



AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network



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Agenda 2020**

23 July 2020 – This week's headlines



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Why I believe we need a National Food Strategy

I was delighted to be invited to join one of the Eat New Zealand's Conversations this week which discussed the need for a National Food Strategy. These are the notes I prepared for my opening remarks:

The KPMG Agribusiness Agenda has recognised the need for a vision for New Zealand's primary sector and called for one to be developed since 2012. In 2012, we noted that a compelling vision of what success looks like would assist our food and fibre industries in moving forward more quickly by encouraging collaboration, fostering a closer working relationship between the industry and government and bringing parties with common issues together.

For me the role that food plays in shaping our lives was brought into stark reality when I had a series of heart attacks, closely followed by open heart bypass surgery in September 2017. I spent two weeks in the Cardiac, ICU and Cardiothoracic wards of Auckland Hospital and realised that some of the food choices I had made had shaped the outcomes that I was experiencing. The same applied to many of my fellow patients. This experience shifted my view about our food system from being solely focused on optimising New Zealand's economic

powerhouse to something far more complex and far more personal – the role that food plays in underpinning the opportunities accessible by each and every New Zealander.

Last year, with work underway on the Primary Sector Council's vision (what has become Fit for a Better World, a vision I support 100%) it became increasingly apparent to me that our weaknesses in respect of food related non-communicable disease outcomes has become a health crisis of dramatic proportions. However, it also looked to me to have the potential to become a significant economic handbrake on our economy.

When in OECD terms we only beat the USA in respect of many NCD outcomes, our story around the quality, health and sustainability of the food we produce and our expectation that we will receive a premium for it starts to look flimsy. The US is not globally recognised for good food, but it is known for the number of people left behind by its health systems. Why would premium consumers with access to information about the provenance of the food they choose to eat, believe our stories when our own community statistics are telling a different story.

This encouraged me to talk for the first time at Fieldays in 2019 about the need for our food and fibre industries to play a much greater role in feeding our five million first – something I was

nervous about suggesting but the response was surprisingly positive.

Over the last year my narrative has shifted from needing an industry vision towards a National Food Strategy – a much wider plan covering how our environment is utilised for food and fibre production, the technology and innovation we bring to our growing and processing techniques (something that has become more critical in the wake of Covid and the impact this has had on labour availability), how we ensure appropriate socially and culturally relevant access to food for every New Zealanders, provide knowledge on how to eat a nutritious diet, as well as the role that food plays in creating economic wealth for New Zealanders and connections with people all over the world.

The challenge of addressing these issues in a way that promotes sustainable use of resources and increasing circularity was not lost on me. Despite the politics driven by interest groups across the food system – it is not clear why New Zealand, which is the developed country with the greatest reliance on biological production systems to create the wealth that supports our economy and pays for our schools, roads and hospitals, would be one of the countries in the world without a comprehensive national food strategy.

Covid-19 has highlighted the failings in our food system but also created a unique opportunity for new collaborative conversations to take place. During lockdown we saw the susceptibility of more than a million New Zealanders to food insecurity when the places they access food were closed, while the rest of the population were faced with queues and empty shelves to access food – we collectively recognised our food security is not as robust as we had believed. We also saw food producers, government and NGO's coming together on Zoom to discuss these issues openly and collectively, something that a few weeks before would have been unimaginable.

While we have been focused on Covid-19, to me the biggest health challenges facing our country – heart disease, diabetes, obesity – have continued to claim the lives of New Zealanders

at unacceptably high rates every day of every year. Yet we have no lockdown's or \$50 billion responses to these challenges despite the impact they have on people, families and communities. Without lockdowns and response funds the onus falls on all of us that work across the food system to take ownership of the challenges we face and start to work towards a National Food Strategy.

