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**KPMG Agribusiness  
 Agenda 2018**

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**AGRIBUSINESS**

# Field Notes

Weekly news update from the KPMG Agribusiness network

28 February 2019

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

3G Capital	Primary Collaboration New Zealand
AgriFutures	Rockit Global
ANZ New Zealand	Saputo Inc.
ASB Bank	Tasman District Council
Awhuwhenua Trust	Tax Working Group
Califia Farms	The A2 Milk Company
Cendenco Dairy	JUST Egg
Civil Defence New Zealand	Ynsect
Comvita	
Dairy Companies Association of New Zealand	
DairyNZ	
Federated Farmers	
Imanaka Ltd.	
JUST Egg	
Kraft Heinz	
Ministry for Primary Industries	
PGG Wrightson Real Estate	
Poutama Trust	

**This week's headlines:**

Farmers and Producers	<b>Rural sector gives thumbs down to capital gains tax</b> [21 February/NZ Herald]
Dairy	<b>New, higher, dairy price cycle appears set to start</b> [21 February/The Country]
Biosecurity	<b>Second Queensland fruit fly found in Auckland</b> [21 February/Radio New Zealand]
Economics and Trade	<b>Strong farm sector expected to help economy bounce back</b> [26 February/The Country]
Water	<b>Tasman region drought sees severe water restrictions put in place for Dovedale</b> [25 February/Stuff NZ]



## Farmers and Producers

**Sexist comments on job ad damage New Zealand's image, farmers warn** [19 February/Stuff NZ] Responses to a Finnish backpackers' job advertisement are a blow to New Zealand's image warn farmers. Mari Vahanen's post on a Facebook farming page saying she was a hardworking farmhand or machine operator and was looking for work received 1600 responses, however majority focused on her appearance rather than her employment prospects. Micha Johansen, a Taranaki Dairy Farmer stated the comments could prevent talented young people from coming to work in New Zealand's agriculture sector because it is perceived to be male-dominated. Mrs Johansen added the overall tone of comments did not reflect the reality of farm life for New Zealand women who would not put up with sexist treatment. Sheep Farmer Sophie Barnes said three years ago when she went online to find farm work, she did not receive the same response and that her posts were successful in finding her work. Mrs Vahanen said the comments about her looks had not fazed her and she has focused on the genuine comments offering her work. DairyNZ say around a third of workers on NZ dairy farms are women and that they expect both men and women to receive respect and that in the agricultural sector, bullying, harassment and discrimination is not acceptable, just like any other sectors.

**Rural sector gives thumbs down to capital gains tax** [21 February/NZ Herald] Various spokespeople from within the rural sector have reported their disapproval of the capital gains tax (CGT) recommended by the Tax Working Group. CGT targets assets such as land, shares, investment properties, business assets and intellectual property. One commentator said the tax would limit farmers and the way they grow their businesses due to its significant impact on cash flow and succession planning, which is important in the farming sector. In the report released by the Tax Working Group, "rollover relief" was not mentioned which allows tax arising from one sale to be deferred from one property to another when an asset is transferred within a family, for example. Federated Farmers agreed that the tax could be damaging to the rural sector adding extra costs and complexity surrounding tax requirements. Matt Goodson, Managing Director of Salt Funds Management reported that the plan to include agriculture in the emissions trading scheme could result in relatively low returns for parts of the sector to disappear altogether. However Peter Newbold, General Manager of PGG Wrightson Real Estate said the impact of CGT would currently be minimal because the rural property market is largely static.

