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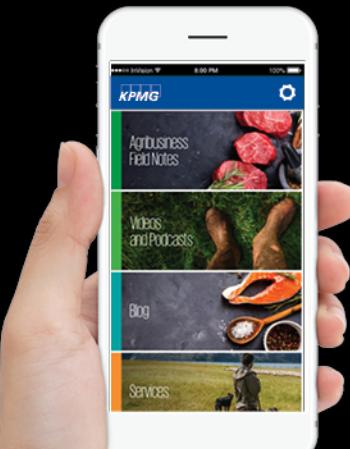
## Global Agri-Food News Bites

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## AGRICULTURE

# Field Notes



Weekly news update from the KPMG Agribusiness network

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

|                                 |  |
|---------------------------------|--|
| Agilent Technologies            | Mars                                     |
| Alliance                        | McGill University                        |
| ANZ                             | Ministry for Primary Industries          |
| Aquifer 182 Holding Company Ltd | Mondelez                                 |
| BakerAg                         | My Farm Investments                      |
| Barilla                         | Nestle                                   |
| Barry Callebaut                 | New Zealand Trade and Enterprise         |
| BASF                            | New Zealand Veterinary Association       |
| Beef + Lamb NZ                  | New Zealand Winegrowers                  |
| Beyond Meat                     | Ngāti Whakaue Tribal Lands               |
| Blinkhorne and Carroll          | NZ Avocado                               |
| Brand Finance                   | NZX                                      |
| Cargill Inc.                    | Ochakav Food Ingredients Plant           |
| Carrefour                       | Ospry                                    |
| Conagen                         | Overseas Investment Office               |
| Costco                          | PGG Wrightson                            |
| DairyNZ                         | Rabobank                                 |
| Danone                          | Rainforest Alliance Network              |
| Deer Industry NZ                | Red Meat Profit Partnership              |
| Don Lee Farms                   | Rockit Global Limited                    |
| Door Dash Inc.                  | Seasonal Solutions                       |
| Environment Canterbury          | Seeka                                    |
| Federated Farmers               | Sheep Improvement Ltd.                   |
| Fonterra Co-operative Group     | Spoonshot                                |
| Freshwater Leaders Group        | Strauss Group                            |
| General Mills                   | Tatua                                    |
| Hershey                         | The Manuka Honey Appellation             |
| Hop Revolution                  | The World Organisation for Animal Health |
| Horizons Regional Council       | Unilever                                 |
| Horticulture NZ                 | United Fresh New Zealand                 |
| Immigration NZ                  | University of Otago                      |
| Isobionics                      | Walmart                                  |
| KitchenTown                     | Westland Milk                            |
| Kiwifruit Growers               | Wine Marlborough                         |
| Leaft Foods                     | World Health Organisation                |
| LIC                             | WormFEC Gold                             |
| Mainland Poultry                | Yili                                     |

### This week's headlines:

|                         |  |
|-------------------------|--|
| International           | <b>Eat Less Red Meat, Scientists Said. Now Some Believe That Was Bad Advice.</b> [30 September/New York Times] |
| Environment & Emissions | <b>Is PM's climate pledge realistic?</b> [27 September/Farmers Weekly]   |
| AgTech                  | <b>Opposition to NAIT data grab</b> [27 September/Rural News]  |
| Horticulture            | <b>Kia ora to horticulture</b> [26 September/Rural News]   |
| Farmers & Producers     | <b>Farmer confidence at lowest level in three years</b> [26 September/Stuff NZ]                                |

# Field Notes

Weekly news update from the KPMG Agribusiness Network –03 October 2019

## Viticulture

**Seasonal worker visa increase a positive move for wine industry** [29 September/Stuff NZ] Immigration Minister Iain Lees-Galloway recently announced an increase of 3150 seasonal worker visas over two years. The announcement comes with the condition that the industry proves it is making the horticulture and viticulture sectors easier and more attractive for New Zealanders to work in. Restrictions have also been placed on where RSE workers live, in order to keep the rental market open for locals. The increased number of RSE workers has been welcomed by those in the wine industry, however some have claimed there will still be a shortage of workers. Wine Marlborough General Manager Marcus Pickens noted that businesses have also been taking a risk by building accommodation for RSE workers, before the increase was announced by the government, showing the value they put into the scheme. New Zealand Winegrowers CEO Philip Gregan reported that they also welcomed the cap increase.

## Apiculture

**Australian 'manuka' honey producers get government support** [27 September/The Country] The Manuka Honey Appellation Society has spent more than \$2 million in legal fees seeking trademark recognition for New Zealand mānuka honey in China, the US, EU, UK and at home in New Zealand. On Wednesday the Government announced its Provincial Growth Fund would put another \$5.7m, including a \$1.7m loan, towards legal and other costs. As a result of this, Australia's Minister of Agriculture has publicly backed the country's honey producers after they sought help in the legal battle with over mānuka honey labelling, however has not stated what this means in practical purposes.

**Beehive frames infected with American Foulbrood disease dumped at Northland transfer station** [02 October/The Country] Beehive frames infected with the devastating American Foulbrood disease dumped at a Northland transfer station has put nearby hives at risk and angered those in the industry. It's believed the 40 diseased frames that were stuffed inside Ballance fertiliser bags, were dumped late on Wednesday at the Kokopo Transfer Station, west of Whangārei. As a result those who own hives within a 2 kilometre radius of the transfer station are being warned to check their hives carefully for the next six months for signs of the disease. On Saturday morning when staff returned they were unable to work as the frames had attracted a large number of bees to the site. The only way to get rid of the disease is by burning the entire hive including the frames and burying the remaining ashes. Beekeeper Trevor Clifton stated that there were no identifiable features on the frames and he was unable to determine if they had come from a commercial beekeeper or a hobbyist.

