



AGRIBUSINESS

# Field Notes

Weekly news update from the KPMG Agribusiness network



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12 March 2020 – This week's headlines



## Alternative Proteins

**[Kiwi avocado milk wins big at global awards](#)** [09 March, Rural News]



## Farming Systems

**[Calm the Farm investors to help accelerate New Zealand's transition to regenerative farming](#)** [10 March, Bonnie Flaws, Stuff NZ]



## Red Meat

**[Red meat exports surge ahead, despite Covid-19](#)** [06 March, Rural News]



## Aquaculture

**[\\$20m Northland kingfish farm could produce 600 tonnes of the delicacy a year](#)** [07 March, Susan Botting, The Country]



## International

**[Fragmenting flavours landscape presents huge opportunity -- but in smaller pieces](#)** [05 March, Oliver Morrison, Food Navigator]

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## Trade & Exports

[Western Sahara liberation movement takes NZ Super Fund to court](#) [06 March, Gerard Hutching, Stuff NZ]

Papers have been filed in the High Court by the Western Sahara freedom movement to stop the New Zealand Superannuation Fund from investing in Western Sahara, which is disputed territory that has been claimed by Morocco. Kamal Fadel, Sahrawi Representative to New Zealand alleges that the fund invests in New Zealand farms that use phosphate extracted from the area, as well as in index funds in companies operating in the area. The fund has reported that it does not accept the above allegations and that it will defend the case in court. New Zealand companies Ravensdown and Balance Agri-Nutrients import around \$30 million worth of phosphate a year to spread on farms.

[Improved India access still possible](#) [10 March, Nigel Stirling, Farmers Weekly] Trade Minister David Parker reports that India withdrawing from the Regional Comprehensive Economic Partnership does not mean that New Zealand will not be able to increase our trade with India. Agricultural exporters have spent a long time trying to get a foothold in the New Zealand market, and last year dairy and sheep meat exports to India were less than \$6 million combined. It is understood that India's main concern with RCEP was local manufacturers being swamped by cheap Chinese imports. It has been reported that India may face chronic shortages of protein in the future as its growing population cannot be matched by farmers production levels. Mr Parker is also hopeful of a global trade deal which will help counter the economic impact that Covid-19 is having.

[Container supply remains open](#) [10 March, Richard Rennie, Farmers Weekly] Congestion on Chinese wharves is finally easing with the average wait time per container at Zhousan dropping back from 60 hours down nearer to its usual 40 hours. There is also no sign of a

shortage of containers for exporters. Power plug shortages at the ports is continuing to bring issues for chilled and frozen good exporters. It is been reported that the virus has stopped 1.9 million containers of business globally to date, and some liners are under danger for bankruptcy. A Port of Auckland spokesperson reported that January container volumes are down by 15 percent and it is expected the same will happen for February.



## Apiculture

[Aussie fires burn up Comvita profit](#)

[10 March, Richard Rennie, Farmers Weekly] Comvita's half year results to December 2019 have been affected by the Australian bush fires. The company reported that they had lost \$2.3 million due to a loss of honey supply from native bush burned by the fire. Another \$3.5 million in non-operating cost came from a valuation adjustment and revaluation of inventory. The company's revenue increased by over \$15 million. Chairman Brett Hewlett stated that Comvita has had a tough time rebuilding after its performance dropped two years ago, and that the business still has things to improve on including reducing costs and streamlining. This harvest season is shaping up to be a good one, with strong honey flows reported across New Zealand. The company is also currently facing short-term impacts from the coronavirus outbreak due to supply chain issues.



## Agribusiness

[Organic law welcomed with a but](#)

[06 March, Richard Rennie, Farmers Weekly] Buy Pure New Zealand Director Brendan Hoare reports that there is still room for the industry to move with the new organics bill proposed by the Government, and that the organic sector must be unified in its response. The new bill outlines the business process required in order to make claims about being organic, and also sets out national standards for

organic production rules. Under the proposed process, the Ministry for Primary Industries will oversee applications from organic producers. The Bill also aims at clearing up organic product claims for consumers and will support organic exporters.