**Ahuwhenua finalists named** [22 February/Rural News Group] The three finalists in this year's Ahuwhenua Trophy for the top Māori sheep and beef farm have been announced. Damien O'Connor, Minister of Agriculture announced they are Whangara Farms, Gisborne; Te Awahonou Forest Trust – Gwavas Station, Tikokino near Hastings and Kiriroa Station – Eugene & Pania King, Motu, near Gisborne. The trophy is awarded for excellence in Māori farming and was inaugurated in 1933 with the objective to encourage Māori farmers to improve their land and their overall farming position as kaitiaki. The trophy is awarded to sheep and beef, horticulture and dairy sectors on a three year rotational basis. Kingi Smiler, Ahuwhenua Trophy Management Committee Chairman says that the high calibre of this year's finalists shows the strength within the Māori agribusiness sector as people seek to enter the event to showcase the quality of their farming enterprises. Mr Smiler says what makes Māori sheep and beef farms so special is that they are in remote hill country areas, making farming operations challenging throughout the year and in times of adverse events showing resilience and determination by farmers. Mr Smiler noted that the Māori agribusiness sector has grown exponentially in recent years is having real economic impact, rapidly moving into the value-add space and increasing returns from assets.

## Dairy

**A2 Milk rallies by \$1 billion after sharp lift in first half profit** [20 February/NZ Herald] The A2 Milk Company ('A2 Milk') reported a 55 percent increase in net profit for the six months to December 2018 resulting in shares increasing 10.5 percent to \$14.22. This increased A2 Milk's market capitalisation to \$10.45 billion, again making them New Zealand's biggest company by market capitalisation. The increased returns were driven by sales growth in all key product segments including infant formula, liquid milk and milk powders. Infant formula sales were \$495.5 million for the half (up 45.3 percent) while liquid milk increased 20.2 percent. Analysts are now forecasting full year revenue of \$1.35 billion, up 46 percent on last year's figure, and EBITDA up 48.4 percent to \$420 million. One analyst noted there was nothing in the result that suggested any slowdown in the company's likely growth trajectory and that he is seeing an encouraging start as the company expands into the U.S. market. A2 Milk CEO, Jayne Hrdlicka, said they are having no issues getting exports into China and that growing awareness of the brand in the United States was looking promising. The company stated that they are now in a position to reinvest into increased marketing in the second half, driving brand awareness into China and the U.S. which would continue into 2020.

**Dairy prices continue to rise** [20 February/Radio New Zealand] The latest Global Dairy Trade auction resulted in average price increasing 0.9 percent to USD\$3272 a tonne. This follows a 6.7 percent rise in the previous auction. Whole milk powder lifted by 0.3 percent to USD\$3022 a tonne. Prices have been rising since November when they hit a two-year low due to oversupply on world markets. Susan Kilsby, ANZ Agriculture Economist said that a slowdown in global milk production is driving prices up however there is some uncertainty surrounding demand in the coming months, as global economic growth slows. Figures from the Dairy Companies Association of New Zealand indicate milk production for in January was up 7.7 percent on the previous year with milk solids production also up 5.5 percent on the same period last year. One analyst noted that this meant the season's milk production was at its highest level since the 2015/16 season despite there being 119,000 fewer dairy cows and heifers in milk or calf. This can be explained by good weather conditions providing good pasture which has provided a buffer to the recent dry spell according to Mr Gibson.

**New, higher, dairy price cycle appears set to start** [21 February/The Country] With global dairy supply tightening with little backstop in stocks, higher prices might occur initially. ASB has set its 2019-2020 forecast at \$7 per kilo milk solids. ASB Senior Rural Economist Nathan Penny says that since spring 2016, global prices had traded within a relatively narrow range following the global dairy's "super cycle". Mr Penny said he expected the new price cycle to be more moderate than the super cycle but more amplified than it has been recently. In 2018, New Zealand production was very strong and offset supply softness in the EU, U.S. and Australia. EU and U.S finished 2018 about 1 percent up on 2017 and the same pattern was expected to also occur in 2019. Australian production was down 5 percent in December 2018 from the previous year, whilst in January 2019, New Zealand was producing 5.6 percent more than in January 2018. Growing conditions have been favourable for the first 8 months of the season however with very hot weather occurring throughout February production has started to decline.

