26 March 2020 – This week’s headlines

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Agribusiness

Southland eyes new farm cadet programme [23 March, The Country] A range of representatives from primary sector organisations have formed the Southland Primary Sector Workforce Action Plan which aims to tackle persistent agriculture skills shortages in New Zealand. One of the suggestions in the plan is a farm cadetship programme which would allow new recruits to the sector to gain the skills and knowledge required for a successful career in the primary industries. The cadetship would involve a rotation of working on farms as well as training on specific skills such as servicing tractors, using a chainsaw and riding a quad bike. Other strands of the plan include better induction and pastoral care for immigrants, getting young people interested in primary sector careers, and boosting the Gateway experience offered to High School students. Southland Federated Farmers Vice-President Bernadette Hunt pulled together a cross sector working group to come up with the action plan and reports that the next step is to hear ideas and knowledge from those willing to share on a phone conference and then a working group will be set up to put the ideas into action on the ground.

Arable

New Zealand grown stock feed available for drought-hit farmers [19 March, Simon Davies- Federated Farmers, The Country] The Ministry for Primary Industries latest Situation Outlook Primary Industries (SOPI) report has forecasted that arable production for the year ended June 2020 should see revenue increase by 10 percent despite the effects of Covid-19 and drought. This is due to a strong harvest, increased export volumes of clover seed as well as vegetable seeds. Federated Farmers Arable Chairperson Karen Williams states that there is plenty of locally-grown stock feed solutions available to farmers who have been hit by drought in the recent weeks. The next Arable Industry Marketing Initiative survey is due to be undertaken at the beginning of April with the results expected at the start of May.

Agribusiness

Rural sector crying out to recruit more staff [20 March, Jacob McSweeny, Rural Life] Matt Jones, Managing Director of Agstaff, Canstaff and New Zealand Dairy Careers reports that there are 40 roles in the primary sector available immediately in South Canterbury. Despite the thousands of people around the country losing their jobs currently, Mr Jones reports that the primary production sector has ramped up their work as a result of Covid-19. Mr Jones reports that a number of jobs in the dairy industry are usually filled by international workers and that as a result there are plenty of jobs available due to travel restrictions.

100% Support For Organic Products Bill’s 1st Reading [23 March, Buy Pure- Press Release, Scoop Independent News] All political parties supported the passing of New Zealand’s Organics Product Bill in its first reading on the 19 March 2020. The bill will now be advanced to the select committee which will allow for public submissions as well as engagement from sector experts. The bill is aiming to increase certainty for businesses claiming their products are organic and help facilitate organic international trade. Brendan Hoare, Managing Director of Buy Pure New Zealand reported that the bill passing the first reading signals another large milestone for the organic sector.

Covid-19 coronavirus: Farmers’ relief as business goes on [24 March, The Country] Farmers have reported that they are relieved that they are considered an “essential service” under Covid-19 lockdown restrictions. Farmers and services associated with the primary sector are able to continue business as long as they take all
practical steps to minimise person to person contact. Federated Farmers reported that farmers are vital in ensuring the nation survives the outbreak however stated that some farmers may be worrying about how they will feed their stock during the drought. There are solutions, however these have a transport cost associated with them. Federated Farmers reminded farmers that they should be cautious when transitioning their animals onto different diets during this time, making sure they provide adequate water.

**Horticulture**

**Zespri warns of coronavirus disruption risk** [19 March, Gavin Evans, New Zealand Herald] Zespri has reported that growers are at risk of receiving low returns this season, due to the potential of disrupted deliveries in global markets as well as picker shortages. The first cargo of SunGold was dispatched this week, and Zespri reports that demand for fresh fruit remains healthy which is a good bonus, however, Covid-19 disruptions are expected along the supply chain. Zespri have adjusted their final forecast for orchard gate returns in the 2020 season dropping to between $4 and $6 for green kiwifruit, and between $7.50 to $11 for gold. Particular impacts of Covid-19 that will affect the sector include loss of industry capacity, closure of key ports, restrictions on internal market transport and large-scale movement controls which stop people buying fresh produce. The firm have arranged extra banking cover for the upcoming season and is reviewing its dividend policy. Blair Hamill, Chief Global Supply Officer reported that ports in Japan, Korea and Europe are functioning well. Zespri is planning to ship 155 million trays overseas this year, in more than 18,500 containers and 47 charter vessels.

