after announcing a bumper profit and the formation of a joint venture with Fonterra. Its profit increased to \$98.5 million for the six months to December 31, up 150 percent.

Economics and trade

Northland's simmering summer is Taranaki's scorched earth: ASB regional scorecard [7 June/NZ Herald] Northland's summer outperformed the rest of the country, and it climbed to the top of the latest ASB Regional Economic Scorecard. It measures regional performance in terms of growth across 11 measures. ASB Chief Economics, Nick Tuffley, said strong growth across all the measures had been key to Northland's success. He added Northland added 4.6 percent more jobs over the year. Mr Tuffley noted the good summer weather contributed to consumers in the area spending over summer. The Bay of Plenty also shot up nine places to third on the scorecard. The strong performance of the Bay of Plenty was pulled down by the employment measure with the region struggling to fill vacancies in the kiwifruit sector. The drought in the Central North Island caused Manawatu-Whanganui and Taranaki to be placed at the bottom of the scorecard.

Environment and emissions

Greenpeace want agricultural greenhouse gas emissions in carbon act [7 June/The Country] Greenpeace questioned why the Government was tabling options for its Zero Carbon Bill that could result in agricultural greenhouse gas emissions being treated more softly than other emissions. Farming groups were happy to see the Government considering its approach to shorter-lived gases differently. Greenpeace Climate Campaigner, Kate Simcock, said as the biggest emitting industry in the country, it would be bad to exclude dairy and agricultural gases. She argued without including these emissions, the Zero Carbon Act would be a much weaker climate commitment than was promised. Federated Farmers Climate Change Spokesperson, Andrew Hoggard, said the option was valid and practical. He noted the per kilogram carbon footprint of New Zealand meat and milk production was far lower than most overseas producers. Beef + Lamb NZ Chief Executive, Sam McIvor, echoed his comments.

Farmers welcome further greenhouse gas discussions [8 June/Radio NZ] Federated Farmers saw the silver lining in the Government's latest climate change proposals related to the Zero Carbon Bill which aimed to achieve carbon neutrality by 2050. Of the three alternatives, two give a softer run to livestock-sourced methane than to carbon dioxide which could give farmers an easier life during climate change mitigation than they feared. Federated Farmers Climate Change Spokesman, Andrew Hoggard, said it was good to see the distinctions made between intensive but short lived greenhouse gases and weaker but persistent gases. He thought it was good the discussion was happening now. Greenpeace spokesperson, Kate Simcock, thought the proposal was a cop out and that they thought all sectors and gases needed to be included in order to achieve anything meaningful in relation to climate change.

Fishing

Fishing industry open to cameras, but worry how data will be used [8 June/The Country] The fishing industry was not opposed to the deployment of monitoring cameras on commercial boats, however was worried about the access to catch data and the cost of the policy. Fisheries Minister, Stuart Nash, said the deployment was on hold as he wanted more information. The cameras had been installed by Seafood New Zealand on a sample of vessels for scientific research purposes. One of the skippers, Sam Hayes, said he had no issues with the cameras and preferred them to an observer for safety and practicality reasons. Fisheries Inshore NZ Chief, Jeremy Helson, said they saw cameras as a valuable information collection tool however many in the industry were worried data might be accessed publicly via the Official Information Act. This could potentially reveal commercially sensitive details such as fishing spots, gear used and practices. Forest & Bird spokesman, Geoff Keey, said reports of illegal behaviour by fishers showed why cameras were needed.

Many skippers accused of avoiding fisheries observers [11 June/Radio NZ] Forest and Bird accused fishing boat skippers of wriggling out of oversight by an observer from the Ministry for Primary Industries despite being legally obliged to do so. Some boats are required to have an observer on board to check up on environmental requirements such as not catching too many fish and not accidentally snaring species such as dolphins or albatrosses. In some cases, skippers blankly refused and in others they argued there was no room on board their ship. There were 50 cases of avoidance between August 2016 and February 2018. Forest and Bird Chief Executive, Kevin Hague, said it was a serious problem and raised the question of what it is skippers were trying to prevent being seen. He welcomed the enforcement efforts, but believed more was needed.

Biosecurity

Economists concerned by risk of mycoplasma bovis [7 June/The Country] According to economists, economic risks associated with Mycoplasma bovis were rising. Last week, the eradication attempt was announced at a cost of \$886 million, and the slaughter of 126,000 cattle. BNZ Senior Economist, Doug Steel, said there was more to it than just the initial impact on production from culling cows. Costs were increasing, farmer's confidence was low and elevated uncertainty and risk threatened to decrease investment. Restricted stock movement threatened to alter current farm practices that could lead to a reduction of stocking rates. Animal welfare and grazing costs were also likely to increase. Mr Steele added the disease caused considerable angst across the dairy and beef sectors. BNZ saw the situation generating downside risk to GDP growth. Westpac Senior Economist, Anne Boniface, said eradication was a difficult task, as was managing the processes and ensuring the affected farmers were compensated.