It is becoming increasingly apparent that Covid-19 is an accelerator – it is making things that were always going to happen, happen faster. We are seeing this in the digital space for example. We also need to see this in respect of the development of a National Food Strategy. In preparing this year's Agribusiness Agenda we talked to 12 diverse voices from across the food system and we got a loud and common message that our food and fibre sector will only be successful if our communities thrive. For this to happen, we need a comprehensive strategy that addresses all aspects of our food system. Now is the time to bring together our diverse food stories, the visions and aspirations held across the food system, understand how the system is failing New Zealanders and lean into the difficult conversations that these competing expectations and priorities will create. We will fail our country and its future generations if we don't use this once in a century opportunity to build something better that will benefit all New Zealanders.

Ian Proudfoot

Global Head of Agribusiness
KPMG Auckland



Agribusiness

[Agriculture keeps on keeping on](#) [21 July, Farmers Weekly] Despite the disruption of the Covid-19 crisis and lockdown, New Zealand's Dairy, meat and horticulture industries are up by nearly NZD\$1b compared with the previous year. Following the release of a New Zealand Institute of Economic Research report, author and principal economist Chris Nixon said that trade resilience has been an important factor, and a combination of robust Asian demand, supply chain flexibility and strong governing institutions all contributed to the results.

[PGW expects \\$23m profit](#) [21 July, Farmers Weekly] PGG Wrightson's Chairman Rodger Finlay has been pleased to announce pre-audited financial results with operating earnings of NZD\$23-24 million for the year end June 20. Mr Finlay stated "To record a trading performance similar to last year in these circumstances demonstrates remarkable resilience given the very challenging operating conditions we have seen over the second half of the year including a global pandemic."



Agri-Tech

[Agri-tech sector ready and ripe for transforming: Tin report](#) [16 July, NZ Herald]

The latest Technology Investment Network Insights report has been released and states that the agritech sector is ripe for both transformation and disruption. The total investment in research & development (NZD\$97.3m), and sales & marketing (\$NZD\$171.4m) across the top 20 New Zealand agritech companies is relatively low and reflection of mature companies focusing on existing customers. The report quotes that "now is the time for disruption" and "There are promising signs, with significant foreign investment in emerging companies such as Robotics Plus and Halter".

[Government to invest \\$11.4 million in agricultural technology](#) [21 July, Stuff NZ] As part of the newly released Agritech Industry Transformation Plan, NZD\$11.4m will be spent directly on Agritech industry development which will include a horticultural robotics academy. Minister Phil Twyford stated "we want to grow a cluster of large agritech firms that can take on the world, and build on New Zealand's agricultural strength". Further investment to the industry is expected as part of the NZD\$84m Sustainable Food and Fibre Futures Fund.

[Ag start-up pioneers bee-powered crop protection](#) [17 July, Food Navigator] Bee Vectoring Technology (BVT) a Canadian Agritech start-up has introduced a natural and organic fungicide to provide an alternative crop protection option for fruit and vegetable growers. BVT fungicide powder is distributed by bumblebees along their pollination route, which is then absorbed by plants and assists in blocking disease. The standard yield increase is 25-30% from using the technology, with a recent blueberry crop trial showing a 77% higher fruit yield than the non-treated control.

[Government announces 'ambitious' agritech plans in Tauranga](#) [21 July, NZ Herald] The Agritech Industry Transformation Plan was launched at the Zespri Head-Office in Tauranga this week, with Minister for Economic Development Phil Twyford and Minister for Agriculture Damien O'Connor. The report comes alongside NZD\$11.4 million in funding to implement the plan, which highlights opportunities for expanding New Zealand agritech both domestically and internationally.

[UK invests £24 million on agritech projects — Is it worth it?](#) [21 July, TechHQ] The United Kingdom Government has committed GBP£24 million to support nine agritech projects across England, Wales, Scotland and Northern Ireland. Funded projects include innovations in fruit picking robotics to technology that enables CO₂ to animal feed conversions. One of the nine projects includes the plans for development of a world first Autonomous Growing System which would control climate, irrigation and lighting to enable the growing of any crop variety in any location.