## Biosecurity

**Sheep set to join NAIT?** [24 September/Rural News] Sheep farmers could be joining the National Animal Identification and Traceability (NAIT) scheme within 18 months. Beef + Lamb NZ plans to first develop a business case before starting consultation with farmers. It is important to note that electronic ear tags and individual movement recording are not proposed for sheep, whereas cattle and deer are already in NAIT and require tags and movement recording. BLNZ manager technical policy Chris Houston says its case effectively follows work Ospry and the Red Meat Profit Partnership began in developing and trialling electronic Animal Status Declarations (eASDs) as an alternative to current paper based records. Federated Farmers Meat and Fibre Chair Miles Anderson believes sheep farmers would be wary of entering NAIT because of issues now faced by dairy and deer farmers and that the system needs to be fixed before more farmers join the system.

**Poultry virus confirmed on Otago farm should not cause egg shortage** [25 September/Stuff NZ] The World Organisation for Animal Health (OIE) has confirmed an infectious poultry disease on one hen layer farm in Otago, while a second in the same province is "preliminary positive". However the poultry industry is confident the highly infectious type 1 bursal disease virus (IBDV type 1) will not lead to an egg shortage, as it can be managed through normal farming practices. Mainland Poultry Chief Executive Michael Guthrie noted that the birds do not have any disease symptoms and continue to lay as many eggs as they normally would. The disease poses no risk to humans but it has had a minor impact on the \$59 million meat export trade, mainly to Australia as they require a guarantee that NZ is free of the disease to accept the products. A Ministry for Primary Industries spokeswoman stated that the industry and officials were working on ways to deal with the issue. One possibility is that the disease will be bred out of the hens, as it was when the virus was detected in 1993, allowing the hens to live until the end of their productive lives.

**Wallabies threaten to overwhelm** [27 September/Rural News] A wallaby invasion helped by humans is tearing up farms and previous plantings, says Environment Canterbury (ECan). Wallabies have been found hundreds of kilometres outside of the official containment zone and pose a serious threat to Aoraki Mount Cook and the fragile Mackenzie Basin. The transportation of wallaby outside of ECan's containment zone without licenced authorisation is an offence against the Biosecurity Act, with fines of up to \$50,000, as it puts both landscape and habitat at risk. The council's role is to kill wallabies to keep populations below a certain level. A major target area for extermination is on the southern side of the Waitaki River and parts of the Upper Waitaki Mackenzie catchment. Poison baiting is the most effective method for doing so as ground shooting has its limitations because it can cause behaviour change in the animals.

**'M. bovis' costs \$203m to date** [30 September/Rural Life] The Ministry for Primary Industries (MPI) has reported that the eradication programme for Mycoplasma bovis has cost more than \$203 million to date, excluding compensation to farmers. In that respect MPI has received a total of 1450 claims with a value of \$109.9million and has so far completed 1100 of those, cutting cheques to farmers valued at about \$96.5million. According to the latest figures from MPI more than 116,526 cattle and cows have been culled in just over two years since the M. bovis eradication programme was launched. That's getting close to initial estimates that around 126,000 animals would be culled during the course of a multi-year surveillance and eradication strategy, or around 1% of New Zealand's cattle population.

## Animal Health

# Field Notes

Weekly news update from the KPMG Agribusiness Network –03 October 2019

**'Heart-wrenching' bug knocks newborn calves to the ground** [01 October/Stuff NZ] Justine McRae has worked hard to prevent outbreaks of rotavirus on her Southland dairy farm after her property had its first outbreak of the bug five years ago. When her calves are hit with rotavirus, she is forced to work around the clock tube-feeding calves in order to fight against the dehydration which can kill calves infected with the gastrointestinal bug. Ash Keown from the New Zealand Veterinary Association stated most herds will have rotavirus but not all farms will have a clinical disease problem in their young stock. Rotavirus hits calves between three days and three weeks old and is caught by coming into contact with infected faeces. It attacks gut-lining cells and causes diarrhoea, leaving calves dehydrated and weak. Mrs McRae states that it is important to give infected calves electrolytes and to quarantine them. Diagnosis requires a vet and it is important to test more than one calf because it could be missed with a smaller sample. Vaccination, disinfectant spray, hydrated lime and decontaminating sheds are key to helping prevent the virus according to Mr Keown.

## Environment & Emissions

**Letter outlines growing concerns** [25 September/Rural News] Baker Ag's Chris Garland has written an open letter of concern surrounding farmers and the environment and it has gone viral. Mr Garland hopes to have some impact at the government level and is in the process of organising a meeting with Agriculture Minister Damien O'Connor. Mr Garland reports that any change to the environment is everyone's responsibility, not just farmers. Mr Garland has stated that the negative public view on farmers is unnecessary as majority of farmers are doing all they can to improve the environment. Mr Garland says farmers are problem solvers but they have been shut out of any consultations, even though majority of the blame is placed on them. Garland believes the Government has not had the right approach and has not read farmers well, shutting out rural people who could help them find solutions.

**Reform plans created in silos** [25 September/Farmers Weekly] Beef + Lamb Environmental Policy Leader Corina Jordan reports that the environmental policy changes that farmers are being forced to deal with were created separately rather than in conjunction. B+LNZ have stated that it appears there has been little or no thought about how they might affect each other or of the cumulative effect of everything happening at once. Proposals already announced as part of the Government's Zero Carbon Bill and essential freshwater package will soon be added to by a new biodiversity strategy. Another issue is that there are plenty of gaps in information in the proposals, which makes it difficult to know exactly what the implications for farmers will be.