**Endorse M. bovis levy or pay more** [26 February/Rural News Group] DairyNZ consultation meetings across the country are encouraging farmers to endorse the *Mycoplasma bovis* levy of up to 3.9c/kgMS otherwise they could end up paying more and having less say in managing the continuing response to the disease. The proposed is being implemented under the Government Industry Agreement for Biosecurity Readiness and Response (GIA) giving farmers some say over the response otherwise the Ministry for Primary Industries (MPI) would implement a levy under the Biosecurity act, with the amount and payback period up to their discretion. DairyNZ Chief Executive Tim Mackle said it is not about whether or not farmers want to pay it is how they want to end up paying it. DairyNZ Board Member Colin Glass said that the DairyNZ board is unhappy with the 96:4 percent split between dairy and beef but it is justifiable because of the disease's impact on the dairy sector, and eradication would not have occurred if only the beef industry had been affected. Farmers at the meetings have voiced their concern that if MPI had done their job, then the disease outbreak would have never occurred; Mr Glass said DairyNZ is aware that there needs to be a review into how the outbreak was handled.

**Geothermal milk plant nearing completion** [26 February/Rural News Group] New Zealand's second Māori-owned dairy plant project is on track to start producing in Kawerau in July. The \$33 million plant is a joint venture between 11 Māori entities, including Poutama Trust which all together hold 67 percent, with the other 33 percent stake owned by Japanese company Imanaka. Poutama Trust Chief Executive Richard Jones reported that export grade products such as organic whole milk powder, milk protein concentrates and butter will be produced at the plant. Kawerau Dairy will process up to 30 million litres of milk in its first year, with 12 farms supplying milk. Mr Jones reports that majority of the farms supplying the plant in the initial start-up phase will be Māori owned. A focus on land, people and customers will enable Kawerau Dairy to become a value-add niche producer rather. Products will mainly be exported to Asia and the Americas. Imanaka's NZ subsidiary Cedenco Dairy will help market products. Mr Jones noted there are already expansion plans being looked at including consideration of specialist milks such as sheep, goat and plant-based.

### Forestry

**Pigeon Valley fire: Fire contained and controlled by crews who have secured a 30m perimeter** [24 February/The Country] Pigeon Valley fire in the Tasman District has been contained by firefighters, who have created a 30 metre zone around the perimeter of the fire which once raged 2100 hectares. Emergency services are aiming to increase this zone to 50 meters and have lifted controlled access cordons in Teapot, Eves and Redwood valleys. Civil Defence reported 5mm of rainfall but are expecting no follow up rain in the near future meaning fire risk is still extreme and advise residents to be prepared to evacuate in case of another fire starting. The areas will continue to be monitored, and parks and reserved in the Tasman and Nelson areas remain closed.

### Rural Supplies

**'Sensible regulation' needed in stock and station industry** [22 February/The Country] Federated Farmers Meat and Wool council is calling for compulsory regulation in the stock and station industry. The Council's Chair, Miles Anderson, reported that discussion around the topic has been on and off for years but it is needed to protect all parties in the sale of livestock. It has been revealed by Farmers Weekly that five civil claims had been made against Rural Livestock, a South Island firm and a Serious Fraud Office investigation was underway into a former employee. Mr Anderson said majority of stock and station agents operate in exemplary manner, and the regulations would also offer them as well as farmers protection. The NZ Stock and Station Agents Association has a code of conduct and set up an independent body who adjudicate on complaints about the actions of stock agents. However, membership is voluntary and it is estimated it only covers about 65% of stock transactions, meaning less reputable agents can simply not follow the code of conduct and continue to trade. Therefore a compulsory set of regulations would be able to stop agents trading and possibly able to impose redress and help with biosecurity risk as well. The council did not envisage an increased cost to farmers from this regulation.

### Biosecurity

**Another type of fruit fly found in Auckland** [19 February/Otago Daily Times] A male *facialis* fruit fly has been caught in a trap in Otago. This fly is a different species to the Queensland fruit fly found in Devonport and has sparked a separate biosecurity investigation. Ray Smith, Director General of the Ministry for Primary Industries said the *facialis* species is native to Tonga where it has badly affected crops of capsicum and chilli and appears to be less harmful to other fruit and vegetables. As a tropical fruit fly, it may not be at home in New Zealand.