**Coronavirus: Central Otago orchards nervous about labour shortage** [23 March, Radio New Zealand, The Country] Central Otago orchards are worried about the uncertainty for travel for its international workforce, after an already difficult growing season. Summerfruit New Zealand Chairman and 45 South Chief Executive Tim Jones reported that usually two thirds of his workforce come from overseas and that there is also concern about the ability to export due to supply chain disruption. Mr Jones states however that cherry and apricot exports for the season were only minimally affected. Mr Jones also commented that the district may struggle in the near-future as the work is traditionally low-wage and seasonal so is usually hard to recruit for but has faith in the district to recover over time.

**Wool**

**Apparel firm switches to mask-making** [25 March, Tracey Roxburgh, Otago Daily Times] Apparel firm Bonz Group New Zealand have repurposed the knitting machines in their Invercargill factory to create free merino wool face-masks for Queenstown residents in need. The company will have at least 1,000 to give away and anyone wanting a face-mask is encouraged to email the company and they will deliver it. Bonz Group has
closed their store for the next four-weeks during the lock-down, however have retained all staff at this stage.

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**Poultry**

*Freshly-opened egg business cracks Canterbury delivery market* [25 March, Maddison Northcott, Stuff NZ] Ben and Lucy Miller have founded Christchurch egg company Little Red Farm which is offering delivery on pasture-fed eggs with their contactless service. Their route currently has drop-offs in Kirwee, Darfield and Rolleston. Mr Miller reports that their chickens are reared using sustainable backyard farming methods and that weekly they are currently producing 600 eggs. The delivery-based model is being turned to by other small farming businesses around Canterbury such as boutique milk business Roan.

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**Rural Communities**

*New crops to grow in Kaipara get a boost* [19 March, Hugh Stringleman, Farmers Weekly] A new hub has been set up in Ruawai, to help the search for new crops, livestock types and aquaculture options. The resource centre is to be used by local landowners, and the project for the Kaipara Kai Hub was headed by Mayor Jason Smith. Landowners are able to access knowledge and resources such as talking to rural professionals or setting up consultations at the hub. A range of funding is being injected into the region to help diversify the current climate for future generations, such as introducing new, higher value crops like hemp and soybeans.

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**Alternative Proteins**

*Plant protein a big opportunity* [19 March, Colin Williscroft, Farmers Weekly] FoodHQ have released a report that states plant-based food diversification needs to be happening faster in New Zealand. The report states that this can be achieved by the food and agricultural sectors collaborating to meet increasing consumer demand. The bulk of new plant protein product development is being taken on by small to medium private enterprises which often do not have easy access to science and technology which could help them. It states that the animal protein sector should not feel attacked, as a balance of consumption needs to be created.

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**Forestry**

*Virus could be good for wood* [19 March, Richard Rennie, Farmers Weekly] Red Stag Timber Chief Executive Marty Verry reports that despite the forestry sector feeling the early affects from the coronavirus, it has the opportunity to remain viable and thriving in coming years if policy changes are made to help it become more sustainable. These include changes such as reducing our reliance on log sales to China. The Government aid that the sector will receive will be a band-aid for the coming year after a third of logging crews having been stood down in the last month. The stockpile of logs in China is not expected to clear for at least the next five months, so Mr Verry states that we should instead focus on the potential in the domestic market. Mr Verry also believes that harvest wood products should also be eligible for carbon credits and is looking forward to chats between the industry and Government in the coming months.

**COVID-19: $28m to redeploy forestry workers** [20 March, Rural News] The Government has put $28 million towards the forestry industry to help redeploy nearly 300 forestry workers impacted by the affects of Covid-19. Tairāwhiti forestry workers has also received funding from the Provincial Growth fund to provide alternative work such as local roading work, hazardous tree removal, educational opportunities, conservation activities and fast-tracked One Billion Trees
projects. Forestry accounts for 6.7 percent of the regional GDP in the Tairāwhiti economy, however the sector is low on cash reserves. The money will be used to help the forestry sector ensure it is in a position to recover quickly from the impacts of Covid-19.

**Agri-Tech**

*Bay company only Kiwi in Top 50*

[19 March, Richard Rennie, Farmers Weekly] Bay of Plenty Robotics Plus has been ranked as one of the top 50 leading agri-tech companies globally by innovation company Thrive, who help to invest and accelerate companies. Founders of Robotics Plus Steve Saunders and Dr Alistair Scarfe began in 2013 by developing an autonomous platform for kiwifruit orchards and have since developed an automatic log scaler and commercialised the Aporo apple packer. Robotics Plus currently has 65 staff is seeking further investment partners to help advance its production operations. The company is looking to transform a number of industries world-wide, and its technology will be showcased in late March at the Thrive Innovation Summit in Silicon Valley.