**Is PM's climate pledge realistic?** [27 September/Farmers Weekly] New Zealand is determined to be the most sustainable food producer in the world, Prime Minister Jacinda Ardern told world leaders at the United Nations Climate Action Summit. PM Ardern reported that over the next five years NZ will collaborate to build systems every farmer can use to measure, manage and reduce their farm's emissions. Co-founder of Leaf Foods, a plant protein ingredients company, Maury Leyland-Penno believes there isn't a binary answer to whether that's achievable as many changes have to occur and bottlenecks cannot always be predicted. Primary industry sector members have challenged the Government's proposed reforms such as the Zero Carbon Bill which has been stalled after ministers could not agree on it. In March next year, NZ will lead a first of its kind, five-way trade talks with Norway, Iceland, Costa Rica and Fiji to use trade to combat climate change by slashing fossil-fuel subsidies and abolishing tariffs on environmental goods.

**Meet the Fijian scrub-cutters planting one million mānuka trees** [30 September/Stuff NZ] The planting season for mānuka trees is nearly over in Mangamahu after starting in May. The contractor for this particular job, planting 900 hectares in mānuka is Blinkhorne and Carroll, the country's biggest scrub-cutting company. Majority of their workers are Fijian and during this season alone, Owner Patrick Carroll applied for 40 essential skills visas for his workers. Mr Carroll reports the long process is worth it as the people he employs are consistent and reliable workers. Mr Carroll pays planters \$22 for every box of 100 trees they plant, workers plant between 10 and 13 boxes a day. He provides housing, meals and utilities for his employees. The Fijian workers are putting 30 per cent of their wages towards building projects in their villages, in a programme organised by Mr Carroll. Mr Carroll states that he is specific about the jobs he accepts, and has not accepted any yet that are just for carbon credits as he believes that they take away land that is productive for farming.

**Damien O'Connor: Water reforms 'won't be any change at all' for most farmers** [01 October/The Country] Agriculture Minister Damien O'Connor reports that most farmers have nothing to fear about the Government's Essential Freshwater proposals as they are already doing what will be required. O'Connor instead stated that all farmers will in fact gain from them because it will help to maintain New Zealand's global reputation for ethical production. The Minister has reported that the strong farmer response at reform meetings is good as it shows farmers being invested in the process.

**Farmers fear the unknown over freshwater water plans** [01 October/Stuff NZ] Northland Dairy Farmer Andrew Booth has reported that farmers are concerned about proposed water policy changes, however that this is mostly due to a fear of the unknown. Farmers have expressed their willingness to complete submissions on the proposals, however have stated that the 31 October deadline is far too soon. Former Synlait Chief Executive and Chairman of the Freshwater Leaders Group John Penno stated there would be change, and for some farmers pain, but the Government had given them certainty where before they were unsure about what was expected of them so that this is a step in the right direction.

## Wool

**Wool prices rise uniformly** [27 September/Farmers Weekly] Prices rose across the board at Thursday's Christchurch wool auction with solid gains at the finer end. PGG Wrightson South Island Sales Manager Dave Burridge stated that mid-micron was probably the best part of the sale. The fine wool market benefited from gains in the Australian market a day earlier and from increased Australian buying here. There was an excellent selection of wool across all breeds. The most stylish and best prepared wools performed best on price. Crossbred wool prices overall remain depressed with the peak supply still to come.

## Water

**Company applies to bottle and sell Whanganui bore water** [01 October/The Country] Aquifer 182 Holding Company Ltd has applied to Horizons Regional Council for consent to take 750,000 litres of water a week from an existing 237m deep artesian bore in Whanganui. The bore resides at the former milk treatment plant on Anzac Pde, and the consent would last for 27 years. In its application it states the water will be bottled or frozen, for distribution. The council has asked the company for more information, and has not yet decided whether to notify the application.

## Agribusiness

# Field Notes

Weekly news update from the KPMG Agribusiness Network –03 October 2019

**Sector's star keeps rising – SOPI** [25 September/Rural News] The Ministry for Primary Industries Situation and Outlook update has shown that horticulture is again leading the primary exports revenue growth. Horticulture's revenue growth jumped 13.7% in the year ended June 2019 to \$6.1 billion. However, dairy was the biggest money earner, growing 8.7% to \$18.1 billion, an increase of \$1.47 billion. Prices for exports are expected to remain high, whilst export volumes are forecast to drop in most sectors for the year to come. Relatively strong farmgate returns are expected in the upcoming 2019-20 season.

## Red Meat

**Meat schedule too rigid** [27 September/Farmers Weekly] Alliance is reviewing its meat schedule structure because it is too rigid for a volatile market according to Chief Executive David Surveyor. Alliance expects to pay \$7 to \$8.60/kg for lambs from October to December, the first quarter's trading of the new financial year. The top end is close to current high levels while the lower part of the range would match the build-up of lamb supply into processing plants. The prices are based on the upside in China, Europe struggling to be competitive, the drought affecting Australian lamb supply and procurement tension between the New Zealand processors. The Brexit unknowns and United States-China trade war are overhanging everything, and prices could change quickly.