**Second Queensland fruit fly found in Auckland** [21 February/Radio New Zealand] A second male Queensland Fruit fly was found in a trap in Northcote on the North Shore, sparking increased surveillance by the Ministry for Primary Industries (MPI). The first was found in Devonport on 14 February. An area in Northcote is now under Controlled Area Notice which restricts the movement of certain fruits and vegetables out of the area. Ray Smith, MPI Director General reports that the discovery of the second fly does not mean that there has been an outbreak, as no evidence of a breeding population has been found. Biosecurity Minister, Damien O'Connor, requested that all traps on the North Shore were checked over the weekend, rather than checking them once a fortnight, and then the rest of the traps across Auckland checked as soon as possible. More than 80 Biosecurity New Zealand staff are working across all responses, with signs placed on key arterial roads in Otago, Devonport and now Northcote, as well as bins provided in local areas so people can safely dispose of their fruit and vegetable waste.

**MPI to advise Government on biosecurity funding** [21 February/Stuff NZ] The Ministry for Primary Industries (MPI) as part of an overhaul of the Biosecurity Act, is reviewing funding streams. Ray Smith, Director General of MPI whilst speaking at the Primary Production Select Committee said the government had asked the ministry to provide advice on the concept of a biosecurity levy. Mr Smith advised that MPI would provide advise government on the levy and it would go through the normal consultative mechanism however, could not provide detail on what advice was given by the ministry. A levy could provide a pool to fund biosecurity events rather than having to find money after the event had occurred. Damien O'Connor, Minister for Biosecurity reported that the Minister of Finance has indicated that they way biosecurity events are funded for the long term needs to be looked at as increased risks are occurring globally.

**Horticulture**

**The highs and lows of running an organic orchard** [22 February/Radio New Zealand] Catriona White, recipient of New Zealand's top sustainable farming award, states she would like to see more kiwifruit orchardists employ their staff full-time. Mrs White, who along with her husband Mark White were the first horticulturalists to win the Gordon Stephenson trophy, which gets awarded to one of the 11 regional winners in the annual Farm Environment Awards. Mr and Mrs White have an organic kiwifruit orchard in Ōpōtiki and employ their two staff for a 40 hour week regardless of whether the weather allows them to work that time or not. Mrs White states that in order to prevent spreading of the vine killing disease PSA, work on kiwifruit vines stops when the vines are wet or it is raining. Mrs White explains that looking after their staff, means that they take more care in their work, and that limiting their pay could impact hugely on their livelihood as it is not their fault the weather prevents them working. Mr and Mrs White employ backpackers or use a contractor from time to time if they need extra hands. They report that they are careful that the contractor is paying his staff correctly. The kiwifruit industry currently has a shortage of workers, and has been criticised for not providing career pathways and work opportunities that are full-time.

**Economics and Trade**

**Chinese landing eyed for NZ apples** [20 February/Rural News Group] Gourmet apple producer Rockit Global is the latest to join a New Zealand-led collaboration in China. Rockit Global is hoping another New Zealand company, Primary Collaboration New Zealand (Shangahi) Co Ltd (PCNZ) will help to increase its presence and sales in China. PCNZ represents 13 New Zealand brands in China and has 22 staff there, with its understanding of the market deepening and brands said to be growing. Austin Mortimer, Rockit Global Chief Executive says its success in China demanded a structured approach to growing the brand. The other PCNZ clients are ANZCO, Mr Apple, Bostock, Freshmax, Pamu, New Zealand King Salmon, Sealord, Silver Fern Farms, Synlait, Taharoa and Villa Maria. Over the last four years these companies have reported successes such growing sales, better relationships with customers and partners as well as deeper insights and knowledge into the market. PCNZ Chairman Andy Borland says the company is pleased to have partnered with Rockit Global.

