

Hot Off The Press:
**KPMG Agribusiness
 Agenda 2018**

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Weekly news update from the KPMG Agribusiness network

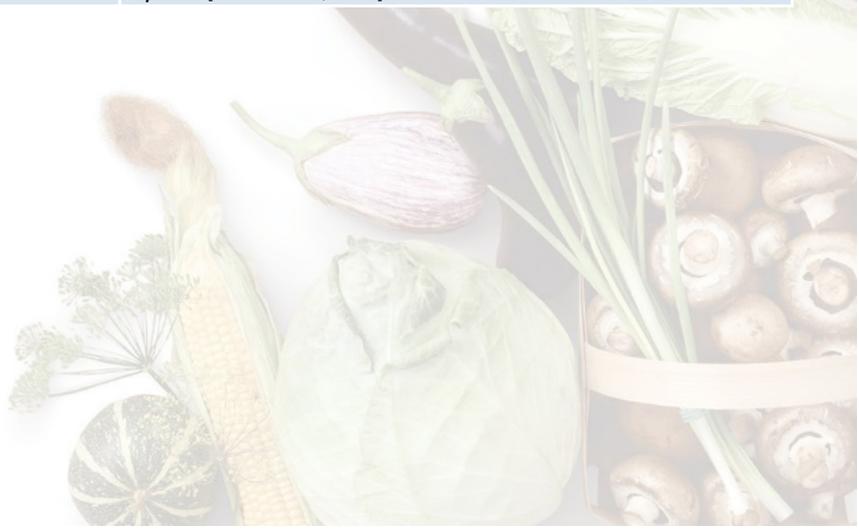
31 October 2018

Organisations referenced in this week's Field Notes include:

Agriculture Victoria	Hurunui Water Project
Amuri Irrigation Company	Indigo Marketplace
ANZ	Lancaster University
Apiculture New Zealand	Meat Industry Association
Beef + Lamb New Zealand	Ministry for Primary Industries
BrightFarms	National Milk Producers Federation
CelluComp	Ngai Tahu Farming
Countdown	NZ Pork
Craft Meat Company	Seeka
DairyNZ	Silver Fern Farms
Danone	Straightrow
Deer Industry New Zealand	Tassal's
DHL	The a2 Milk Company
ExportNZ	University of Waikato
Fishers Meat	World Trade Organisation
Foodstuffs	Zeacann
Grainster	Zespri
Huon Aquaculture	

This week's headlines:

Emerging markets	Kiwi firm Craft Meat Company launches meat-free mince [29 October/NZ Herald]
Economics and trade	Red meat sector welcomes CPTPP ratification [29 October/The Country]
Agri-tourism	Foodie tourism an opportunity for Kiwi exports [24 October/The Country]
Pork	Countdown sells Kiwi free farmed fresh pork only [29 October/Stuff]
Biosecurity	Farmers urged to have their say on changes to animal tracing system [30 October/Stuff]



Emerging markets

Kiwi firm Craft Meat Company launches meat-free mince [29 October/NZ Herald] The Craft Meat Company has developed a 100 percent plant-based mince which is made from mushrooms, tomato, almonds, coconut oil, and soy protein. It is expected to reach store shelves soon. Co-owner, Grant Howie, said the company decided to launch the meat-free mince after he had taken an ownership interest in the parent company, Fishers Meat. He noted his daughter had become a vegan, and said he felt the company should make something she could eat when he bought the business. This made him realise the opportunity and growing plant-based meat trend. Mr Howie noted research said over 30 percent of New Zealanders were actively looking to reduce their animal protein consumption. Co-owner, Sherie Howard, added the product closely resembled traditional mince and was designed to be cooked in a similar fashion. Air New Zealand came under criticism earlier in the year when it began serving the Impossible Burger. It was dubbed a slap in the face for New Zealand's meat sector.

Kiwi Cannabis start-up Zeacann calls in help to raise \$20 million in funding [29 October/NZ Herald] Zeacann is a New Zealand start-up that is looking for a \$20 million investment for its projects in the cannabis market. It has initiated a capital raising that will target wholesale investors to grow the business. Zeacann Founder, Chris Fowlie, said the funds would be used to build two hybrid greenhouses in Auckland, cultivate its first crop, fit out laboratories, and conduct future research. It was one of a growing number of Kiwi medicinal cannabis companies. The companies had taken different routes to get funding. Mr Fowlie added it had quickly realised it had to scale if it was to deliver a product at a reasonable price. He noted affordability was a big barrier to people. The business planned to begin growing cannabis next year, following expected law changes. He wanted to target the growing international market. New Zealand could differentiate itself by developing unique products that couldn't be found anywhere else. Mr Fowlie anticipated increased competition.

