



AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network



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05 March 2020 – This week's headlines



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Agribusiness Education

[Scarab beetles provide agribusiness insights](#) [02 March, Sally Rae, Rural Life] Dr Shaun Forgie, Co-Founder of Dung Beetle Innovations spoke at a dung beetle seminar last week at John McGlashan College, which was followed by the release of 1500 beetles on a Taieri property in order to help improve soil health and structure. 11 different scarab species were approved to be imported into New Zealand in 2011. Dung beetles can be used to recycle nutrients for dung produced by ruminants and have a range of ecosystem benefits such as reducing nutrient run-off and waterway pollution and improving pastoral production. Beetle tunnelling also increases aeration whilst reducing soil compaction. Agribusiness students from both John McGlashan and Columba College will be using the dung beetles as a case study over the next few years.



Aquaculture

['Pretty embarrassing': The poor state of the Hauraki Gulf](#) [27

February, Michael Morrah, NewsHub] The new State of our Gulf 2020 report has revealed that since the marine park was established 20 years ago, little has been done to keep the area sustainable and protect the marine environment. Currently, only 0.3 percent of the Gulf is protected in marine reserves. Reef dwelling crayfish in the area are now functionally extinct which has meant that kina in the area are taking over and destroying kelp forests. Numbers of small bait fish were found to be down, and snapper and Tarakihi stocks have depleted. Seabird numbers have also been found to have decreased.



Agribusiness

[Coronavirus crushes agriculture confidence - ANZ survey](#) [27

February, Dan Brunskill, The Country] ANZ's latest New Zealand Business Outlook survey has shown that business confidence dropped six points during February, as exporters concern about the impact of covid-19 increased. 19 percent of firms overall are expecting business conditions to worsen in the next year. Confidence fell 30 percent in the agriculture sector, as drought conditions continue, and the coronavirus outbreak continues to effect exports.

[Pāmu makes healthy profit but coronavirus looms large](#) [28 February, Rural News] State-owned Pāmu has made a net profit after tax of \$68 million for the six months ending 31 December 2019, with Chief Executive Steven Carden reporting that the result is pleasing. Pāmu have stated however that the impacts of Covid-19 and climate change could have an effect on the profit during the remaining months of the financial year. The company is implementing strategies to mitigate the effects of climate change and biosecurity risks, and in recent years has diversified its income sources. Mr Carden stated that these strategies are increasing profit whilst lowering the impact the company has on the environment.

[We're Getting Our Organic Act Together](#) [01 March, Buy Pure- Press Release, Scoop Independent News] The Government have announced that they will progress a draft Organic Bill, which Buy Pure reports will increase consumer confidence and encourage businesses to invest in organic products as well as facilitate international certified organic trade. New Zealand does not currently have a fully regulated system protecting organics and international experts have suggested that this is also an opportunity to integrate the Organic Act with other of New Zealand's major regulations such as those for freshwater, climate and waste

management. [Brendan Hoare, Managing Director of Buy Pure states that there is plenty of support from both national and international leaders to help the country to get this right and make the most of the organic market.](#)



Horticulture

[Seeka sells orchards, ups capacity](#)

[02 March, Richard Rennie, Farmers

Weekly] A year end announcement by Seeka has revealed that last year they increased sales, earnings and profits, despite the dry summer. Earnings were up 4 percent on the previous year, and revenue grew by 16 percent to \$236.9 million. This year's harvest is also likely to be affected by hot and dry weather. Last year, the lower yields were offset by an expansion in the core business of the company in packhouses and orchard assets. Michael Franks, Chief Executive reported that asset sales helped the company to repay debt, whilst the purchase of packing company Aongatete secured core kiwifruit business assets. Mr Franks reports that this year's dry weather since Christmas is more likely to affect green crops and that further increases in the company's avocado business will help to boost growth. A dividend of 12 cents a share was announced by the board.

[Scales looks to spend up profits](#) [02 March, Hugh Stringleman, Farmers Weekly] After a solid set of results for 2019, Scales Corporation is looking for organic growth and diversification opportunities. Underlying net profit for the firm increased by 2 percent to \$36.4 million. Andy Borland, Managing Director stated that the company will be reinvesting the proceeds in New Zealand agribusinesses that can provide a targeted return on capital of 15 percent. On the 31 December 2019, the corporation "had a net cash position of \$105m on December 31, which could be used for organic growth opportunities, acquisitions to strength existing businesses or investments in new sectors where Scales can add value through its resources, experience and export network." The corporation's share price

has fallen during the last three months and Mr Borland reported that this could be due to coronavirus uncertainties. The final 2019 dividend will be announced in May.