**Strong farm sector expected to help economy bounce back** [26 February/The Country] In Westpac's monthly economic overview, the bank's Chief Economist Dominick Stephens said key drivers of 2019 growth would be a successful farm sector and government spending. Mr Stephens said that although there was a clear economic slowdown in late 2018, he believes that the predicted momentum would be regained this year. ASB Chief Economist Nick Tuffley agreed that agricultural markets are moving positively, although stated that Chinese consumer demand remains key to performance. Mr Tuffley reported although there has been eight consecutive years of expansion, momentum has slowed since 2017 due to capacity constraints in construction along with the slowing of international tourism. Mr Stephens reported that the economy would slow down in the early 2020's as population growth was slowing more sharply than previously understood and earthquake reconstruction was also winding down and also that he expects the US federal Reserve to lift its interest rates this year.

**Water**

**Tasman region drought sees severe water restrictions put in place for Dovedale** [25 February/Stuff NZ] A cease take direction will be issued for Dovedale and Motupiko water zones as droughts in the Tasman region continue to worsen. This means that water will only be available for essential human use and stock drinking water only. Therefore farmers in the region are being told to get ready to destock down to 70 percent of their water allocation if the drought continues. Mike Schruer, Tasman District Council Utilities Manager reports that the key message given at a meeting at the Moutere Hills Community Centre was to help people prepare in case the drought continued to worsen. Mr Schruer said no-one is sure of how the stream will react and that although contingency plans are being considered for a worst case scenario, none of the options could provide water at or even near current water levels. He also reported that there are not enough tankers in the region to provide for stock, as well as many properties being too steep for tanker access. Martin O'Connor, Federated Farmers Nelson Acting President said it is imperative people prepare for a worst case scenario as it could be extremely serious within 24 hours if they run out of water.

**Apiculture**

**Comvita shares slump 18 per cent after sinking into red in first half** [26 February/NZ Herald] Comvita announced a loss of \$2.7 million in the first half ending 31 December 2018 which sent shares down 93 cents to \$4.25. This follows a profit of \$3.7 million being announced a year earlier. Comvita also announced it was not going to pay an interim dividend compared to last year's 4 cent pay-out. The company stated this was due to changes in the way it does business with China along with a lack of orders from a major customer in the US and a poor pre-Christmas honey harvest. Chairman Neil Craig reported these issues would impact on the full-year result to 30 June 2019 however the board believes that the business is set up to deliver strongly in the 2019 calendar year as they have been working hard to build brand and have implemented some fundamental business changes. Comvita is focusing on Manuka honey and propolis and has worked on pricing across various sales channels into China. Mr. Craig reported that between Comvita's China Joint Venture, the formal CBEC channels and daigou sellers from New Zealand and Australia into China, that the company has done all they can to optimise profit on sales to Chinese consumers in the long term. Comvita also reported that from early January to mid-February, it had achieved strong yields from both the central and western part of the North Island which would help counter the poor pre-Christmas crop. EBITDA dropped from \$9.9 million in the prior year to \$1.3 million

**International**

**French Insect Farming Startup Ynsect Raises USD125m Series C Breaking European Agtech Record** [20 February/AgFunder News] Ynsect, a French insect farming startup has raised USD125 million in Series C funding in the largest early-stage agtech funding deal on record in Europe. Since 2011, the company's total fundraising has reached USD160 million. Ynsect farms mealworms to produce ingredients for fish food, pet food and crop fertilisers and boasts animal growth performance along with boosted immune systems according to Antoine Hubert, Co-founder and CEO. Insect farming has picked up in recent years as a sustainable source of protein, particularly for livestock industries. While Ynsect's products will represent a core component animal feed, they are not a complete solution at this point, meaning that existing feed sources will still be used according to Mr Hubert. Ynsect will use the latest funding to construct what it claims will be the largest insect farm in the world with the first phase able to produce 20,000 tonnes of insect protein a year. The farm will be expandable, with all the necessary supplies and facilities already in place. Ynsect already has a demo facility producing its three main products, two types of feed ingredients for pet food and seafood as well as a premium fertilizer. The company says it has USD\$70 million Ynsect decided to rear the non-flying Tenebrio Molitor beetle not only for its premium nutritional value in animal feed but for its potential to achieve industrial-scaled production.