M bovis count adds up to Wairarapa farm infection [7 June/Radio NZ] A sheep and beef farm in Wairarapa tested positive for the devastating cattle disease Mycoplasma bovis. MPI unit, Biosecurity New Zealand, said the farm near Masterton was located through the tracing of animal movements from other affected farms. The property was under legal controls which restricted the movement of animals and other risk goods off the farm. All cattle on the farm would be killed. The total number of infected properties was 36 nationwide. The government opted to try eradicate the disease last week at a cost of \$886 million. In total, 46 farms have been identified as having the disease, but 10 have since been cleared. There is no risk to human health from the infection.

Envoy recommends eradication [11 June/Otago Daily Times] New Zealand special agricultural trade envoy, Mike Petersen, said Mycoplasma bovis was more serious than reports had so far indicated. He said in Europe it was a difficult disease with impacts on farms, and could be fatal for some livestock. He believed the decision to eradicate the disease was the right decision and was pleased to see the Government and industry working together on the response. He emphasised the importance of reinforcing New Zealand food safety and traceability remained world class. Reassuring consumers the disease did not infect humans and was not a food safety risk was key. Mr Petersen was sympathetic for the farmers affected by the disease, and whose animals were going to be slaughtered.

Horticulture

Plant growers face losses after MPI seizes valuable plants [7 June/Stuff] Owners whose fruit trees were seized by the Ministry for Primary Industries may not be insured against losses or entitled to claim compensation if the trees are destroyed. A United States nursery was found to have exported 55,000 trees to New Zealand in 2013, but did not follow correct procedures. It seized the trees under section 116 of the Biosecurity act. New Zealand Plant Producers Chief Executive, Matt Dolan, said it was an unusual situation and he was not aware if insurance would cover it. He added that it was a massive blow to nurseries that risked losing the value of their trees. The seized plant material represented 10 years of investment in new variety development. MPI's Director Plants and Pathways, Pete Thomson, said there was a possibility of the nurseries being compensated through ex gratia payments. Mr Thomson noted the company was still interested in exporting material to New Zealand, but it was a long road to go down.

Farmers and producers

Lots of challenges for chief executive [7 June/Rural Life] New Zealand Young Farmers Chief Executive, Terry Copeland, is set to take over as Federated Farmers' new boss next month and admitted dealing with the ongoing impact of Mycoplasma bovis would be difficult. He said he was looking forward to his new challenge. He added he had a real passion for mental wellness and health which he planned to bring to the role. Mr Copeland noted there would be a lot of challenges as the nature of farming was at stake and he was keen to be involved with grassroots farmers. He added farmers had a lot of conflicting information on a range of factors including the science. He also expects to be looking at ways farmer's messaging could be more effectively portrayed in the media. He served five years with NZYF. Mr Copeland would remain in Canterbury, but he planned to spend four days a week in Wellington.

More farmers feeling financial pressure from banks [5 June/NBR] Even with improved dairy market conditions, more farmers were falling under undue pressure from their banks. Federated Farmers Vice-President, Andrew Hoggard, said confidence and satisfaction with banks remained reasonably high, and thought non-financial pressures were also impacting farmers. He cited government climate change policies and the emerging risk of *Mycoplasma bovis* as factors impacting the farming sentiment. The survey results were still down from 2016 where one in five sharemilkers felt under pressure from banks. Westpac Chief Executive, David McLean, said a number of dairy farms were still only marginally profitable, and for those farmers selling their farms would be the best option. Mr Hoggard noted they had to be careful interpreting the figures as they could just be a reflection of the profile of those who took part in the survey.

More families get farm awards [11 June/Farmers Weekly] The 12th annual Century Farm and Station awards honoured 32 new families. People gathered to share stories and celebrate each other's dedication, perseverance and success over the 100 plus years of farming. Regional Economic Development Minister, Shane Jones as well as others took part in the celebrations. Mr Jones presented the families with their plaques. He identified the connection and love of the land by the families and acknowledged the commitment by their forebears to reach such an important milestone. Awards Chairwoman, Karen Roughan, was happy with how the weekend went and said it was wonderful to see the families embrace the weekend and their time together. The purpose of the awards was to capture and preserve family histories that might otherwise be lost. A total of 430 families have received the awards. Applications are open for the 2018 year for any families that have owned their farms since 1918 or earlier.