Alternative Proteins

[Cultured chicken hybrid: KFC develops 3D-printed nuggets from chicken cells and plants](#) [20 July, Food Navigator] KFC is collaborating with 3D Bioprinting solutions, a biotech research laboratory in Moscow, to develop 'hybrid' chicken nuggets available in the Russian market. The 'biomeat' will be made from a combination of chicken cells and plant-based ingredients and the project hopes to have developed a final cultured-meat nugget product for testing by the end of 2020. No country has yet approved cultured meat for consumption, however 3D Bioprinting Solutions co-founder Yusef Khesuani believes Russia's regulatory process will be quicker than most.



Aquaculture

[Projected growth of Golden Bay aquaculture requires '100 new employees'](#) [July 15, Stuff NZ] More than 100 new jobs are expected to be created in Golden Bay between now and 2027 in response to the ongoing success of the Mussel industry. Dave Taylor, the Aquaculture New Zealand technical director has stated that mussel production will triple over the next few years, and alongside Pacific Oysters and king salmon – Greenshell mussels are one of "three champions" in the country's \$NZD600m sector.



Arable

[Crops day back on calendar](#) [15 July, Farmers Weekly] The 25th Anniversary of New Zealand's largest one-day cropping event was planned for March 2020, but plans were abandoned due to Covid-19. Now however, the Foundation for Arable Research's annual Crops day has been re-announced and will be held on a 13ha block on December 2nd at Chertsey, north of Ashburton.



Dairy

[\\$10 payout!](#) [21 July, Dairy News] The sixty Fonterra Co-operative Group organic milk suppliers are highly likely to receive over \$10/kgMS farmgate milk price for last seasons milk according to Fonterra global business manager organic Andrew Henderson. The organic suppliers contributed a total 5 million kgMS last season, with organic products being sold to retailers predominantly across the US, South Korea and Australia.

[Producing milk, the Miraka way](#) [21 July, Dairy News] Miraka Chief Executive Richard Wyeth states that the goal of Miraka is to become the most sustainable dairy company in the world. The Māori-owned dairy company provides financial incentive to those amongst its 1010 suppliers who meet standards across the five criteria of people, the environment, animal welfare, milk quality and prosperity. The company's scheme Te Ara Miraka (The Miraka Way) uses a point system to allocate up to 20c/kgMS extra at the end of the season, maximum points were achieved by five farms this season, and a further 18 scored 90%.

[OCD's milk powder donation](#) [21 July, Dairy News] Open Country Dairy (OCD) has produced 11,000 1kg milk powder sachets that will be given to support The Foodbank Project across New Zealand and assist those facing economic challenges due to Covid-19. OCD Chief executive Steve Koekemoer stated that as a business, OCD is glad to have the opportunity to help those in need. The Foodbank Project distributes 2000 parcels a week, and it is expected that number will double after the Government's wage subsidy is discontinued.

[Dairy prices slip in latest global auction](#) [22 July, RNZ] After two months of consecutive increases and a significant rise of 8.3% at the previous Global Dairy Trade auction, dairy prices have now fallen in a 'correction' with a 0.6% decrease in the most recent auction. However, the wholemilk powder price – a key determinant in New Zealand farmer pay-outs –

rose a further 0.6%. A statement by Rabobank explains that “demand in global dairy has proven resilient and further supported by government financial aid and buying programmes”.



Environment & Emissions

[Burger King in US vows to tackle climate change by changing cows' diets](#) [July 15, Stuff NZ] By adding 100g of lemongrass leaves to the daily diets of cows, Burger King believes they can reduce their methane emissions by 33%. The fast food chain has released its 'Reduced Methane Emissions Beef Whopper' in selected restaurants across the United States. Burger King have released the new product in a social media campaign alongside the results of their ongoing methane reduction studies at the Autonomous University at the State of Mexico, and the University of California.