**Alliance is aiming for the top** [27 September/Farmers Weekly] Alliance has signalled a more aggressive stance on moving up the value chain and a nationwide footprint, including possible North Island expansion. Chief Executive David Surveyor states that the Southland-based, farmer-owned co-operative is now targeting a top one or two market share across all its processing species of lamb, beef and venison. Alliance is the biggest lamb processor and strong in venison but is only fifth or sixth biggest in beef processing and will need a major North Island presence to be a top-two operator. The co-operative is now in phase two of an ambitious three-phase development programme, which means that the co-op is refining costs as well as accelerating value-add. It is pushing hard with its food service division, now operating in Britain, the United States, Asia and New Zealand. In two years the British business has grown from zero to \$30 million and the budget is for \$60 million next financial year. A lot of focus is being put into operational efficiencies, improving staff skills across all divisions, asset reliability, making the sales process more targeted and accountable and particularly on worker safety.

**Research shows no need to reduce red meat consumption** [01 October/Stuff NZ] Researchers from Canada, Spain and Poland reviewed several studies on the relationship between meat consumption and human health, and have stated that reducing consumption of red or processed meat gives few health benefits. However, Kiwi experts have criticised the study and its recommendations, which they say go against almost all other guidelines. Professor Nick Wilson, from the University of Otago stated that the findings were out of sync with other major reviews. Such as a World Health Organisation review of more than 800 studies, which led to the classification of red and processed meat as probably carcinogenic and carcinogenic respectively. Overall the evidence for mainly plant-based diets being healthy was overwhelming, he said.

**Controversial red meat research bucks vegan diet trend recommendations** [02 October/The Country] As more people turn to eating less meat, new and "controversial" research has resulted in a panel of experts recommending that most people should continue to eat red and processed meat at their average current consumption levels. The international researchers' guidelines were released in Annals of Internal Medicine and contradict almost all other guidelines that exist. Jim Mann, Professor of Medicine and Human Nutrition at the University of Otago, reported that the recommendations were potentially unhelpful and could be misleading as they did not take into account environmental and animal welfare issues.

**Gas targets will divide society** [02 October/Farmers Weekly] Alliance believes its Dannevirke sheep meat plant's small size will let it survive a big fall in eastern North Island livestock numbers because of a loss of farmland to forestry. If a similar change in land use happens in Southland the farmer-owned co-operative could be more exposed because the bigger operators in a region are likely to be most affected, according to Chairman Murray Taggart. It is possible the full extent of the loss of productive farmland to forestry might not be picked up until the damage is done. Alliance's Zero Carbon Bill submission Chief Executive David Surveyor stated that it is unfair farmers can't offset farm methane emissions by planting trees on their own properties when the Zero Carbon Bill will let big greenhouse gas emitters like Air New Zealand and others buy forests as offsets and carry on emitting. It also fails to recognise a key point of the Paris Agreement that climate change action should be done in a manner that does not threaten food production.

## Rural Management

**Farmers breed for worm resistance** [27 September/Rural News] Farmer collective WormFEC Gold are breeding for parasite resistant genetics claim they are leading the pack as drench resistance becomes more prevalent and drench failure is reported NZ-wide. The aim of their breeding programme which is verified by Sheep Improvement Ltd (SIL), is to strengthen flocks and save farmers time and money by reducing the number of times flocks need to be drenched. As a group, they work to improve parasite resistant stock genetics and educate farmers about the value of including parasite resistance in stock selection decisions. Nelson Stud Owner and member of WormFEC Peter Moore states concerns about the potential of drench resistance led him to begin breeding for parasite resistance 20 years ago. Mr Moore estimates they are saving at least \$6000 annually by not having to buy as much drench.

## AgTech

**Opposition to NAIT data grab** [27 September/Rural News] The Government's proposal to take ownership of all animal traceability core data is being rejected by key primary sector organisations, including Fonterra Co-operative Group. The Government, through amendment 23A, is proposing that all core data become the property of the Crown. Currently NAIT data is owned by Ospri, a partnership between the primary industries sector and the Government, so the sector is questioning why the amendment needs to be made when the Government can already access the data. Farmer-owned co-op LIC also opposes Crown ownership which it has stated is not necessary to meet the stated objective of securing access to and control over the NAIT database in the future. Federated Farmers, Deer Industry NZ and DairyNZ also have concerns about data purpose and security.

## Horticulture

# Field Notes

Weekly news update from the KPMG Agribusiness Network –03 October 2019

**More Pacific RSE workers needed says Horticulture NZ** [26 September/The Country] Horticulture New Zealand reports that the Government is moving in the right direction with its increase in Recognised Seasonal Employers (RSE) workers by 1550 this year, but states more RSE workers are still needed to support the horticulture's industry's growth. The industry has announced that the RSE scheme has enabled the continued expansion of fruit, vegetable and wine grape growing in New Zealand, and enabled those in the Pacific to earn money. New Zealand's horticulture export revenue jumped 13.7 percent to \$6.1 billion in the year to 30 June 2019 and it is expected to grow by another 3.8 percent to \$6.3 billion in the current financial year according to HortNZ Chief Executive, Mike Chapman. However, it was good to have certainty for the current and next season Mr Chapman reported, with the Government provisionally announcing that another 1600 RSE workers will be added.

**Kia ora to horticulture** [26 September/Rural News] Māori farming organisations are increasing their investment in horticulture, helping improve financial and job prospects as well as moving towards creating a more sustainable future for the next generation. Rotorua-based Ngāti Whakae Tribal Lands (NWTL) General Manager Ray Morrison reports any investments they consider are guided by mana whenua and kaitiakitanga values, and also consider diversification. NWTL got out of dairy farming in 2007 due to environmental and commercial reasons United Fresh New Zealand President Jerry Prendergast states the strong interest Māori trusts are showing in investing in horticulture is exciting. However, Jen Scouler, NZ Avocado Chief Executive, reports that New Zealand needs more discussion of optimal land use, in order to well inform farmers and investors.