**Viticulture**

*Native plants instead of herbicides a ‘nirvana’ vineyard solution*

[20 March, Patrick O’Sullivan, The Country] Villa Maria are undertaking a one-year pilot trial funded by the Ministry for Primary Industry to test the viability of native plant and cover-crop mixes as an alternative to herbicides. The project aims to discover plants that will suppress undesirable weeds whilst not robbing vines of crucial nutrients and water. In order to measure success, they are measuring vine vigour, vine water status and relative soil-moisture status. A number of native species are being used, and the trials are taking part on two different soil types. Jonathan Hamlett, Villa Maria’s Regional Viticulturist stated that the trial could enable the vineyard to become more sustainable, healthier and more profitable. Results so far have been promising, and the trial is looking like it will be extended, as data shows no competition for water and unaffected vine growth during spring and summer.

**Trade & Exports**

*Coronavirus: China trade is picking up, but not yet in full swing*

[21 March, Bonnie Flaws, Stuff NZ] Fiona Achseon, International Lead on Covid-19 for New Zealand Trade and Enterprise has reported that the country’s trade with China is resuming, with business operations on the ground in China sitting between 60 to 80 percent and rising. China is facing continued staff shortages, with operational delays still occurring particularly due to an increase in cancellations of flights into the country. Miles Hurrell, Chief Executive for Fonterra Co-operative Group has stated that the food service sector in China is nearly back to normal. Silver Fern Farms have also reported that their production for China has resumed, with no orders cancelled from customers however have acknowledged that this might slow to the New Zealand Government enforcing precautionary measures to help combat Covid-19.

*Coronavirus: Go ahead for grape harvest as wine industry cleared to operate in lockdown*

[24 March, Maia Hart, Stuff NZ] The wine industry is able to operate during the Covid-19 lockdown period. New Zealand Winegrowers Chief Executive Philip Gregan reported that there are strict rules that wineries and vineyards must follow including workers remaining at least two metres from each other. The harvest for New Zealand’s largest variety sauvignon blanc has just begun. Kaikōura MP Stuart Smith stated that he was confident wineries had already been taking the right steps not to spread Covid-19.
Farmers & Producers

**MPI sets up safe practice register**
[24 March, Colin Williscroft, Farmers Weekly] The Ministry for Primary Industries have set up a safe practice register for the sector as New Zealand moves to a national alert level four in response to Covid-19. MPI is asking for primary sector businesses to register before 5pm Friday if they have over five people working at each business site and if social distancing cannot be achieved within the workplace. MPI have also reported that protective gear and equipment should be used where possible. The register will remain in place until the alert level has been lowered. There is no cost to register. MPI will be advising and supporting the sector over the lockdown period.

Food Innovation

**Coronavirus sparks ‘staggering growth’ in online searches for foods with functional benefits: report** [18 March, Oliver Morrison, Food Navigator] Data insights provider Tastewise reports that there has been staggering growth in internet searches by consumers for functional foods such as kombucha, rosemary and elderberries. This highlights opportunities and interest in the space of functional foods. They report that this is because of a heightened awareness of their health and that consumers are looking for ways to use food to boost their health. Stress relief is increasingly relevant for consumers due to the many social, economic and health uncertainties caused by Covid-19.

**Space-grown lettuce success: ‘Our growth techniques have many similarities to terrestrial vertical farming’** [18 March, Flora Southey, Food Navigator] Life Sciences Project Scientist Dr. Gioia Massa reported that lettuce grown on board the International Space Station has been deemed safe to eat and is at least as nutritious as earth-grown plants. Dr. Massa reports that the findings hold much promise for future long-distance space missions. Red romaine lettuce was grown on board between 2014 and 2016 using a method similar to vertical farming which allowed for temperature, carbon dioxide and humidity data to be monitored and controlled with contained LED lighting and a watering system. Control plants were grown on earth under the same conditions to compare compositions. The team is now developing approaches to grow small fruits such as tomatoes and sweet peppers.

Dairy

**Fonterra profit leaps but there’s warning of possible disruption ahead** [18 March, Susan Edmonds, Stuff NZ] Fonterra Co-operative group have announced a profit of $293 million for the first half of the financial year. No interim dividend has been announced due to current market uncertainty globally. Chief Executive Miles Hurrell stated that the business has continued to reset and place its new strategies into action. It is forecasting a milk price of between $7 and $7.60 per kilogram of milk solids. Operating expenditure for the six months is down $140 million compared to the same period 12 months prior. “Fonterra's key financial targets for 2020 are to meet its earnings guidance of 15 to 25 cents per share, achieve a gross margin of more than $3 billion, reduce debt and limit capital expenditure to no more than $500m.” Net debt has been reduced by $1.6 billion or 22 percent since the same period in the last financial year.