Forestry

Forestry workers take part in research [30 October/The Country] A million dollar government grant that has been given to Dr Judy Bowen at the University of Waikato will enable more research to be conducted on wearable technology in the forestry industry. The project is exploring whether combining information collected from wearable trackers with environmental information (such as temperature and location) will enhance worker safety through identifying and alerting workers and employers to levels of fatigue or unsafe work conditions. Dr Bowen notes that little scientific evidence exists in this area and that existing devices are often unreliable or uncomfortable being work needs to be done to establish how to put devices and sensors into comprehension clothing that fits into a workers usual personal, protective gear.

Deer

Deer Industry NZ: Velvet prices tipped to be stable in year [29 October/The Country] The deer velvet market was expected to remain stable over the 2018/19 season due to increased consumption of the product in Asia alongside increased production in New Zealand. Prices have consistently increased over the past eight years. Deer Industry NZ Asia Manager, Rhys Griffiths, cautioned the trend would not continue indefinitely. He added there were unknowns that could affect the market such as an escalation in the ongoing international trade wars. He added farmers could expect another good year. Branded health foods based on New Zealand velvet had transformed in the Korean market. He noted the establishment of a similar product category in China was a priority for the industry. Around 200 tonnes of the expected 725 produced in the 2018/19 harvest would go to companies selling high-value branded products in South Korea. DINZ was working with Chinese regulatory agencies to provide a clear pathway for imports of New Zealand velvet to manufacturers in China.

Farmers and producers

Pasture, present and future: NZ-Ireland hold joint summit [29 October/The Country] New Zealand and Ireland's first joint Pasture Summit will be held in New Zealand next month. The event will consist of two conferences with one in Hamilton and one in Ashburton. Its Chairman, Colin Armer, said it would have a dynamic group of international and local speakers with cutting edge science and robust debate. He added they would be talking about innovation, ways to reduce dairying's environmental impact, and the natural health and wellness benefits of dairy products from pasture-fed cows. Conference Organising Committee Member, Olin Greenan, noted he got involved as it reinforced what he believed dairy farmers should be doing. The Pasture Summit was organised and ran by a group of farm business owners and was supported by DairyNZ. Organisers said registrations and expressions of interest were received from a range of countries. The conference included talks from farmers and scientists, with a strong focus on profit, pasture, genetics, and sustainable business growth.

Dairy farm values down 18 percent on year ago [29 October/The Country] Farm sales have decreased by more than 7 percent, and dairy farm prices had fallen but more than 18 percent per hectare over the last year. Total farm sales for September were 1460 farms, which was 12.4 percent lower than last year. The median price per hectare was \$30,876 compared to \$37,187 last year. Real Estate Institute of New Zealand Rural Spokesman, Brian Peacocke, said dairying's median priced had decreased 18 percent over the last year. Five out of 14 regions across the country recorded increases for the quarter to September. He added the early spring of 2018 had been one of the best for a number of years to date. He noted while most farmers were enjoying mild temperatures and contractors were busy with silage and crop planting, cautious operators would maintain a close watch on rainfall.

Ngai Tahu Farming replaces forestry with 14,000 cows at Eyrewell [29 October/Stuff] Ngai Tahu Farming plans to milk 14,000 dairy cows near Christchurch once the remainder of the Eyrewell forest has been harvested. The iwi owned organisation said it had however abandoned plans to convert some of Balmoral Forest to dairy after failing to get the required consents. Ngai Tahu Farming manages more than 100,000 hectares of farm and forestry land. Its Chief Executive, Andrew Priest, said its Te Whenua Hou dairy development would continue as trees at the current time. He added their oldest dairy farms were only six years old, so they were still increasing productivity. Under the Iwi model, shareholders had a strong requirement for social and environmental responsibility, reflected in the organisation's mission statement that when land and water are sustained, the people will prosper.