**New Zealand wins right to host avocado congress** [28 September/The Country] New Zealand has won the bid to host the 10th World Avocado Congress (WAC), meaning that over 3000 of the world's leading avocado growers and specialists will descend upon New Zealand's shores in 2023. This week NZ Avocado, which is based in Tauranga, attended WAC 2019 in Medellin, Colombia, and was one of three countries to put forward a bid to win the hosting rights for the 2023 event. New Zealand, which contributes 2 per cent of global avocado production and is the world's ninth largest avocado exporter, was up against Mexico, the largest avocado exporter in the world, and Kenya, the sixth largest exporter of avocados globally. It will be the first time this global flagship event will be held in New Zealand. The congress will demonstrate New Zealand growing practises, food safety and quality systems, and the ethical treatment of growers and communities who live in avocado-growing regions. It also provides the opportunity to access innovation, global knowledge and science to support the growth of the sector.

**Hawke's Bay apple company nominated for top national award** [29 September/The Country] Rockit Global Limited is again celebrating success after it has been named as a finalist in the New Zealand International Business Awards for the Best Medium Business category. The company is the only Hawke's Bay finalist named in the run-up to the awards, which are managed by New Zealand Trade and Enterprise and supported by ANZ, recognising excellence and innovation in businesses trading globally. The winners will be announced at a black-tie dinner in Auckland on 07 November. Rockit CEO Austin Mortimer reported that is very exciting that the company was chosen as one of nine finalists in their category, stating that it reflects the innovative work that their team has completed both in NZ and in global markets.

**US craft brewers chase unique Kiwi hop flavours** [01 October/Stuff NZ] The Tasman District produces distinct flavours in their hops that cannot be replicated, according to Jason Judkins, Chief Executive of Nelson's Hop Revolution. US brewers are keen to use New Zealand hops to stand out among competitors. Mr Judkins visited 50 breweries on a recent trip the US, and states Hop Revolution will be working with around 30 of those breweries to supply next year's harvest. Hop Revolution is developing its 116 hectare Tapawera hop garden with My Farm Investments and is in the process of buying a second property, Wairua Hop Garden, in Motueka in order to keep up with demand. Hop Revolution is working on an allocation and partnership model and is contracted to supply 60 to 70 percent of next year's harvest to the US. Andrew Watters is Chief Executive at My Farm Investments and states that New Zealand hops attract a premium price worldwide.

**Oversees worker boost too small** [01 October/Farmers Weekly] Kiwifruit Growers Chief Executive Nikki Johnson has stated that the increased number of RSE workers announced this week means that the kiwifruit sector will get only about half its requested extra workers. RSE workers typically make up about 20% of the kiwifruit sector's staff and last year accounted for 1550 workers. Last season it was estimated that the sector was 2000 workers short of what was needed. Seeka Chief Executive Michael Franks has reported he welcomes any increase but is confident the extra 3000 workers can be easily absorbed by the kiwifruit sector alone. Mr Franks noted that last season they made do with the shortage by making the shifts longer. In the past year 2282 new beds were created by the industry, in order to provide accommodation for RSE workers. Seasonal Solutions Chief Executive Helen Axby stated that the company is pleased about the increase but fears it will not be enough as demand continues to outstrip labour supply.

## Dairy

**Social Credit challenges Westland Milk sale decision in High Court** [01 October/Stuff NZ] The Social Credit political party has filed papers in the Wellington High Court to seek a judicial review of the Overseas Investment Office decision to grant approval for the takeover of Westland Milk Products by Chinese company Yili. Social Credit Leader Chris Leitch has reported Yili is the largest milk processor in China and is 25 per cent owned by the Chinese government. The takeover had left Fonterra the only significant New Zealand-owned processor of milk products. Mr Leitch made a statement that the OIO had possibly not acted strictly enough as it is important that New Zealander's reap the benefits of world leadership in the primary sector and not overseas shareholders. In August, farmers voted by an overwhelming 94 percent in favour of the \$558 million offer, followed by the OIO decision several weeks later.

**Tatua has record income** [01 October/Farmers Weekly] Tatua will pay suppliers \$8.50/kg milk solids for the 2018-19 season while keeping \$1.16/kg MS as a retention for tax and reinvestment. The company had a record income for the year of \$364 million and earnings of \$140 million. Continued growth of its value-add businesses provided improved revenue and its bulk ingredient product mix performed well despite mixed market conditions. The company plans to develop a new engineering support facility and make major investment in wastewater treatment infrastructure with the retention. While it remains optimistic in its outlook for dairy and the season ahead the optimism is tempered by continuing volatility in the global trade arena.

**Dairy product prices edge higher** [02 October/The Country] Dairy product prices rose for the third time at the Global Dairy Trade auction, however this was minimal due to a decline in whole milk powder which limited gains. The GDT price index rose 0.2 per cent from the previous auction two weeks ago. The average price was US\$3,306 (approx. NZD\$5300) a tonne, compared with US\$3,303 a tonne two weeks ago. Some 38,716 tonnes of product was sold, down from 37,345 tonnes two weeks ago. Whole milk powder slipped 0.2 per cent to US\$3,141 (approx. NZD\$5030) a tonne. NZX Dairy Analyst Robert Gibson reported that softer prices were likely linked to a lift in volumes sold at this event, compared with the previous event with less volumes being sold into North Asia.