[Rural resilience under pressure](#) [09 March, Farmers Weekly] The median price per hectare for dairy farms in New Zealand has dropped by 6.9 percent in the last 12 months, showing volatility is still hurting the rural real estate market. Figures for the three months prior to January 31 show an improving trend, but are still 16 percent below what they were for the same period a year earlier. Brian Peacocke, Real Estate Institute Spokesperson states that a range of issues are affecting the sector such as bank restrictions on lending, market restrictions due to Covid-19, and drought conditions across both the North and South Islands. Mr Peacocke states that the resilience of the rural sector is being tested.



## Horticulture

[Nelson apple processing facility to relocate to Hastings](#) [06 March,

Skara Bohny, Stuff NZ] The Cedenco Foods NZ Ltd. apple processing plant in Nelson is being shifted to their existing Hastings site at the end of this year's apple season. As a result, over 100 Nelson jobs will be lost, with 29 of these being permanent workers and the rest seasonal workers. CEO Joe Nelson reports that it has been a difficult decision to make and that the factory will be a loss to the region, however needs to be done as the current facility is not suitable for processing to continue. The company have offered all workers a full package to help them relocate if they so desire.

[Kiwifruit harvest begins for 2020. Covid-19 and dry weather to create problems](#) [06 March, Bay of Plenty Times, The Country] The kiwifruit harvest in the Bay of Plenty for 2020 is expected to face challenges due to dry weather, Covid-19

and labour shortages. New Zealand Kiwifruit Growers Incorporated have released their forecast for the season, with about 155 million trays expected to be packed across the country, up from 147 million trays exported last year. The picking season starts in March and finishes in June. Zespri Red Kiwifruit is going to be picked as a commercial variety and will be sold in Japan, Singapore and domestically in New Zealand supermarkets. It is expected 20,000 workers will be required throughout the harvest period.



[Apple and pear crop well up](#) [07

March, Gisborne Herald] New Zealand's apple and pear crop has been forecasted to increase 5 percent and reach 600,000 tonnes this year. During the last six seasons, apple plantings have increased annually by 2 to 4 percent, with Gisborne plantings increasing by 8 percent in the past year, across 295 hectares of land. Hawke's Bay has also planted 267 hectares over the past year. In particular, there has been increased plantings of Pink Lady™, Dazzle™, Jazz™ and Rockit™. There is a positive forecast weather wise, allowing for larger fruit.



## Farming Systems

[Calm the Farm investors to help accelerate New Zealand's transition to regenerative farming](#) [10 March, Bonnie Flaws, Stuff NZ] New investment service Calm the Farm is aiming to help conventional farmers convert to regenerative agriculture, by providing access to investors and farming advisors. Regenerative farming has been shown to be better than conventional farming for both the environment and the climate and often results in increased production levels by improving the soil's ability to store carbon, reducing erosion and minimising nutrient leaching. Calm the Farm will also track results of farmers to show the long-term impacts of the shift. Investors of all types are being sought, including family investors, equity investors and banks, and many

farmers have already expressed an interest. Calm the Farm raised \$1.3 million last year to build up its infrastructure and start writing pledges.

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## Wool

[A very fine tour](#) [10 March, Nigel Malthus, Rural News] Ross

Macmillan, Managing Director of Farm to Farm Tours has reported that he is looking forward to looking after a coach-load of international visitors during a two-week tour of the South Island's merino industry. The coach load includes people from Russia, Uruguay, Kazakhstan and Australia. The tour has been timed to work with the one-day Merino Excellence 2020 Congress in Cromwell.

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## Alternative Proteins

[Kiwi avocado milk wins big at global awards](#) [09 March, Rural

News] New Zealand Chef Sachie Nomura's 'avocodomilk' was named a winner at the World Food Innovation Awards 2020. It took out gold at the award's best health or wellness drink category. The dairy-free drink is made in Hawke's Bay out of oat milk and avocados. The milk has a shelf life of 10 months and is currently sold in 100 stores across the US, but is not available in New Zealand.

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## Forestry

[Coronavirus: Forestry industry 'in crisis'](#) [09 March, Angie Skerrett,

NewsHub] The New Zealand Forest Industry Contractors Association (FICA) have reported that the country's forestry sector is facing a crisis due to the supply chain disruptions from Covid-19 and that the situation is only worsening, with some contractor's facing breaking point. The Association states that the Government and public need to realise how bad

the situation is in the sector, with hundreds of workers already laid off.