Economics and trade

Kiwi exporters largely upbeat but challenges ahead [29 October/NZ Herald] According to the 2018 ExportNZ DHL Export Barometer, New Zealand exporters were largely optimistic despite tensions around international trade. It showed over half of the respondents had increased international orders, while 60 percent were optimistic overseas orders would increase. ExportNZ Executive Director, Catherine Beard, said exporters should be prepared for any new challenges ahead. Exporters were looking to the Government for support amidst various concerns. Over 50 percent of the respondents said they wanted more help from the Government to attend international trade shows with other New Zealand companies, as well as help them to find trusted partners in overseas markets. Australia remained the top destination for New Zealand exports at 74 percent. Britain made it to the survey top five for the first time. DHL Express New Zealand Country Manager, Mark Foy, said it had invested in a larger freight plane for trans-Tasman trade due to growing export demand.

Red meat sector welcomes CPTPP ratification [29 October/The Country] The red meat sector welcomed the ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). New Zealand was the fourth country to complete the ratification process. The agreement required at least six countries to ratify the agreement before it could come into force. New Zealand sheep and beef sector exports approximately 90 percent of its production. Beef + Lamb New Zealand Chief Executive, Sam McIvor, said once it came into force, it would be one of the largest free trade agreements in the world. New Zealand had lost significant market share in countries where its competitors had preferential access in the absence of the CPTPP. It would immediately put New Zealand's red meat sector on a level playing field. The agreement would give New Zealand a competitive advantage over the United States beef industry.

Agri tourism

Foodie tourism an opportunity for Kiwi exports [24 October/The Country] Tourism and food and beverage exports delivered 62 percent of New Zealand's export earnings in 2017. However, according to a report from ANZ and the MPI Economic Intelligence Unit, more could be done to link the two and lift earnings. The New Zealand Food & Agri Tourism Insights report showed that food tourism in New Zealand generated higher earnings for each visitor than non-food tourism. Over 60 percent of food tourists sought out products when they got home. ANZ Managing Director Commercial & Agri, Mark Hiddleston, said there was a great opportunity for our primary sectors. New Zealand's food and beverage experience ranked second lowest among all categories covered by visitor satisfaction surveys due to a lack of variety and quality and high perception of cost. The report looked at the percentage of tourists from different countries who participated in a food-related activity while in New Zealand. Farm or orchard visits were the most popular.

Apiculture

Apiculture NZ 'tweaks' honey levy move [24 October/The Country] Apiculture New Zealand has adjusted its proposal to introduce a commodity levy on honey following industry consultation. According to Apiculture New Zealand Board Member, Russell Marsh, the move to introduce the levy was the most important step the industry had taken in years. He added the New Zealand honey industry was the only agriculture or horticulture sector without any consolidated investment. APINZ Chief Executive, Karen Kos, said the consultation process included nine meetings across the country. APINZ would retain the commodity level for harvested honey, however the proposal would also include comb honey. Those who produced less than 750kg of honey per year would be excluded from the levy. Those with 26 or more hives were considered commercial beekeepers, and would pay it. The expected result of the proposal would be known by March 11. If it was approved, a levy would be in place by October 2019. Honey extractors would send data to IPINZ in June of each year.

Pork

Countdown sells Kiwi free farmed fresh pork only [29 October/Stuff] Countdown has pledged to only sell New Zealand-grown free farmed fresh pork. Its main rival, Foodstuffs, said it was happy to continue selling pork from farms using crates as well as imported products. Those who defended crates said they stopped piglets from being crushed. Animal rights group, SAFE, presented a 100,000 strong petition to parliament to ban these crates. Countdown's Head of Meat, Alton Gullery, said its decision to opt for free farmed pork would make animal welfare considerations a widely available choice for consumers at no extra cost. Since 2014, restrictions on fresh pork imports had been removed, resulting in a flood of meat. Mr Gullery noted it was important to make a distinction between free farmed and free range. Free range pigs wander outside all the time and make up only 1 percent of New Zealand's pork population. NZ Pork welcomed a focus by any retailer on supporting local farms.