# Field Notes

Weekly news update from the KPMG Agribusiness Network –03 October 2019

## Research & Development

**Research project aims to control ryegrass flowering** [30 September/The Country] A research project from the University of Otago's department of biochemistry is aiming to develop a ryegrass that does not flower on-farm. The project, headed by Associate Prof Richard Macknight and Dr Lynette Brownfield, was this month awarded \$999,999 by the Ministry of Business, Innovation and Employment's (MBIE) Endeavour Fund "Smart Ideas" programme, as it could lead to a more productive and efficient farming landscape. The successful development of ryegrass cultivars that do not flower in field conditions will extend peak production, enabling farmers to utilise current farmland more efficiently. The research team is attempting to develop a plant that can be induced to flower for seed production under artificial flowers but that will not flower when grown on New Zealand farms.

## Farmers & Producers

**Farmer confidence at lowest level in three years** [26 September/Stuff NZ] The latest Rabobank Rural Confidence Survey has revealed that farmer confidence is at its lowest level since the March 2016 quarter, with many citing central Government policy as the reason for concern. Net confidence has dropped to -33 percent and 48 percent of farmers are expecting the rural economy to worsen over the next 12 months. Sixty-eight per cent of farmers with a negative outlook identified government policy, such as freshwater reform and future greenhouse gas obligations, as a primary reason for their concern. Rangitata MP Andrew Falloon reported that Fonterra's results are also of concern to farmers. Dairy Farmers have had the biggest drop in confidence, whilst Horticulturalists are the most confident in the sector, having 37 percent expecting improved performance over the next 12 months.

**Farmers give thumbs-up** [27 September/Farmers Weekly] Fonterra Co-operative Group's new strategy and honesty are a hit with its dairy farmers despite the massive balance sheet losses and the lack of a dividend for the past 18 months. Farmers and marketers have welcomed the scaled back and more realistic strategy with triple-bottom line reporting targets, chief among them sustainable earnings and a good return on capital. Farmer Olin Greenan stated the fact that Fonterra traded profitably last year provides a sound foundation and farmers need to back the co-operative.

**Immigration NZ investigates corruption complaint against employee** [29 September/The Country] An Immigration New Zealand investigation into a corruption complaint is underway after complaints that a disproportionate number of RSE workers have been allocated to the Hawke's Bay since the beginning of the programme. National Party Immigration Spokesman Stuart Smith has reported that a staff member is being investigated and other people have been stood down as a result.

**Council broadens funding criteria** [30 September/Farmers Weekly] The Manawatu-Whanganui Regional Council (Horizons) has come up with new ways for farmers to pay for work to protect erosion-prone land including changing the eligibility criteria for landowners to sign up to its Sustainable Land Use Initiative. Council Natural Resources and Partnerships Manager Jon Roygard has reported the new criteria means landowners without a whole farm plan are eligible for support for erosion control on priority land. This means that those who only need a small area needing attention are able to access funding. The programme aims to deliver 90,000 hectares of new whole farm plans and 13,665 hectares of erosion control work over the next four years. Mr Roygard reported with changes to freshwater regulations proposed, now is a good time for farmers to act.

**Government launches Māori Agribusiness Extension programme** [01 October/The Country] Agriculture Minister Damien O'Connor states that new farmer-to-farmer extension groups launched in Whangaparaoa today will help Māori agribusinesses achieve their goals, by bringing together farmers to explain how they achieved their successes and discuss how to overcome various challenges. Hon O'Connor reported the extension programmes aimed to help Māori owners achieve their economic, environmental, social and cultural aspirations for their whānau through sustainable development of their primary sector assets. Also, the Ministry for Primary Industries (MPI) is partnering with DairyNZ to deliver a MABx extension programme to the MABx EBOP Dairy cluster, which is made up of five Māori dairy farms located between Torere and Whangaparaoa.

## Forestry

**Another 9000ha goes to forests** [01 October/Farmers Weekly] The Government has in the last three months approved the sale of nearly 9000ha of North Island pasture to foreign buyers for conversion to forestry. In that period the Overseas Investment Office (OIO) has granted approval for the sale of six livestock farms in Wairarapa, Hawke's Bay and Northland, which meet the Government's special overseas investor threshold and can be converted to forestry. The Government set the threshold for land sales to foreign forestry investors lower than for land farmed for livestock or horticulture, saying it reflects the dominance of foreign-owned forestry companies investing here. It has since announced a review of those settings because of an uproar among rural communities at the volume of livestock land being sold to foreign forestry companies and the associated loss of rural jobs and the impact on communities and services. In the meantime, conversions are happening at pace, with one August approved sale already having planted 121 hectares of pine with another 548 hectares planned to be planted. It plans to subdivide land not required for forestry and to harvest the trees in 2044.

## International

**Study: Consumers still eat too much sugar, starch and saturated fat** [26 September/FoodDive] A new study has found that US consumers continue to eat too many carbohydrates from sugar and starch, as well as having too much saturated fat. The study found that 42 percent of adult calorie intake surveyed came from low-quality carbs, and that saturated fat remained above the recommended 10 percent of daily calories. This is despite the food industry making efforts to decrease the fat and sugar in products.

**Strauss creates milk chocolate with 30% less sugar and more fiber** [26 September/FoodDive] Israeli company Strauss Group has created a milk chocolate bar with 30 percent less sugar by replacing it with 17 percent dietary fibre and 1 percent ground tiger nut flour. The company states it took two years of research and development to create the new product and that the recipe retains a sweet taste while keeping the chocolate's creamy texture as tiger nuts are naturally sweet. Tiger nuts are also rich in vitamins and minerals as well as fibre, and contain fats similar to that of olive oil. The tuber is also an ancient food that is gluten free and tastes like coconut. The product is aimed at customers seeking more natural sources of sweetness.