Biosecurity

[Wairarapa Pea Weevil Eradicated](#)

[17 February, Horticulture NZ]

Biosecurity New Zealand have lifted restrictions on growing peas and using pea straws, after they have confirmed the pea weevil has been eradicated in the Wairarapa. Biosecurity New Zealand have found no new finds of the weevil in two complete seasons, and have reported that to their knowledge, it is the first time globally that a pea weevil population has been successfully eradicated. The Ministry for Primary Industries will continue to monitor commercial farms as a final measure. Biosecurity New Zealand, as well as Process Vegetables New Zealand have thanked the growers for their continued support and co-operation which has in turn protected the rest of the country from the pest spreading.

[Biocontrol options explored for nassella tussock](#)

[27 February, Tim Fulton, Rural News]

Nassella tussock is spreading throughout the country, and scientists have asked for the help of farmers in their pursuit of biologically controlling the noxious weed. More than 524,000 hectares are affected by the tussock in Marlborough and Canterbury, whilst it is also currently found in Auckland, Hawke's Bay and Northland. It is unpalatable to stock and reduces livestock carrying capacity, and a solution needs to be found before it gets out of hand. A three-year project has been funded to try and source biological control agents from Argentina and Australia, and in the search for biocontrol samples, farmers are being asked to look out for dying tussocks with fungi at the base. These should have not been sprayed and easy to pull from the ground. If a solution is found, it could be highly cost-effective and more sustainable than current control methods.

[Van Leeuwen court decision to pave way for more Mycoplasma compo](#) [28 February, Gerard Hutching, Stuff NZ] South Canterbury Farmers, Aad and Wilma Van Leeuwen have had a victory in the High Court which has ruled that they are entitled to be awarded extra compensation following the impact of Mycoplasma bovis on their herds. The Ministry for Primary Industries has already paid out the van Leeuwens \$6.3 million in compensation. Aad van Leeuwen reported that the case has the potential to set a precedent for other farmers who have incurred costs that have not been recognised by MPI. Justice Francis Cooke ruled that Mr and Mrs van Leeuwens were entitled to be awarded costs, and the case will now go to arbitration before returning to the High Court.



Arable

[Constant change the arable norm](#)

[02 March, Annette Scott, Farmers Weekly] Arable Industry Food Council Chairman Ivan Lawrie reports that the arable industry will be faced by constant change due to an increased demand from customers for homegrown food. Mr Lawrie reports that New Zealand is currently importing high levels of organic flour from Australia, however states that there is interest in sourcing locally produced grain instead. At a recent food hui, Mr Lawrie states that it was revealed that there is a global movement from consumers of going back to basics and eating local, sustainable products. Countdown supermarket now only uses New Zealand wheat in its products and other companies are moving towards the same thing. Mr Lawrie reported that growers need to be ready to shift their production in order to meet the demand of locals and stated that the industry has a goal of achieving milling wheat self-sufficiency by 2025. Opportunities are opening up in areas such as plant-based milk, hemp products and seed crops.



Rural Communities

[Nadia Lim and Peter Gordon highlight food poverty by cooking](#)

[terrible meals](#) [02 March, Isaac Davison, NZ Herald] Top chefs including Nadia Lim and Allyson Gofton and Peter Gordon are participating in a Kidscan campaign to demonstrate food poverty in New Zealand. Nadia Lim has created the new recipe coined red soup, which is made from the reheated, leftover water that cheerios were cooked in. The recipe is based on a real New Zealand family's experience of poverty. Allyson Gofton cooks a meal of rice and tomato sauce whilst Peter Gordon creates a mix of boiled water and mince. Kidscan Chief Executive Julie Chapman reports that New Zealand families are struggling to make ends meet due to high rent prices and back-to-school expenses and that the charity is currently helping to feed 34,000 children across the country. New data has revealed that one in eight children in the country live in material hardship.



Agri-Tech

[Tauranga-based company UBCO unveils electric trail bike model](#)

[27 February, Bay of Plenty Times] New Zealand company UBCO have just released an electric trail bike to the market. The product has been coined FRX1 and has been reported to pair the power of a motocross bike with the agility of a mountain bike. The company was founded in 2015 and aims to provide a number of products, including both two and four-wheel electric vehicles and has launched a public capital raising of up to \$2 million to help them grow. Their products have a range of applications, including farming, tourism and conservation. Currently exports count for 70 percent of sales and UBCO has successfully entered Australia, The United States and Europe.