Farmers & Producers

[Cost control the biggest influence for farmers in latest survey](#) [21 July, Farmers Weekly] Owner-operator profit per hectare for the 2018-2019 season is down to NZD\$2154/ha from the previous seasons NZD\$2238 according to DairyNZ principal economist Dr Graeme Doole. The largest expenses included feed (28.5%), Labour (21.1%), Maintenance and running costs (16.7%) and fertiliser (9.44%). The latest DairyNZ economic survey shows that cost control is still a key driver for farmers.



Forestry

[Forest owners to fund clean-up of debris, logs at Tolaga Bay](#) [21 July, NZ Herald] After heavy rainfall on the East Coast over the weekend, logs and forestry debris have been washed across Uawa beach, with Forestry Owners

Association President Phil Taylor stating that logs could continue washing up for years. Mr Taylor said “On behalf of the forest industry ... I unreservedly apologise to the community for the debris on the beach... the forest industry is committed to cleaning the beach up in conjunction with GDC (Gisborne District Council) ... that planning is underway.”



Food Innovation

[GoodMills Innovation launches healthy aging and immunity boosting wheat germ concentrate](#): [21 July, Food Navigator] GoodMills Innovation, an ingredient supplier based in Germany are releasing a wheat germ concentrate to assist with healthy ageing, immunity and cell renewal. The Project Manager Johanna Imbeck said that the concentrate's high volume of spermidine is the key compound providing the added health benefits of the product, which research has demonstrated to assist in improving the immune system and 'decelerating ageing'.



Fisheries

[Ōpōtiki mussel farm to employ hundreds with \\$5.5m factory investment](#) [20 July, Stuff NZ] NZD\$5.5 million has been contributed by impact investment fund 'Purpose Capital', Bay trust and Eastern Bay Energy Trust to Whakatōhea Mussels at NZD\$2m, NZD \$2m and NZD \$1.5m respectively. This funding alongside a Provincial Growth Fund contribution of NZD\$19m is expected to support 230 new jobs in Ōpōtiki through the expansion of the mussel farm and building of a new processing factory. Whakatōhea Mussels chairman Ian Craig stated that the project is a dream come true, “Now we have the opportunity to invest in our people and our community to build a better future for all.”



Horticulture

[Horticulture aims to 'spearhead' New Zealand's post-Covid recovery](#) [July 16, Stuff NZ] The 'Horticulture Post-Covid Recovery Strategy' was released by Horticulture New Zealand's Chief Executive Mike Chapman on Thursday 16th July. The document has been designed with recommendations for the Government, outlining how the industry which was valued at NZD\$6.39 billion in 2019, could grow to a \$10 billion sector in the next ten years. Leaders in the sector such as NZ Apples and Pears Chief executive believe horticulture sector has an opportunity to lead New Zealand in the Covid-19 recovery.



International

[Danone on achieving site carbon neutrality](#) [21 July, Food Navigator] International Dairy businesses Danone will achieve status of the first baby formula production site to achieve a carbon neutral certification by the Carbon Trust. The site based in Wexford, Ireland has been able to improve productivity while reducing CO₂ emissions in a process started ten years ago. The site employs 350 people and distributes brands to 41 countries across the world.

[The rotten apples of Brazil's agribusiness](#) [17 July, Science Mag] A recently published study has demonstrated that 62% of all potentially illegal deforestation in Brazil's Amazon and Cerrado is occurring from just 2% of properties. The European Union is concerned that importing deforestation contaminated products from Brazil could cancel-out greenhouse gas emission mitigation efforts by their importing countries. This is leading to considerations by the EU of adjusting their Brazilian trade relationship if conservation standards are not improved.



Policy & Regulation

[NZ has to define its regen ag](#) [16 July, Farmers Weekly] Agriculture Minister Damien O'Connor has stated in a recent webinar that New Zealand needs to establish its own definition of regenerative farming. He explained that regenerative has brand value, and that New Zealand already follows many of the regenerative practices associated with the concept. Minister O'Connor also commented on his concerns related to the poor access to quality food experienced by many New Zealanders, and that this reputational risk related to poor nutrition must be addressed.