Water

'Suck it and see' avo water consents worry conservationists [7 June/Radio NZ] Northland was looking to become the avocado capital of New Zealand after the granting of water rights for growers north of Kaitiāia. Seventeen growers were given resource consents to draw 2 million cubic metres of water a year from the Aupouri aquifer. Nearly 1,000 hectares of trees were being planted in avocados on the peninsula. Avocado Council Chief Executive, Jen Scoular, said it was good news for the industry that the growers had the water they needed. The Conservation Department were opposed to the water take and said there was not enough known about the aquifer to allow so many growers to plug into it. It was worried about the impact on protected wetlands. Far North conservationists were sceptical saying the consents effectively gave grower's permission to suck the water and see.

Ruataniwha plains 'drying up' [11 June/Radio NZ] Hawke's Bay Regional Council Head, James Palmer, was concerned about a major increase in the amount of water farmers may be able to take for irrigation from a Ruataniwha aquifer. A board of inquiry ruled that an additional 15 million cubic metres of water could be taken from underneath the basin. Eight groups had applied for the water. If the council's investigations found the water take had a significant impact on the environment, the council would consult the public on the applications and whether they should be issued. He noted the council told the Board of Inquiry into the Ruataniwha Water Storage Scheme that the aquifer was already fully allocated. He added the council had a legal obligation to fulfil the plan. Local farmer, Alistair Setter, said there was evidence the plains were already drying up. He added the council's own monitored bore levels had also dropped more than 10 metres.

Red meat

Beef + Lamb's new environmental strategy earns high praise [7 June/Rural News] Minister for the Environment, David Parker, praised Beef + Lamb NZ's new environmental strategy. He said it was what the public wanted as they didn't want things to be getting worse over time. Beef + Lamb NZ unveiled its plan to lift the environmental performance of NZ's sheep and beef sector. It laid out its progressive long-term vision for four priority areas including healthy productive soils, thriving biodiversity, reducing carbon emissions and cleaner water. The two main goals were that every sheep and beef farm had a tailored and active environment plan, and that the sector as a whole was moving to carbon neutrality by 2050. B+L NZ will roll out environmental initiatives such as Collaborative Catchment Communities to help communities work together for the environment. B+L NZ's Environmental Strategy Manager, Julia Beijeman, said the strategy addressed the change happening for sheep and beef farmers who were under pressure.

B+LNZ farmers won't oppose levy increase [11 June/Farmers Weekly] Farmers will undoubtedly scrutinise how Beef + Lamb NZ spends its extra \$4 million in levies it proposed to raise but are unlikely to vote against the increases according to industry leaders. Federated Farmers Meat and Fibre Spokesman, Miles Anderson, said the increased levies weren't big, and would not be opposed in a general sense. The average farmer would pay over \$1,000 in levies. B+L NZ Chairman, Andrew Morrison, said the levies would be invested in the international rollout of the Taste Pure Nature origin brand and the Red Meat Story, help the sector lift its environmental performance and reputation, and strengthen the organisation's capability to address biosecurity risks. The U.S. and China had been targeted for the rollout of its Taste Pure Nature brand. B+L NZ Chief Executive, Sam McIvor, said it saved \$1.4 million over the past two years by prioritising resources.

Fieldays 2018

Record spend predicted for New Zealand National Fieldays 2018 [10 June/Stuff] Forecast milk payouts and high commodity prices meant spending could be up 10 percent on last year. Waikato University Economics Professor, Frank Scrimgeour, said Fieldays 2017 recorded peak attendance after some lean years in the dairy sector, and the economic impact was a record. He expected another large event this year. He added it was clear from most farm businesses that cash flow was in a steady state. Mr Scrimgeour believed 30 percent of visitors would spend more, and it would be the mid to large spenders that would make the difference. Fieldays CEO, Peter Nation, doesn't recall many times when the industry had been this strong, and said there were always challenges. This year's turnout was expected to exceed last year's 133,588 visitors. The main uncertainty that remained was around *Mycoplasma bovis*.

Rural communities

'Rural proofing' for new policies [7 June/Rural Life] Rural Communities Minister, Damien O'Connor, would discuss a rural proofing lens for new government policies. Proposed new government policies and laws across all portfolios would be analysed to determine impacts on rural communities. He said the policy would ensure all policymakers looked at their work through a rural lens. He believed all New Zealanders, no matter where they lived, should have a reasonable ability to live. Rural communities were an essential part of New Zealand's economy and culture. A Ministry for Primary Industries spokeswoman said the first phase of targeted consultation with government agencies to identify approaches to rural proofing, and where more detailed guidance was needed, had been completed and was shaping the policy guide and implementation planning. Waitaki MP, Jaqui Dean, noted the policy had potential, but she had her doubts.