# Field Notes

Weekly news update from the KPMG Agribusiness Network –03 October 2019

**Cargill creates new business unit focused on animal, human health** [26 September/Reuters] Global commodities trader Cargill Inc is launching a new business unit focused on animal and human health products as part of a reorganization of its animal nutrition business. This marks the latest reorganization effort by the Minnesota-based firm, as a sour farm economy, adverse weather and an ongoing U.S.-China trade war have dragged on profits for global agricultural companies. The move also comes as Cargill has shuttered animal-feed mills in China, in part because the rapid spread of the fatal pig disease African Swine Fever (ASF) has reduced demand. The new unit will focus on specialty health ingredients as well as building a digestive and immune business for humans and animals.

**Food companies are aligning with international sustainability goals, but need to do more, study finds** [26 September/FoodDive] Many food industry leaders have embraced sustainable development and generally started working toward alignment with larger international accords, but much more work is needed, according to a study from the Barilla Foundation. The Italy-based group looked at brands' progress in working toward the United Nations' Sustainable Development Goals and the Paris Climate Agreement mandates. There was a lack of information from companies in certain areas such as in providing a detailed supply chain analysis by product line and source region, leading to the study suggesting developing a common reporting framework for this kind of information. The study looked at ten large companies including Nestle, Carrefour, Danone, Unilever and Walmart.

**Beyond Meat shorts lose over \$80 million in one day as stock surges on McDonald's partnership** [26 September/CNBC] Investors betting against Beyond Meat's stock lost more than USD\$80 million (approx. NZD\$128 million) in mark-to-market losses as the stock jumped on Tuesday. The jump in stock price was after the alternative meat maker announced that consumers will see its plant-based burgers tested at McDonald's in Canada.

**Costco to sell plant-based burger made by Beyond Meat's former co-packer** [27 September/FoodDive] Costco stores will soon be selling a plant-based Better Than Beef Burger made by Don Lee Farms, the former Beyond Meat co-packer. The California-based family-owned company said the new product is made from non-GMO plant protein, is gluten-free and vegan, and is designed to provide a nutritious and satisfying beef alternative in the plant-based burger market. In addition to the Better Than Beef Burger, the company makes veggie burgers from sweet potato and sunflower seeds or quinoa, kale and almonds, along with chipotle black bean burgers.

**Moscow-Based Lab Produces First Sample Of Russian Cultivated Meat** [27 September/Forbes] Russian food innovation lab Ochakov Food Ingredients Plant (OKPI) has announced that it has produced the country's first sample of cultivated meat. In this project which was carried out over two years, a 40 gram sample of meat was grown using the muscle tissue of an Aberdeen Angus calf, costing around USD\$14,000 (approx. NZD\$22,500) to produce. Barring legal impediments, the lab predicted that locally-produced cultivated meat may appear in Russian supermarkets by 2023 at a retail price of 800 rubles per kilo (\$12).

**Food Delivery Service DoorDash Says Data Breach Affects 4.9 Million** [27 September/Bloomberg] The food-delivery service DoorDash Inc. announced Thursday that a security breach exposed the personal data of about 4.9 million customers, merchants, and delivery workers. The information that was accessed could include driver's license numbers of approximately 100,000 of its delivery workers, the San Francisco-based company reported in a statement. Other data accessed may include names, email addresses, delivery addresses, order history, phone numbers. DoorDash states it has since taken additional steps to protect data stored on its systems, and that the breach involved a third-party service.

**Bankrolling start-ups: What are investors looking for in alternative proteins?** [27 September/Food Navigator] Significant investment is needed to get innovative protein start-ups off the ground and investment companies have reported that they look for filling a niche gap in the market and having a strong leadership team as well as having something that sets the company apart from the rest. It has also been reported that alternative seafood and cultured meat are on the rise.

**Circular food economy, personalised meals, healthy snacking: Barilla calls for food tech innovation** [27 September/Food Navigator] Italian pasta brand Barilla is seeking food tech innovation for an accelerator programme in three focus areas: circular food economy, personalised meal solutions, and healthy snacking. The company has launched an eight week programme for food start-ups in collaboration with KitchenTown in order to help them bring better and more sustainable food products to market. The aim is to create flexible and personalised solutions with a focus on taste and convenience.

**Barry Callebaut launches 100% 'Cacaofruit', in another first for the confectionery sector** [27 September/Confectionery News] Two years after introducing Ruby Chocolate, Barry Callebaut continues its innovation streak with launch in San Francisco of Wholefruit, the next generation food and drink category. The products contain whole cacao fruit and are aimed at chefs and artisans. Up until now, 70 percent of the fruit has been discarded as waste, and the company reports that the result of using the whole fruit is that the ingredients created can be used not only in chocolate but also juices, smoothies, frozen desserts and pastry products. The company notes that the new product range will be marketed as "healthy indulgence".

**Plastic Teabags Release Billions of Tiny Particles, Study Says** [27 September/Bloomberg] A new study has revealed that plastic teabags release billions of tiny particles, a much higher amount than other types of food packaging. A teabag put in near-boiling water produces about 11.6 billion microplastic granules and 3.1 billion even smaller nanoplastics, which are invisible to the human eye, according to researchers from McGill University. In a separate report, the World Health Organization noted in August that tiny pieces of plastic from discarded bottles, bags and lotions permeate water around the world. More study is needed to determine whether they pose human health risks.