Research & Development

[Hoof disease reveals mysteries](#) [21 July, Farmers Weekly] Massey University Student Aaron Ying has gained a unique insight into one of the most important infectious cause of cattle lameness, bovine digital dermatitis (DD). The disease is prevalent in overseas confined systems but was believed to be very rare or even non-existent in New Zealand's pastoral system. After assessing 59,849 cows in several herds across the region, Mr Ying discovered the disease is actually widely present on most dairy farms, though if appropriate methods are developed - can be managed effectively due to the early stage of establishment across the country.

[Time for an upgrade](#) [21 July, Farmers Weekly] The Sustainable Food and Fibre Futures Fund has given NZD\$792,000 to develop a new national dairy genetics database in New Zealand. Important data on a range of dairy cow traits will be recorded and collated in the new system, including valuable non-production traits. DairyNZ animal evaluation manager Brian Wickham stated that the upgraded system will have increased independence from Livestock Improvement Corporations database and will also support breed societies with various services.



Viticulture

[Delegat profits up by 37%](#) [16 July, Farmers Weekly] With record case sales reaching 3.3m cases, Wine make Delegat group have achieved a profit increase of 37% year on year to an unaudited value of NZD\$64.1 million for the year to June 30 2020. Delegat's shares have gained approximately 10% over the last year, and the company has the strategic goal of building a premium global wine company.

[Ag contractors frustrated](#) [20 July, Rural News] Rural Contractors NZ (RCNZ) believes that international skilled machinery operators should be allowed back in New Zealand, as the industry grapples with a severe shortage of workers. RCNZ president David Kean stated that the organisation supports the Government's initiatives to train more New Zealanders, but that it is not likely to meet the requirements, offering to meet the expense of two-week quarantine for overseas workers to return to New Zealand and fill the labour gap.



Wool

[Pilot kickstarts shearing training](#) [20 July, Farmers Weekly] The Minister for Regional Economic Development Shane Jones, has said a new NZD\$1.86m investment from the Provincial Growth Fund will be used to create a pilot for the Shearing Training Model programme. The initiative is expected to develop 150 new shearers, and upskill a further 120 existing shearers through an integrated course covering both shearing and wool handling. The first locations for the pilot are Tairāwhiti, Hawkes Bay, Otago and Southland.

[Wool revival coming](#) [17 July, Farmers Weekly] The Vision and Action for the wool sector provides an opportunity to come together and achieve wool's potential according Kate Acland, a farmer in the South Island. However, she notes that the report definitely doesn't provide

any silver bullets, instead – it says “let's make a strategic plan with strategic investment, and this requires bigger outside thinking”.

[A Fonterra of wool is necessary](#) [17 July, Farmers Weekly] Craig Smith, Chairman for the National Council of New Zealand Wool Interests believes that Government's Vision and Action report for wool has fallen below expectations and tells the industry what it already knows. Mr Smith believes that a clear strategy is required, before new structures are established and that there was a lack of consultation.

[Nappies in plan to revive wool](#) [17 July, Farmers Weekly] \$80,000 from the Ministry for Primary Industry's Sustainable Food and Fibres Futures Fund will be given to Woolchemy, an organisation that aims to commercialise its range of biodegradable and disposable absorbent textiles. The non-woven textile sector is valued at USD\$47 billion and Woolchemy believe their no-petroleum, sustainable products are an opportunity to reinvigorate the wool sector- benefiting both farmers, and consumers.

Organisations referenced in this week's Field Notes include

Agritech New Zealand
Bee Vectoring Technology
Burger King
Danone
Delegat Group
Fonterra Co-operative Group
Forestry Owners Association
Foundation for Arable Research
GoodMills Innovation
Halter
Horticulture New Zealand
KFC
Livestock Improvement Corporation
Massey University
Miraka
NZ Apples and Pears
Open Country Dairy
PGG Wrightson
Rabobank
Robotics Plus
The Foodbank Project
Whakatōhea Mussels
Woolchemy
Zespri

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