**World agtech leaders descent on Melbourne for evokeAG** [22 February/AustralianFarmers] The inaugural evokeAG event was held in Melbourne recently, with 100 thought-leaders taking the stage over two days, questioning and discussing how the world's rapidly growing population will be fed. AgriFutures Australia Managing Director, John Harvey reported 1200 delegates from 20 countries attended and stated that the general message given was that the agricultural sector needs international cohesion, and various leading-edge farming insights were given to delegates. Panelists discussed the challenges of introducing customers to future foods and delegates were able to taste an array of futuristic offerings such as grasshoppers being used as a source of protein and 'chemically constituted' whiskey.

**UN: Growing threat to food from decline in biodiversity** [22 February/BBC News] A United Nations (UN) study has revealed biodiversity loss of plants and animals is being caused by land-use changes, pollution and climate change. Critical species in providing food are being increasingly threatened according to the UN's Food and Agriculture Organisation (FAO) report which is based off data from 91 different countries. The report has revealed that the world is relying on an ever smaller number of foodstuffs to feed a growing population expected to reach 10 billion by 2050. Of 6,000 plant species cultivated for food, only nine account for 66 percent of total crop production. Biodiversity is key for safeguarding global food security and a lack of it leaves the remainder more susceptible to disease and outbreak of pests. The study reveals that the loss of biodiversity is impacting people's lives and diets especially due to the loss of pollinator populations such as bees. The FAO recommends the individual to opt for more sustainably grown products whilst states that countries should focus on having biodiversity friendly practices such as community gardens.

**Good Catch hopes consumers will bite as it launches plant-based tuna at national retailers** [22 February/Food Dive] Whole Foods Market and Thrive Market outlets across the U.S. will be the first to stock three varieties of plant-based tuna from Good Catch Foods. The New York-based start-up has said that it is aiming to both appeal to consumers and protect ocean fisheries with its new product. Good Catch refer to predictions global fisheries over the next 30 years due to over fishing. The company notes plant-based tuna avoids the high mercury levels, PCBs, dioxins and other contaminants found in ocean-based fish along with avoiding diseases and other problems presented by factory farming and aquaculture. Good Catch is aiming to disrupt the seafood category with products that consumers want except without any of the negatives and claim that their tuna is the first plant-based product that rivals real fish in terms of flavour and texture whilst does not smell like tuna which could be a selling point for consumers. The tuna is produced using a six-plant protein blend and each serving contains 14 grams of protein, (about 30 percent less than real tuna). The products also contain algal oil in order to provide a plant-based source of omega-3 fatty acids. Good Catch products, in order to disrupt the seafood category, will need to be competitive with conventional tuna on price, taste and texture in order to win over consumers. The market for plant-based foods jumped by 20 percent from 2017 to 2018 to reach USD\$3.3 billion.

**JUST Egg cracks the substitute category wide open** [21 February/Food Dive] Vegan egg substitute JUST Egg (made from mung beans) has sold the equivalent of three million eggs in the U.S. during the last four months. JUST co-founder and CEO Josh Tetrick stated that the equivalent of a million eggs were sold in January and that this rapid growth has been driven by a strong consumer desire for a vegan egg substitute. The product started appearing on restaurant menus halfway through 2018 before it started to be sold in supermarkets in September. In January it rolled out nationwide at grocery stores owned by Albertsons. In February, German poultry provider PHW Group announced that it was entering into a partnership to sell and distribute JUST Egg to retailers and foodservice providers across Europe, following Italian egg company Eurovo doing the same halfway through last year. Mr Tetrick said the company is trying to partner with other manufacturers and distributors across the globe in order to make JUST Egg ubiquitous on supermarket shelves.