**BASF bulks up in biotech: 'An efficient and sustainable route to produce natural ingredients'** [30 September/Food Navigator] German chemical giant BASF, is entering the natural flavours and fragrances space through two deals that will extend its aromas portfolio in this segment. BASF has acquired Isobionics, which works with biotechnology to serve the global market for natural flavours and fragrances. The company has also entered into a co-operation agreement with biotechnology company Conagen. The companies move into the natural market is a strategic move, and is a result of consumer demands.

# Field Notes

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**Cutting meat consumption may cause ‘serious harm’, academics warn** [30 September/Food Navigator] A paper has been released that contends there are a wide range of benefits delivered by meat that are not always easily obtained from plant materials and notes there is a lack of robust evidence to confirm link between meat eating as part of a healthy diet and the development of Western diseases. The paper states that a large reduction in meat consumption could produce serious harm and that a push towards a more plant-based diet has been made through ‘misrepresentations of science’.

**Eat Less Red Meat, Scientists Said. Now Some Believe That Was Bad Advice.** [30 September/New York Times] In a remarkable turnabout, an international collaboration of researchers produced a series of analyses concluding that advice urging Americans to limit consumption of red and processed meats, is not backed by good scientific evidence. The researchers concluded that the health benefits from eating less beef and pork, if there are any, are minuscule. The new analyses are among the largest such evaluations ever attempted and may influence future dietary recommendations. In many ways, they raise uncomfortable questions about dietary advice and nutritional research, and what sort of standards these studies should be held to. Already they have been met with fierce criticism by public health researchers. The American Heart Association, the American Cancer Society, the Harvard T.H. Chan School of Public Health and other groups have savaged the findings and the journal that published them.

**Food tech in Israel: What ingredients make up this ‘secret sauce’ of innovation?** [01 October/Food Navigator] The food tech scene is booming in Israel, where its start-up ecosystem is striving to be ‘number one’ in the game. Increased awareness of growing population numbers is encouraging entrepreneurs, food companies and food policy members to turn to technology to provide the answers. A sustainability agenda is also pushing growth in this sector. Israel’s food tech scene is the world’s second largest, only behind Silicon Valley. A key factor in encouraging growth in the sector has been backing by the government who gives free grants to help encourage business growth.

**Rice ‘fingerprinting’ to fight fraud: ‘20-50% of all premium rice is adulterated’** [01 October/Food Navigator] New research has developed a novel approach to detect food fraud for rice. Fraud is a big problem for rice brands. The commodity is susceptible to various scams, from passing off low-grade rice as premium to mixing it with bleached mouldy rice, paper or even plastic. Rice is the second most important food staple in the world with around half of the world’s population relying on it as their primary staple food. Researchers have been working on a new system to rapidly identify fraudulent products along with Agilent Technologies. The product consists of a hand-held device that scans the rice, collecting a spectral footprint before looking for a match in a database of the fingerprints, helping to identify the rice. The second tier consists of a laboratory based system based on mass spectrometry to help food authorities to gain a detailed chemical analysis from rice samples.

**Germany plans to introduce NutriScore: ‘This is a milestone in nutrition policy’** [01 October/Food Navigator] Germany’s Food Minister Julia Klöckner has backed the controversial NutriScore system as Germany plans to establish a national voluntary food labelling scheme in the coming year. The NutriScore system is mandatory in France where it was developed and is a classification system using a colour-coded method to show a products nutritional profile. The model is meant to help make healthy choices the easy choices by showing a green label. Germany hopes to implement the system within the next year.

**From peel potential to functional florals: AI trend platform Spoonshot emerges from stealth mode with future forecasts** [01 October/Food Navigator] Food artificial intelligence company Spoonshot has today emerged from an intensive 18-month R&D process to launch a new artificial intelligence platform to help early-stage product developers through producing forward-looking trends research which uses “intelligent exploration” as a means to identify novel opportunities. Spoonshot leverages machine learning and food science infused algorithms to deliver personalised insights and trend predictions, and has been tested by over 40 companies so far, including 15 industry giants.

**Plain packaging could put billions of dollars at stake in the beverage industry, says report** [01 October/Food Navigator] A report from Brand Finance estimates the potential value loss to beverage businesses could reach around USD\$430 billion (approx. NZD\$691 billion) if alcohol and sugary drinks had to introduce plain packaging. Brand Finance looked at the affects a possible plain packaging policy would have in the confectionary, savoury snacks, alcohol and sugary drinks worldwide and found the beverages has the most to lose.

**Climate change commitments address food waste, GHG, biodiversity** [01 October/Food Navigator] As protesters and activists filled the streets of New York City last week to draw attention to climate change, many food and beverage companies around the globe also touted existing and new commitments to reduce their impact on the planet. This included the 19 companies launching the One Planet Business for Biodiversity coalition and 10 of the world’s biggest retailers committing to reduce food waste in their supply chains along with the Sustainable Rice Platform targeting the reduction of food waste worldwide.

**Green report calls for snack giants to ramp up deforestation commitments** [01 October/Bakery and Snacks] The Rainforest Alliance Network (RAN) has published a report alleging a raft of FMCG giants and secondary traders continue to use palm oil grown illegally in the Aceh region of Indonesia, in contravention of their own deforestation policies. The alliance have named Kellogg’s, General Mills, Nestle, PepsiCo, Mondelez, Unilever, Mars, Hershey and Cargill along with others for continued use of conflict palm oil. All companies involved reported they are taking allegations seriously.

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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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