**Dairy holds up well in virus storm** [20 March, Hugh Stringleman, Farmers Weekly] Dairy leaders and analysts are reporting that dairy prices are holding up better than other commodities in the current climate, and that the New Zealand dairy industry is well-placed to mitigate the effects of Covid-19. The Global Dairy Trade Index has fallen 12 percent since Covid-19 hit China in mid-January. With whole and skim milk powder prices falling, whilst butter...
has remained firm. ASB Senior Rural Economist Nathan Penny has dropped 10 cents from his milk price forecast to $7.30, however has stated that this should not worry farmers as he expects dairy and food exports to hold up relatively well in the coming months due to continued global demand. Rabobank Dairy Analyst Emma Higgins has stated that she expects a 19 percent fall in the global dairy import volume for 2020. Rabobank’s farmgate milk price forecast was reduced by 25 cents to sit at $7.35.

The a2 Milk Company increases investment in Synlait Milk [23 March, The A2 Milk Company-Press Release] The a2 Milk Company have increased their shareholding in Synlait Milk from 17.4 percent to 19.84 percent. a2 Milk’s Chief Executive Officer Mr Geoffrey Babidge reported that the company saw a strategic opportunity after the recent decline in Synlait Milk’s share price. The company has no plans to increase its shareholding in Synlait beyond this 19.9 percent.

Fonterra puts foot on the gas [24 March, Hugh Stringleman, Farmers Weekly] Fonterra Cooperative Group have announced that they have 250,000 litres of ethanol available for New Zealand companies to assist in the production of sanitiser. Ethanol production is being increased at its plants with the aim of making a further 220,000 litres available. Chief Executive Miles Hurrell reports that the co-operative is working with the Government to prioritise for frontline services.

South Island Dairy company launches new formula [24 March, Stuff NZ] South Island Dairy have released their new Sheeprise sheep and Gogo goat milk formulas as well as its Tumtum cow milk formulas. These are now available online and at selected pharmacies. Marketing Manager Gareth Lyness stated that they brought their release dates forward to help those needing formula during the Covid-19 lockdown. The Sheeprise sheep milk formulation is the first made from exclusively sheep dairy ingredients available in New Zealand. The company’s focus is the use of premium ingredients, and all of their products are fully traceable.

Fisheries

Fisherman takes shot at Govt’s aquaculture goal and its environmental ‘myth’ [Peter Watson, 19 March, Stuff NZ] Peter Watson, President of the Marlborough Recreational Fishers Association believes that over-fishing, as well as aquaculture and forestry runoff is destroying the Marlborough Sounds which should be held as a national treasure. The Government announced that they are aiming to increase aquaculture sales from $600,000 a year to $3 billion. New Zealand King Salmon wants to extend its fish farming, despite the fact that other countries have publicly stated that fish farming is not a sustainable method of fishing, whilst it also damages biodiversity. The Scottish salmon farm industry has admitted that there is a mortality of fish around 20 percent, and also emitted around 400,000 tonnes of waste in 2017. Mr Watson also states that domestic supermarket prices for fish are too high, with corporate companies monopolising the industry.

Coronavirus: Sealord offers seasonal work to people whose jobs have been affected [24 March, Stuff NZ] Nelson-based Sealord is offering seasonal work to people affected by Covid-19 during the approaching hoki season. Chief Operating Officer Doug Paulin stated that Sealord’s factory and vessel operations are able to continue for the foreseeable future as an essential service. Sealord usually hires over 300 seasonal workers during the season which are normally filled by visitors, however due to travel restrictions are looking for staff to fill these roles for the season. The company have introduced a range of measures in response to Covid-19 including health screenings, increased physical distance between employees and restricting access to their site.

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**Environment & Emissions**

NZ’s first energy demonstration farm [19 March, Rural News] Lincoln University and the Ministry for Primary Industries have partnered to start the Energy Demonstration Farm, based on a six-hectare farm site which has the aim of finding sustainable energy solutions to help meet the Government’s carbon reduction requirements. The farm will feature solar and wind power as well as bio-fuel and energy storage solutions and aims to provide data for research and innovation. Dr Wim de Koning from Lincoln University is helping to lead the project, and he stated that it is imperative that the agri-food sector transitions to sustainable energy use. The project will discover the most successful solutions so that small to medium sized businesses and farms can assess the viability and put into action the solutions that will work best for them.