Red meat

NZ meat trade to Europe and UK faces potential logjam [25 October/Stuff] Due to the UK exiting the EU, New Zealand's lamb exports to the UK could get caught up in border confusion as new rules are implemented. New Zealand's red meat sector Brexit representative, Jeff Grant, said the uncertainty over what sort of a deal the UK negotiates threatened the smooth flow of trade into the region. New Zealand currently exports over \$2 billion worth of red meat to the EU. Most of it was sheep meat. Kiwi meat exporters are believed to be preparing contingency plans as Brexit negotiations continued. Silver Fern Farms Head of Sales, Peter Robinson, said the Easter period was crucial for chilled lamb sales into the UK. Besides uncertainty, there was also the threat of the EU and UK splitting the New Zealand quota. It was possible the EU could put tariffs on British lamb once Brexit occurred. This would allow New Zealand to export more to Europe, assuming its quota is not halved. Meat Industry Association Chief Executive, Tim Ritchie, said the quota split may not occur. New Zealand lodged a complaint with the World Trade Organisation to ensure the quota remained.

Dairy

Milk firm rejects false ad challenge by US competitor [30 October/Radio NZ Rural] The a2 Milk Company has spurned a complaint about its product from other US based competitors saying it is based on incomplete and outdated scientific evidence. The National Milk Producers Federation in the US has complained that a2 Milk is making false claims based on an unreliable and clinically insignificant study in promoting its milk as being easier on digestion and a product that may help some people avoid discomfort. The National Advertising Division in the US acknowledged a2 Milk's position and recognised that the company's claims had been exonerated in a case in California but noted that the company had declined to participate in a review of its advertising claims and as a result it has referred to the matter to the Federal Trade Commission for further review. The company said in a statement it was disappointed but not surprised that its conventional milk competitors had challenged their claims, noting the claims made in the challenge had previously undergone extensive regulatory review and that the company strongly believes in truthful advertising and will continue to market its products accordingly.

Water

Hurunui Water Project shareholders agree to sell resource consents to Amuri Irrigation Company [24 October/Stuff] Amuri Irrigation Company is set to purchase to Hurunui Water Project's resource consents. This would end debate around whether the local council should invest in the scheme. Just one third of the offered 21,000 water rights were bought due to a poor uptake from farmers. HWP shareholders voted to accept AIC's offer. HWP Board Chairman, Peter Harris, said the board was pleased with the vote's outcome. More than 28,000 hectares of land in the Amuri Basin was currently irrigated through AIC taking water from both the Hurunui and Waiau rivers. The new proposal was to add a smaller piped irrigation scheme between the Hurunui River and Hawarden. AIC Chairman, David Croft, added there was strong desire for irrigation to be delivered to farmers south of the Hurunui River. The Hurunui District Council had been under scrutiny for considering investing ratepayer money in HWP. Mr Croft said there was still a significant amount of work to be done.

Biosecurity

Farmers urged to have their say on changes to animal tracing system [30 October/Stuff] Biosecurity Minister, Damien O'Connor, has opened a consultation round on proposed improvements to the National Animal Identification and Tracing (NAIT) scheme. The Minister said that the scheme should have worked better during the initial stages of the Mycoplasma Bovis response, adding that he determined to make changes to the scheme to make it an easy to use, world class traceability scheme. It became apparent in the response to MBovis that many farmers had not been using the system correctly or at all and as a consequence legislative changes were rushed through parliament to strength MPI's search powers under the NAIT Act. The consultation looks at ways to tighten rules around untagged animals, improve the use of data and align penalties for non-compliance with other acts to reflect the seriousness of not following the rules. Industry bodies welcomed the consultation and encouraged farmers to make submissions, with particular focus being put on how species that are not currently included in the system are managed moving forward. The consultation closes on 19 December.

Horticulture

Seeka enters into \$15.9m sale deal for five kiwifruit orchards [24 October/Radio NZ] Seeka agreed to sell five Northland kiwifruit orchards for almost \$16 million. It said the agreements included the purchasers entering into long term supply contracts for each of the orchards, which Seeka would manage on their behalf. Seeka added the sale agreements were conditional on the purchasers completing due diligence within 20 days. It remained open to negotiation for the sale of other orchards in its Northland portfolio. Investigations continued as to how some of its vines in Australia became infected with Psa. Agricultural authorities in Victoria confirmed an aggressive form of the disease was found on a property owned by Seeka. Chief Plant Health Officer at Agriculture Victoria, Rosa Crnov, said while the detection was a serious matter, it was important for consumers to understand there was no threat to food safety. She believed eradication was still possible.