[Merck buys into FarmIQ firm](#) [04 March, BusinessDesk, Farmers Weekly] A Merck and

Co subsidiary has purchased a 13.6 percent stake in farm management software developer FarmIQ. The value of the deal is in the multi-millions, however the exact amount is being kept quiet for the time being. FarmIQ Chief Executive Darryn Pegram reported that the money will be invested in software and will be used to help drive domestic growth. The company works with partners such as Synlait Milk and CRV Ambreed. The software acts as an information hub which allows comparisons of farm performance, whilst supporting farm planning. The company is revolutionising farm management and is keeping its option open globally, but has confirmed that it is currently focused on the domestic market.



Red Meat

[Beef group aims to be big player](#) [27 February, Rural News] Global

Roundtable for Sustainable Beef Executive Director Ruaraidh Petre states that New Zealand farmers excel due to their willingness to innovate and ability to accept change. There are currently 22 countries involved in the international organisation which is setting its sights on increasing animal welfare standards as well as continued improvement towards sustainability. An affiliated New Zealand roundtable was set up last year and its members include ANZCO, Beef+Lamb NZ, Fonterra Co-operative Group and Silver Fern Farms along with other companies and farms. Mr Petre is particularly impressed with how far advanced our animal welfare standards are compared to other countries.



Viticulture

[New research winery officially opens in Marlborough](#) [28 February,

Maia Hart, Stuff NZ] The Bragato Research Institute (BRI) in Marlborough have now officially opened their new research winery which will trial new viticulture technology and innovation,

along with sustainable winery operation methods. The BRI has opened under-budget nine months after getting the go-ahead and is based at the Nelson Marlborough Institute of Technology. BRI is planning to provide a sustainability benchmark for the wider industry and is targeting achieving a 5 Green Star certified Built rating. The building collects, filters and UV treats rain water from the roof and also has solar power. The next step for BRI is to finish commissioning the winery and to test all of the equipment to ensure it is ready for this year's vintage.



Animal Welfare

[Government announces Winter Grazing Action Group](#) [02 March, The

Country] Agriculture Minister Damien O'Connor has announced the establishment of the Winter Grazing Action Group and the 15 members that have been tasked with the implementation of 11 recommendations from the Winter Grazing Taskforce to improve animal welfare within winter grazing systems. The group is made up of rural professionals, farmers, vets and government and industry organisation representatives. The Group Chair Lindsay Burton stated that the group is ready to put the plans into action and to help improve the welfare of winter grazing animals. Mr O'Connor reported that farmers should reach out to their levy organisations if they need additional information or support ahead of the winter season.



Economics & Trade

[Coronavirus: Huge spending jump at chemists, supermarkets after first case announced](#) [04 March, Dubby Henry, NZ

Herald] After the first case of Covid-19 was confirmed last week, Paymark data has shown spending at New Zealand supermarkets increased by 40 percent. Shopper reported long queues over the weekend, and many stores were reported to have sold out of toilet paper,

rice, bottled water and sanitiser. Spending overall in February was up by 6.7 percent compared to 2019, but this is partly explained by the extra day of shopping provided by the leap year.



Wool

[Cyber attack hits wool industry, affecting internationally used software](#)

[28 February, RNZ] A ransomware attack on Talman Software has resulted in wool sales in Australia to be cancelled this week. The software is widely used in the wool industry in New Zealand, South Africa and Australia. Significant disruptions were experienced in New Zealand, as the system used to manage wool exports was down. The company have reported that they are working on resolving the issues and restoring the system and that clients should be able to use the system in a few days. Talman Research and Development Manager Pramod Pandey reported that the data of wool brokers' has not been compromised.



Dairy

[Farmgate Milk Price a 'good news story' for Fonterra farmers](#) [27

February, The Country] Fonterra Co-operative Group's Chief Executive Miles Hurrell reports that the Fonterra forecasted farmgate milk price range remains at \$7.00-\$7.60 per kgMS. There has been some softening at the most recent Global Dairy Trade events and Mr Hurrell stated that the reaffirmation shows how milk is seen as a "staple food". The forecasted milk collections for Fonterra were also revised and dropped down to 1,515 million kgMS, although the decline was smaller than expected due to good collection amounts in the South Island despite drought conditions in the north.

[Why New Zealand's own A2 milk company is so good](#) [02 March, Michael De Cesare, Stuff NZ] The a2 Milk Company has produced the best

return of the decade and has been placed at the top of the MSCI World Index, which is the flagship global equity index. The company has had a 16,096 percent return for the 10 years to 31 December 2019, which bet companies such as Amazon, Apple, Netflix. The company's success has been put down to their ability to achieve product differentiation, having a unique selling point, being able to maintain an economic moat, among other factors such as making the most of a digital age.