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## Agri-Tech

[Farmers flock to YouTube to make money](#) [09 March, Rural News]

Agricultural content is gaining popularity on YouTube and some farmers are posting on the website in order to earn some extra money. News website CivilEats interviewed a range of farmers on their experience. Vermont Farmer Morgan Gold reported that his videos make the difference between profit and loss on his farm, especially as he is an inexperienced farmer. Mr Gold stated that his farm's productivity does not affect the views.

[Aerial mapping using new laser technology has started in Marlborough](#) [09 March, Alice

Angeloni, Stuff NZ] 3D maps are being created of Marlborough, with aerial surveying using new laser technology part of the process. The program started last week by Aerial Surveys Limited and is expected to take three years. The Light Detecting and Ranging technology comes from Canada. The models will be particularly useful for long-term planning in the region and can be applied at a farm-scale level to benefit forestry, viticulture and pastoral farming by providing information for land management decisions, as well as potential geo-hazards such as flooding, fault lines, slips and liquefaction. Final results are expected in 2023. Eight regional and unitary councils will receive some of a total \$14 million in funding from the Provincial Growth Fund to obtain the LiDAR elevation data-sets.

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## Red Meat

[Red meat exports surge ahead, despite Covid-19](#) [06 March, Rural

News] January's meat exports increased by 26 percent to \$873.2 million compared to the same period last year, even though Covid-19 has been causing market-wide disruptions. The Meat

Industry Association (MIA) report that the value of beef exports has grown by 50 percent, sheepmeat by 18 percent and co-products up 2 percent. The average value of both beef and sheepmeat exports dropped between December 2019 and January 2020, however both amounts were still above the averages for January 2019. MIA has stated that the sector has shown its agility by diverting product rapidly into other markets, as soon as the slowdown became apparent, and this shows our sector's resilience.

[Hereford breeders visit](#) [09 March, Neal Wallace, Farmers Weekly] A three-week conference and tour has resulted in 130 international Hereford breeders visiting seven North Island breeders this week. Next week, nine visits to South Island breeders will be made as well as a conference being held in Queenstown. Technical papers will be presented at the conference including topics such as genetics, breeding, grazing management, scanning and carbon emissions, social media and the future of beef.



## Viticulture

### [Exciting New Chapter for Ormond Nurseries](#) [March, Ormond

Nurseries- Press Release] Ormond Nurseries have acquired a Vineyard Plants nursery from Villa Maria, which will be effective from the 31 August 2020. The purchase includes Vine Test Lab, which is a laboratory for testing grapevines for the grapevine leaf roll virus. Ormond Nurseries has reported that they are looking to expand further into Hawke's Bay and the North Island.

### [Hawke's Bay wineries Church Road and Esk Valley win at Royal Easter Show Wine Awards](#)

[10 March, Shannon Johnstone, The Country] Chris Scott, Chief Winemaker at Church Road Winery won winemaker of the year at the Royal

Easter Show Wine Awards, with Church Road also taking out two big awards for their wines. The Church Road McDonald Series Chardonnay 2018 won the Guala Closures Award for Champion Wine of the Show and the New World Award for Champion Chardonnay. Esk Valley took away the ASB Showgrounds Award for Champion Cabernet Sauvignon & Blends for the Esk Valley Winemakers Reserve Gimblett Gravels Hawkes Bay Cabernet Sauvignon Merlot Malbec 2018, a special occasion wine. They also won the MyFarm Award for Champion Merlot & Blends for the Esk Valley Gimblett Gravels Hawke's Bay Merlot Cabernet Sauvignon 2018. The judges were impressed with the high quality of entries across the board.



## Farmers & Producers

### [Government extends drought classifications for primary sector](#) [09

March, The Country] The drought conditions in the Gisborne, Manawatu, Rangitikei, and Taranaki districts has been classified a medium-scale adverse event by Agriculture Minister Damien O'Connor. This classification means that these areas are able to receive Government recovery assistance measures, and an extra \$150,000 has been made available to local organisations such as the Rural Support Trusts. Farmers in extreme hardship will be able to receive Rural Assistance Payments. Other regions are being continually monitored to ensure that the extra support is made available if required.