Viticulture

OWNZ presence in Europe [8 June/New Zealand Winegrower] Organic Winegrowers New Zealand has entered European markets on behalf of its 180 members. OWNZ Spokesperson, Stephanie McIntyre, said having representation in such a large market was the logical progression. She added they had been building the platform for members and it was at the point where they were thinking about what the members required next. European Representative, Sarah Booker, said the increase in organic wines and wineries taking part in the London trade tasting was a good portent for the future. Each of the wines were identified in the NZ Winegrowers brochure with the logo placed on the front of each of the wines on the stand. She noted that organic producers were seeing the benefits of being at events like that, especially as the demand for organic wine grows. OWNZ planned to have presence at a number of the many other wine fairs throughout Europe.

Poultry

Tegel directors say accept Bounty offer as net profit falls [11 June/NBR] Tegel said its directors and auditors were in a dispute over the value of the company's goodwill, and its net profit fell 24 percent. The directors unanimously recommended shareholders to accept the Bounty \$1.23 per share takeover offer. They said there was no benefit to accepting the offer early, but if they do they would still be entitled to the dividend. It added that while the company delivered another year of record poultry volumes and revenue, the result was affected by non-repeating costs. It noted its auditor felt the goodwill of the company had been impaired, however the directors formed the view the discounted cash flow model arrived at a more accurate estimate of the value of the business. The qualified audit opinion had no impact on the takeover.

International

Germany's Bayer closes \$63 billion Monsanto takeover, plans to drop US company's name [7 June/CNBC] Bayer AG closed its \$63 billion merger with Monsanto last Thursday. The 117 year old Monsanto name will be dropped by Bayer. Monsanto had become a lightning rod for anti-GMO activists through Monsanto's efforts to promote genetically modified crops. Associate Director of the Organic Consumers Association, Katherine Paul, said Monsanto was the poster child for a bigger movement against GMO. Monsanto said they were proud of what they had accomplished and that they were eager to continue to accelerate innovation in agriculture. A key condition in the deal was that they had to divest some of their crop science assets. Bayer lowered its synergy target for Monsanto from \$1.5 billion to \$1.2 billion. Taking away the Monsanto name was more branding, and the entire business was essentially going over to Bayer. Executive Director of the Center for Food Safety, Andrew Kimbrell, noted it wasn't a surprise that they were dropping the name since the brand had a lot of issues.

Hungry Harvest to deliver 'ugly' produce to 30 new markets [7 June/Food Dive] Ugly produce delivery service, Hungry Harvest, is expanding its operations to 30 more cities within the next four years. The expansion would target markets in the South, Northeast, Midwest and Texas. The produce it used was deemed off-spec for a variety of reasons, including surplus, failure to meet strict retail standards, arrival in the wrong size containers and more. CEO Evan Lutz said there were a number of reasons why produce gets rejected other than quality. Its expansion criteria included consumer demand and the number of farmers, wholesalers and other potential partners in the area, as well as the impact the service could have on alleviating food waste and hunger. Tens of thousands of people were on the waiting list to order produce boxes.

America's Largest Private Company Reboots a 153-Year-Old Strategy [7 June/Bloomberg] The agricultural industry was pioneered by William Wallace Cargill in 1865 after establishing a string of grain warehouses across the American Midwest. His business model involved being the middleman between farmers and their ultimate customers turned Cargill Inc into the largest privately held company in the U.S. However, it was falling victim to digital disruption with decreased dependence on middlemen, lowering the spread Cargill used to make on deals. Cargill Chief Executive Officer, David MacLennan, said the days of we're going to buy your crops, store it and sell it at a profit were over. This pushed Mr MacLennan to transform Cargill into less of a trading and more of an integrated food company operation. The changes in the market as a whole triggered the current Cargill makeover. Several underperforming units were sold to alter the company's portfolio. A large investment in aquaculture was also made. Although Cargill doesn't disclose profits, people familiar noted its animal feed and protein business accounted for about two thirds of its income.