Fisheries

[Bluff oyster season begins but customers will wait another day](#) [01

March, Damian Rowe, Stuff NZ] The Bluff Oyster season begun on Sunday, so many companies held off opening their doors until Monday. Barnes Wild Bluff Oysters General Manager, Graeme Wright reported that they have held off sales to customers in order to provide a full catch on Monday. Mr Wright stated that oyster numbers should be similar to last season's numbers. Kings Fish Market General Manager Greg King reported that they would also be starting oyster sales on Monday.

[Further Relief For Crayfish Exporters](#) [03 March, New Zealand Government, Scoop Independent News] Fisheries Minister Stuart Nash has reported that some of this year's uncaught rock lobster harvest will be carried forward into the next fishing year, which will begin on the 01 April 2020. 10 percent of the current year's entitlements will be able to be deferred until the following year, after Covid-19 caused severe market disruptions to the industry. The industry is able to release specific amounts of rock lobster back into the wild, as long as it meets biosecurity and survivability criteria.



Environment & Emissions

[Locals call meeting to discuss polluted streams](#)

[28 February, Laurel Stowell, Whanganui Chronicle] George Matthews and David Cotton, Kai Iwi landowners have called a public meeting on 09 March to discuss freshwater issues and address the water quality of local streams. The meeting will be held in the Rapanui Community Centre at 7pm and attendees will have the opportunity to be involved in catchment groups. Five catchments are involved, draining a total of 323,666 hectares in total. Mr Matthews states that Horizons Regional Council are on board with the initiative which will address a range of environmental issues and decide on what actions to take.

['Completely unacceptable': Oil spill leaches into Tauranga Harbour](#)

[03 March, Cira Oliver, The Country] The Bay of Plenty Regional Council is currently investigating an oil spill in Tauranga Harbour. Once reported by a passing pilot, response staff were on site, using an absorbent boom to clean up the oil. Two possible sources have been traced, and samples were taken to determine the size of the spill, to help with the current investigation. Wildlife is not expected to be impacted by the spill.

[How to prepare for a changing climate](#)

[04 March, Pam Tipa, Dairy News] Recent research has shown that over the next 80 years, climate change will result in pasture production occurring in spring compared to late summer. Pastoral farmers in many regions of New Zealand will most likely see a slight increase in overall pasture production due to increase carbon dioxide levels encouraging plant growth. Livestock production will be affected by higher temperatures, with heat stress most likely becoming more common. As a result, more shelter and shade will need to be provided for animals. More research needs to be conducted in order to confirm the trends. Fresh water is also likely to be faced by increased pressure.



International

[Prepare for the split in plant-based demand](#)

[26 February, Oliver Morrison, Food Navigator] Cubo Innovation Director Amirah Ashouri has reported that the plant-based protein market is set to split into two sections, one with products attempting to imitate meat, with the other half catering to health-conscious individuals looking for vegetables to star on their plates. It has been stated that one aspect that will need to be considered is the balance of retaining health qualities versus altering the ingredients in order to provide pleasing textures and tastes. Relatively new plant-based protein ingredients are becoming more commonplace such as pea-based proteins as well as seaweed and algae. Consumers are also increasingly interested in the sustainability of a product and transparency of a business, so companies will need to be conscious of this, as products such as almonds require a gallon of water to produce a single nut.

[China may send ducks to battle Pakistan's locust swarms](#)

[27 February, BBC News] The Chinese government have announced that it has sent a team of experts to Pakistan to help develop strategies to minimise locust numbers which are devastating crops. One scheme involves China deploying 100,000 ducks, as a single duck is able to eat more than 200 locusts a day and can be more effective than pesticides, and this will be trialled during the next few months. Millions of the insects have also been devastating crops across East Africa.

[South America's vegan boom just got a \\$1 billion boost from Japan's SoftBank](#)

[27 February, Audrey Enjoli, Live Kindly] SoftBank Group Corporation have announced that they will be investing in Latin American vegan food tech companies this year. Specific companies have not yet been named. SoftBank have a goal of investing USD\$1 billion (approx. NZD\$1.6 billion) in Latin American companies. One potential investment is NotCo, who use artificial

intelligence to analyse foods at a molecular level to decide which ingredients will make vegan versions of non-vegan foods. The company currently makes a vegan mayonnaise out of chickpeas as well as plant-based milk and dairy-free ice cream. NotCo report that their mayonnaise in particular is a success, with 92 percent of customers being non-vegan which shows that it is a mainstream product and has 10 percent of the mayonnaise market in Chile.