## Dairy

### [Fonterra sells site to ProviCo](#) [09

March, Farmers Weekly] Fonterra Co-operative Group Australia has sold its closed Dennington factory to ProviCo Australia for an undisclosed amount, with the deal expected to be completed by 22 April. ProviCo creates animal nutrition products and has stated that the purchase will provide new jobs and environmental benefits for the agriculture

industry by minimising waste costs and helping to improve farm performance. The factory was closed after Fonterra announced it has excess manufacturing capacity in Australia.

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## Fisheries

[Fish exporter shows trade 'agility' in wake of coronavirus](#) [10 March, Tim

O'Connell, Stuff NZ] NZ King Salmon Chief Executive Grant Rosewarne states that six weeks ago, the Chinese market had closed to the company, but has now resumed with sales at two-thirds of the usual level. The lost volumes to China have been redirected predominately to North America and Europe, and the company states that it is glad it has 20 countries it exports to which has minimised damage from the outbreak. Diversified markets allow agility when responding to economic shocks such as Covid-19.

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## Biosecurity

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## Irrigation

[Focus on water's future](#) [10 March, Nigel Malthus, Rural News]

IrrigationNZ's biennial conference coming up next month in Christchurch is aiming "to lead

the conversation on the future of water for Aotearoa". IrrigationNZ reports that water is essential to all of New Zealand and increased focus needs to be made. A range of speakers will be at the three day event, along with panel discussions, break-out sessions, trade exhibition and various networking events.

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## Aquaculture

[\\$20m Northland kingfish farm could produce 600 tonnes of the delicacy a year](#) [07 March, Susan Botting, The Country] Regional Economic Development Minister Shane Jones has reported that Northland's major new \$20 million pilot kingfish farming venture will bring the region a large amount of aquaculture potential, and if successful can act as a model to create others across the country. The \$19.8 million on-land aquaculture venture at Bream Bay has been granted \$6 million from the Provincial Growth fund, with other contributors being NIWA and the Northland Regional Council. The operation should be mostly self-contained, but dependent on Bream Bay seawater, with the bulk of the seawater being recycled rather than becoming treated wastewater. There are already four large pipes running across the site into the sea due to previous electricity industry use in the 1960's.

[Amatal skipper to plead guilty for fishing in marine reserve](#) [10 March, Tim O'Connell, Stuff NZ] The skipper of the Amatal Mariner as part of the deep-water division of Talley's Group apologised in court for crossing into a marine reserve on the East Coast of the South Island. The skipper pleaded guilty and apologised for his actions, stating that it was accidental. The incident is the first of the skipper who has over 40 years of experience. During the brief time the net was in the reserve, \$213 worth of fish was caught. Amatal has entered a not guilty plea in the Nelson District Court and the case is still in front of the courts.



## International

[Food retailers failing to tackle obesity risk disinvestment, report warns](#) [04 March, Oliver Morrison, Food Navigator] A report by UK charity ShareAction has stated that food retailers need to focus on helping British consumers to eat better as they are at risk of losing market confidence. The group is made up of a coalition of global investors who report that there is a large gap between what supermarket's publicly commit to and the actions they are taking to support healthy eating and fighting obesity. Specific areas pinpointed to work on are responsible marketing to children as well as disclosure on pricing and promotional activity for healthy products and what is required of a product to deem it healthy. Policies, plans and data collection were stated as important measure that need to be taken. Conversely, Daniel Pryor, Head of Programmes at the Adam Smith Institute reported that these supermarkets should not be made responsible for the product choices their customers make, and that they are doing enough by expanding the healthy range in store.

[Fragmenting flavours landscape presents huge opportunity – but in smaller pieces](#) [05 March, Oliver Morrison, Food Navigator] Market data from Foodtrending has revealed that, demand for natural flavours and flavouring material has increased by 7.5 percent year on year and is now nearly worth €5 billion (approx. NZD\$9 billion). Jamie Rice, Director of Food Trends and Insight states that the figure covers up the fragmentation occurring in the sector. Customer demand for natural flavours has meant that big flavour companies are increasingly acquiring a range of companies that produce the stock that they are after. This means that a range of companies is supplying the volumes of flavour required rather than a couple. Customers are also after a range of price points which poses a challenge to flavour companies. The ultimate challenge expected for companies is being able

to cope with lots of small growth areas, rather than just one large one.