**Califia Farms to unveil line of protein-enriched oat beverages** [22 February/Food Dive] Califia farms is set to debut three varieties of an oat beverage Übermilk in Whole Foods Market across the U.S. The beverage contains eight grams of plant-based protein per serving which comes from peas, oats and sunflower seeds which is a selling point as well as the fact it includes calcium and other essential nutrients. Greg Steltenpohl, Califia's founder and CEO stated that these nutrients help to counter the dairy industry's view that plant-based milks are inferior. Califia Farms already has an extensive portfolio of plant-based beverages made from almonds, coconuts and cashews, and also sell cold-brew coffee products along with plant-based coffee creamers. Oat-based beverages are trending up as a plant-based alternative, as soy milk sales dropped 8 percent in the year ending 25 August 2018. In a FreshDirect report, it stated how oat milk is more sustainable and does not use as much water to produce compared to other plant-based beverages. It is also more abundant and inexpensive than other sources. Danone has already released an oat beverage product line this January as well as various other companies having oat-based beverages and yoghurt on the market.

**Kraft Heinz backer 3G Capital faces reality: Brutal cost-cutting isn't enough** [22 February/CNBC] Kraft and Heinz have been merged for nearly four years and private equity firm 3G Capital's model is being questioned as to whether it truly works. Last week, Kraft Heinz reported to investors that earnings and revenue were much lower than estimates, that the company's dividend was decreased by 36 percent and took a USD\$15 billion write-down on key brands. It also revealed it received a subpoena from the Securities and Exchange Commission last year related to its accounting policies and internal controls. Since the report, shares decreased by 28 percent to a yearly low and removing USD\$16 billion in market value from stock. Analysts are concerned that 3G Capital has focused on cutting costs from the company rather than building brand value and the company has not done a deal in years, even though opportunity has arisen. Other market changes such as customer preference and focus on healthier and cleaner diets have made it harder for the company to gain traction.

**Macron Reaffirms Agriculture Has No Place in U.S. Trade Talks** [24 February/Bloomberg] French President Emmanuel Macron stated that France, along with the European Commission has opposed any trade negotiations with the U.S. on agricultural products. The President reports that Europe needs a coherent trade policy if it wants to protect its farmers and consumers and if trade negotiations demanded European producers meet certain standards, then it would reduce competitiveness among European farmers as the U.S would still sign trade accords with other countries not meeting those standards. President Macron went on to explain that no trade agreement would be authorised for products that do not respect European environmental, health and social standards.

**Saputo set to buy UK's Dairy Crest for \$1.27bn** [25 February/Dairy Reporter] Canadian dairy company Saputo Inc is entering the European market as it closes in on a deal to buy UK company Dairy Crest Group plc. The acquisition will occur in cash by which Saputo will acquire the entire issued and to be issues ordinary share capital of Dairy Crest for £6.20 (approx. \$12 NZD) per ordinary share, which values Dairy Crest's ordinary share capital at approximately £975 million (approx. \$1.9 billion NZD). This price will be financed through a new bank term loan facility, subject to the approval of Dairy Crest's shareholders as well as the Court's sanction of the scheme. Subject to conditions, the transaction is expected to close in the second quarter of 2019. Dairy Crest manufactures and markets cheese, butters, oils and spreads under British brands such as Cathedral City, Clover, Country Life and Frylight. The company employs approximately 1,100 people in seven locations across the UK. Lino A. Saputo, Jr., Chairman and CEO of Saputo Inc., stated that acquiring Dairy Crest suits Saputo's long term growth strategy. Stephen Alexander, Chairman of Dairy Crest announced that the board is unanimously recommending the cash offer by Saputo and believes that the deal will add value to Dairy Crest and enable the company to grow. In 2018, Saputo also acquired F&A Dairy Products in the US, Shepherd Gourmet in Canada and Murray Goulburn in Australia.

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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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