[Danone's €2bn climate-smart innovation investment: 'Our brands will be stronger if climate is an ally, not an enemy'](#) [27 February, Katy Askew, Food Navigator] Danone plans to invest €2 billion (approx. NZD\$3.56 billion) in climate smart innovation before 2022, wanting to provide sustainable and natural diets. The company has also pledged to become carbon neutral by 2050. The bulk of the investment will go towards digital innovation, improving the value chain and packaging. The company has also reported that it wants to keep regenerative agriculture a focus as it is helping them to improve agricultural efficiency.

[Elderly UK farmers should be paid to retire, says Minister](#) [28 February, Rural News] UK Environment Secretary, George Eustice spoke at the National Farmers' Union 2020 Conference, reporting that one way to improve the environment would be to pay veteran farmers to retire. Mr Eustice believes that some older farmers are "standing in the way of change" and that paying them a lump sum would allow them to "retire with dignity", whilst allowing newcomers to enter the sector. The current average age of farm holders is 59 in the UK.

[Zambian agriculture business launches \\$81 mln farmer financing scheme](#) [01 March, Thomson Reuters Foundation News] Zambia's African Green Resources (AGR) has launched a USD\$81 million (approx. NZD \$129 million) financing programme in which farmers will supply grain in exchange for farm supplies and technology. AGR is aiming to boost food security in Zambia and will target 130 commercial farmers, as well as

250,000 small to medium sized farmers. This will cover 60,000 tonnes of fertiliser as well as money for projects such as the expansion of grain storage silos.

[Lewis Road Creamery partners up with Amazon-owned Whole Foods in multi-million dollar deal](#) [03 March, Aimee Shaw, The Country] Lewis Road Creamery have signed a deal with Amazon-owned supermarket chain Whole Foods. The deal has been reported to be worth up to USD\$5 million (approx. NZD\$8 million) in the first year, and 400 tonnes of the butter is expected to be exported. The specialty organic supermarket sells the dairy company's grass-fed butter in 270 of its stores in 37 states in the US. A 225 gram packet of the butter retails for NZD\$11 in the supermarket, and Founder Peter Cullinane reports that Whole Foods customers value genuine grass feed and free-range products and also keep an eye out for non-GMO products.

[Insect fat the new butter replacement? Researchers see potential in bakery products](#) [03 March, Flora Southey, Food Navigator] Insects are gaining popularity in food products due to their nutritional benefits and low environmental footprints. Researchers from Ghent University have been looking at using black soldier fly larvae as a potential replacement for butter as the ingredient is said to have a similar structure and functionality. When the researchers used the ingredient in differing levels in bakery products, participants reported that the formulation using 50 percent of the larvae had a rancid aroma and bad aftertaste. Overall, the findings reported that the larvae can replace 25 percent of butter without influencing consumer's acceptance and state that there is potential for the larvae to be used in bakery products especially due to the low cost of the larvae, and potential for it to be farmed at scale.

[Naturex introduces red colouring for meat substitutes](#) [03 March, Oliver Morrison, Food Navigator] Givaudan have released a new food colouring which has been designed specifically

for meat substitutes, providing a meat-like red colour to raw plant-based patties that turns brown when cooked. The ingredient is aimed at helping plant-based products more closely imitate meat and its base is made from beetroot and other natural extracts. The meat alternative market continues to grow, with many consumers seeking out plant-based alternatives often due to sustainability reasons.

Organisations referenced in this week's Field Notes include:

African Green Resources
Amazon
ANZ
ANZCO
Arable Industry Food Council
Barnes Wild Bluff Oysters
Bay of Plenty Regional Council
Beef + Lamb New Zealand
Biosecurity New Zealand
Bragato Research Institute
Buy Pure
CRV Ambreed
Cubo Innovation
Danone
Dung Beetle Innovations
FarmIQ
Fonterra Co-operative Group
Ghent University
Givaudan
Global Roundtable for Sustainable Beef
Kidscan
King's Fish Market
Lewis Road Creamery
Merck and Co
Ministry for Primary Industries
My Food Bag
Nelson Marlborough Institute of Technology
NotCo
Pāmu
Paymark
Process Vegetables NZ
Scales Corporation
Seeka
Silver Fern Farms
SoftBank Group Corporation
Synlait Milk
The a2 Milk Company
UBCO
Whole Foods
Winter Grazing Action Group

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