['EU-US trade negotiations must include agriculture'](#) [06 March, Elizabeth Schroeder, Farmer's Weekly South Africa] The EU's Chief Trade Negotiator Phil Hogan has reported that EU-US trade negotiations must include agriculture, as movement in this area, will allow discussions in others such as manufacturing and services. In particular, current concerns include that only a handful of EU member states are able to export beef to the US due to historical concerns about the spread of mad cow disease, and a number are currently unable to export apples and pears.

[How many women do Unilever, Danone, Nestlé and PepsiCo employ in managerial positions?](#) [06 March, Flora Southey, Food Navigator] A number of food and beverage companies are making steps to address gender equality in the business. Danone has already achieved gender parity in management roles and Unilever has managed to do the same. Nestle is lagging slightly behind with 43.2 percent of women in management roles and is making moves towards increasing women in senior executive positions. Both Mars and PepsiCo are also making steady steps towards gender parity.

[UK records first ever trade surplus for dairy](#) [09 March, Rural News] The first trade surplus has been recorded for the UK since the records began in 1997. All dairy products were in a positive balance at the end of 2019, with the surplus equalling 95,000 tonnes of product. The Agriculture and Horticulture Development Board (AHDB) report that shifting trade patterns have directly resulted in such a positive improvement for skim milk and buttermilk in particular. In value terms, a trade deficit still occurred however has reduced from the year prior.

[Coronavirus: One-third of UK shoppers stockpiling food, HIM & MCA research finds](#) [09 March, Katy Askew, Food Navigator] New

consumer research in the UK has revealed that over a third of consumers are responding to coronavirus concerns by stockpiling food, particularly long-life products such as tinned and frozen food. On top of this, 67 percent of shoppers are concerned by the possibility of shops running out of groceries if a major outbreak was to occur. The UK Government has responded by stating that they have robust plans that will minimise disruption if Covid-19 takes a more serious turn. It is expected that online retailers will see an increase in spending.

[Chinese agriculture drone makers see demand rise amid coronavirus outbreak](#) [09 March, Wendy Ye, CNBC] Agricultural drone maker XAG report that they have delivered 4,000 of their new agricultural drones amongst the outbreak of the coronavirus, as humans try to minimise human contact. As a result, the company expects their revenue to quadruple during this year. Their main customers are large farms, local governments and agricultural product distributors. The increase is also partly because of the Chinese Government's efforts to reduce reliance on food imports from the U.S.

[Coronavirus: Interest in Chinese food drops by a third internationally – study](#) [10 March, Daniel Rutledge, Newshub] Google Trends data has revealed that global interest in both Chinese and Italian food has dropped due to the coronavirus outbreak. Interest in Chinese cuisine in New Zealand has dropped by 37 percent, which may mean slower business for restaurants and certain products in the supermarket. Some restaurants have made a call to the Government for help, after a serious decline in business, particularly across Auckland. According to the Chef's Pencil study, Italian and Chinese cuisine both saw a 96 percent drop in interest in Japan between January and March.

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

Adam Smith Institute  
Aerial Surveys Limited  
Apples and Pears NZ  
Balance Agri-Nutrients  
Buy Pure New Zealand  
Calm the Farm  
Cedenco Foods NZ Ltd.  
Chef's Pencil  
Church Road Winery  
CivilEats  
Comvita  
Danone  
Esk Valley  
Farm to Farm Tours  
Fonterra Co-operative Group  
Foodtrending  
IrrigationNZ  
Mars  
Massey University  
Meat Industry Association  
Ministry for Primary Industries  
Nelson District Court  
Nestle  
New Zealand Kiwifruit Growers Incorporated (NZKGI)  
New Zealand Superannuation Fund  
NIWA  
Northland Regional Council  
NZ King Salmon  
Ormond Wineries  
PepsiCo  
Port of Auckland  
ProviCo Australia  
Ravensdown  
Real Estate Institute  
ShareAction  
Talley's Group  
The New Zealand Forest Industry Contractors Association (FICA)  
Unilever  
Villa Maria  
XAG  
YouTube

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