Kiwifruit is king! [29 October/Rural News] New Zealand kiwifruit demand is being driven by a trend amongst consumers who are looking to live better and healthier lives. Zespri Chief Executive, Dan Mathieson, said kiwifruit fit perfectly into that category. He added sales growth had been strong with 150 million trays last year, up from 120 million. A lot of the increase was driven by the Sungold variety. He noted looking long term, Zespri believed the trend would continue with ongoing growth in demand for healthy, nutritious food. He added that their target group of consumers were health conscious, which was not region-specific. European consumers had always been strong supporters of Zespri green, however were beginning to be attracted to Sungold.

International

Want Yellow Peas and Fake Milk? New-Age Traders are Seeking You Out [25 October/Bloomberg] Emerging foods such as yellow peas, fake milk, and soybeans with differing colours, taste and consistency spurred a wave of new startups that looked to change how crops were sold in a world of rapidly changing tastes. An example is Indigo Marketplace where you can connect to a farmer to purchase wheat from a specific seed, or with a certain level of protein. Indigo CEO, David Perry, said if it worked, it would create a range of interesting niches. Millennials were particularly focused on purchasing food that was both good for them, and for society. Agriculture was making the change into the new economic era according to Grainster CEO, Roger Cunningham. ADI Spokeswomen, Jackie Anderson, said its speciality crops ranges were possible due to the ability to leverage its large asset network. StraightRow Principal, Zach Lutterell, noted removing the middleman wouldn't be easy, but represented a challenge for the future.

Danone pledges to triple global plant-based sales by 2025 [25 October/Food Dive] Danone's plans for growth include relying on healthy eating, plant-based products and popular dairy categories. They include a pledge to triple its global plant-based sales from USD1.9 billion to approximately USD 5.7 billion by 2025. Its Chairman and CEO, Emmanuel Faber, said the Danone would place emphasis on core plant-based beverages and yoghurt categories. He noted they would also look for potential in additional dairy and plant-based businesses. This would likely include acquisitions by Danone Manifesto Ventures. He added they were developing a unique portfolio of health-focused and purpose-led Manifesto brands. Mr Faber noted its growth strategy focused on innovations to address some fast growing trends, particularly among the younger generations.

BrightFarms sees local as the new organic in produce: ‘We like to think of local today being where organic was 15 years ago’ [25 October/Food Navigator] According to BrightFarms VP of Marketing and Innovation, Abby Prior, said it was in position to bring its local greenhouse model to a nationwide audience with 15 hydroponic greenhouses to be built in the next few years. A Food Marketing Institute Power of Produce Report showed consumers were 60 percent more likely to buy a local-grown item compared to a conventional or organic item. It found 58 percent of impulse produce purchases were based on appearance of product freshness and quality. She added retailers had faced limited access to local produce at a commercial scale. The hydroponic grower would be doubling its number of greenhouses adding four new and larger facilities next year. She credited organic for reinvigorating the lettuce and salad category, but claimed the organic boom started to fade away slightly.

Could carrots be the secret ingredient to strengthen concrete? [26 October/Radio NZ] Carrots have the potential to strengthen cement and cut carbon dioxide emissions in the building industry, according to researchers at Lancaster University. Their Lead Researcher, Mohamed Saafi, said they found concrete strength could be increased by up to 80 percent by using a small amount of the new material. The carrots prevented any cracks in the concrete. They could also lower the total carbon dioxide output. The carrot particles were supplied by CelluComp. CelluComp CEO, Christian Kemp-Griffin, said it was the cellulose that made carrots rigid and crunchy. Cellulose was also found in wood, but was easier to extract from vegetables. He added a few fibres would be an additive that would enhance performance. The team would continue to test the mixtures.

Salmon industry wins approval for further fish farming expansion in Storm Bay, near Hobart [29 October/ABC News] Tasmania’s salmon producers were allowed to expand their operations in Storm Bay. The government said 180 jobs would result from the expansion. Tasmania’s Marine Farming Planning Review Panel conducted hearings into the plans earlier in the year which recommended allowing the expansion. The proposals caused concern among some in the boating community over fears that debris from fish-farm infrastructure could jeopardise safety. Acting Minister for Primary Industries and Water, Will Hodgman, said its acceptance of the recommendation was made after consideration of the environmental impact statements, public submissions, representations and hearings. Huon Aquaculture’s Yellow Bluff plans would create a new marine-farming zone in Storm Bay. Tassal’s plans would create a new farming zone near Wedge Island. The companies would apply for Marine Farming Leases, followed by Marine Farming Licences. Greens MP, Rosalie Woodruff, said the decision showed the disregard the Government held for community consultation and scientific evidence.

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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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