In 30 years, every successful food company will be a 'personalised food company': Nutrino CSO [6 June/Food Navigator] Chief Science Officer of Nutrino, Yaron Hadad, said that with consumers becoming increasingly invested in their health, personalised nutrition diets would become the norm. There was still common misunderstandings about what foods were healthy however. Nutrino collects data on food consumption and an individual's health to make personalised suggestions. Nutrino thought this was a do or die situation for manufacturers. Mr Hadad thought it was possible for big food manufacturers to tap into the personalised nutrition trend. The company had focused on the diabetes market but would be extending to new markets. Data on food was gathered from official sources, and they already have 1.6 million products in their database. For individuals, it collects any data on nutrition or metabolism. According to its website, it is in compliance with Europe's recent General Data Protection Regulation.

Why prawns are off the menu at Air New Zealand [6 June/NZ Herald] Prawns have been removed from Air New Zealand's menu due to concerns they could have been caught by slave labour. Air New Zealand Chief Executive, Christopher Luxon, said a supplier code of conduct wanted to establish greater levels of transparency so the airline knew where food and other goods was coming from. Reports of slave labour being used in prawn operations in South East Asia prompted the concern. Air New Zealand was also part of an international effort to stamp out human trafficking. Mr Luxon said it was a global issue and that it was important crew could spot what could be situations that needed questioning and intervention. IATA's Director General and Chief Executive, Alexandre de Juniac, said criminal gangs were trafficking people to work in slavery. He noted they operated in plain sight and could only be stopped with the cooperation of all parts of the value chain, especially airport operators, ground handling agents and other air transport system stakeholders.

PepsiCo latest Big Food partner for Chicago incubator project [7 June/Food Dive] PepsiCo's nutrition arm that includes brands such as Naked and Quaker is partnering with The Hatchery Chicago, a non-profit food and beverage incubator. According to the company, the arrangement was meant to nurture food industry entrepreneurs to help them sustainably grow and scale their businesses. PepsiCo added that the goal was to bring delicious products to more people and places. President of PepsiCo North America Nutrition, Seth Kaufman, said he was excited about what they were doing to make sure trusted nutrition choices were always within reach. He added one of the ways they did that was through collaborating with like-minded, nutrition-forward partners who provided great insight about the future of food and who can also benefit from their expertise and resources.

Bitter harvest for the food producers caught in the crossfire of Trump's trade war; While steel workers may gain, retaliatory tariffs will cost US farmers jobs, says David Millward [10 June/The Sunday Telegraph] The International President of the Steelworkers Union, Leo Gerard praised the US President's efforts to protect US jobs when he announced plans to put a 25c levy on Chinese steel imports. His enthusiasm however disappeared when the tariff was extended to Canada, where a large portion of its members live and work. Mexico imposed tariffs on \$3 billion worth of goods including steel, pork, potatoes and cheese. The number of iron and steel jobs in the U.S. would rise by just over 23,000. Agriculture would suffer a loss of nearly 6,800 jobs due to the retaliatory tariffs by Mexico. Given that rural America backed Mr Trump, farmers felt let down even though he promised to look after them.

Canada/US trade spat heads up as Trump lands in Singapore [11 June/NBR] The U.S. and Canada moved closed towards a trade crisis when President Trump tweeted that Canadian Prime Minister, Justin Trudeau, was dishonest and weak. Mr Trudeau rejected a demand for a sunset clause in NAFTA but said he was prepared to compromise on the issue. He added that he told Mr Trump the NAFTA talks had been made more complicated by the recent U.S. decision to impose tariffs on steel and aluminium. Mr Trump responded and said based on Mr Trudeau's statements, and the fact Canada was charging massive tariffs, he had instructed U.S. representatives not to endorse the G7 communications.

KFC to test vegetarian friend chicken [8 June/CNBC] KFC was joining the healthy food trend by testing vegetarian fried chicken in the United Kingdom. It would be the first of its kind to be offered by a large quick service chain. The product is to be tested in the UK where a number of smaller restaurants are already famous for their versions of plant-based fried chicken. KFC would still use its secret blend of 11 herbs and spices. KFC UK said it was still working on the recipe and would test it with customers this year before launching it next year. It hoped to cut calories per serving down by 20 percent and would introduce meals that were under 600 calories by 2020. KFC had no plans to introduce the product in the U.S.

Molson Coors buys California kombucha company [8 June/Food Dive] A Californian maker of a fermented tea beverage, Clearly Kombucha, has been acquired by Molson Coors. The company would join its U.S. business as part of its craft and speciality unit. Clearly Kombucha was founded in 2009 by Ali Zarrow and Caleb Cargle. They would stay with the company after the acquisition goes through. Molson Coors Tenth and Blake President, Pete Marino, said the kombucha category was in its early stages and they were suited to help Clearly Kombucha grow in the coming years by driving greater awareness, strengthening its brand reputation and boosting retail availability.

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Weekly news update from the KPMG Agribusiness Network – 13 June 2018

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