**Climate change: Masculine marketing of utility vehicles linked to rising emissions** [22 March, New Zealand Herald] A new research paper has revealed that the masculine marketing of utes and SUVs is a possible barrier to reducing the effects of climate change. Transport is the fastest-growing source of carbon emissions in the country and 8 out of 10 of the highest selling light utility vehicles sold in New Zealand during 2018 were SUVs and diesel-powered utes. Researcher John Horrocks reported that the marketing basically implicated that a ‘real man’ should drive one of these bigger vehicles. Ford Spokesman Tom Clancy stated that their research has shown customers purchase the Ranger because it best suited their lifestyle and it offered good value. New Zealand is currently one of the only developed countries without car emission standards.

**International**

The Rich Meals That Keep Wild Animals on the Menu [19 March, J.B Mackinnon, The Atlantic] Manumea, the national bird of Samoa is close to extinction due to hunting and loss of habitat, as the wealthy seek to consume it and the Samoan Government is on a mission to save it. Many wild foods are now consumed by the elite, as it demonstrates prestige, power and status. The “little dodo” is no longer deliberately hunted, but often killed unintentionally. There is little known about the remaining few birds, as they lie low and are hard to locate. The bird has dedicated conservationists looking after it, as well as international partners such as BirdLife, the Auckland Zoo and the New Zealand Government. The Samoan Government’s top priority for the bird’s recovery is looking into the bird’s call, as if distinguished from similar birds, it could allow for the distribution of sensors to track the bird.

Agribusiness: Solar-powered tractors geared to change small-scale farming [19 March, Nicolette Pombo-can Zyl, ESI Africa] Research organisation AMO has partnered up with Volkswagen to create solar-powered tractors for desert farmers in sub-Saharan Africa. The project is meant to help facilitate sustainable technologies for rural areas. The e-tractor will be rented to villages and shared by communities to help to address the ageing of farmers in the region, as well as decreasing numbers. The e-tractors have removable batteries with a four to five hour battery life which can be used as an independent power source once its performance is in decline. Other technology such as financing apps and more accurate weather predictions are being used in the area to help make farming less intensive and more productive.

E414 supplier backs reforestation in Africa: ‘Our customers will know how many trees were planted thanks to their business’ [20 March, Flora Southey, Food Navigator] Acacia gum manufacturer Alland & Robert has teamed up with environmental charity TREE AID to help finance six projects across Mali, Niger and Ethiopia which will involve planting drought-resistant species of acacia trees. Alland and
Robert will donate depending on how much gum they sell, with a forecasted 3,400 acacias expected to be planted during the year. The manufacturer reports that acacia trees can play an integral role in nourishing degraded soil.

**Coronavirus supply chain management: Lessons from China** [24 March, Katy Askew, Food Navigator] Supply chain software specialist FuturMaster’s Chief Executive Bo Zhou has reported his tips for managing the crisis, and what he has learnt while trying to keep the cogs turning in China after the outbreak of Covid-19. Mr Zhou reports that manufacturers are facing an increase in demand, whilst they attempt to manage new transport and distribution restrictions. FuturMaster have noted a geographical distribution shift in demand due to consumers being stuck at home, with a lot of orders going online instead. Companies need how to learn to manage reduced production and warehousing capacities due to labour shortages, and also face delays in transportation due to restrictions and backlogs. Mr Zhou states that some businesses may need to find another logistics network, whilst closely considering costs and feasibility and also recommends the use of digital technology to help prioritise choices.

**New jobless pressed to work on land** [25 March, Ben Packham, The Australian] Australian’s Agriculture Minister David Littleproud has encouraged newly unemployed Australians to consider going to work in the country’s primary industries to make up for the loss of workers from Covid-19 travel bans. Mr Littleproud reports that the country is easily self-sufficient in food, however primary producers will be facing workforce challenges due to the loss of foreign workers, and that there are plenty of opportunities in the sector.
Organisations referenced in this week’s Field Notes include:

45 South
Agstaff
Alland & Robert
AMO
ASB
BirdLife
Bonz Group New Zealand
Buy Pure New Zealand
Canstaff
Energy Demonstration Farm
Federated Farmers
Fonterra Co-operative Group
FoodHQ
Ford
FuturMaster
Kaipara Kai Hub
Lincoln University
Little Red Farm
Marlborough Recreational Fishers Association
Ministry for Primary Industries
NASA
New Zealand Dairy Careers
New Zealand King Salmon
New Zealand Trade and Enterprise
New Zealand Winegrowers
Plant & Food Research
Post Quake Farming
Rabobank
Red Stag Timber
Roan
Robotics Plus
Sealord
Silver Fern Farms
South Island Dairy
Summerfruit New Zealand
Synlait Milk
Tastewise
The a2 Milk Company
The Auckland Zoo
Thrive
TREE AID
Villa Maria
Volkswagen
Zespri
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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