



AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network



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06 August 2020 – This week's headlines



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What would happen if we gave every farmer \$100,000?

Despite dealing with its own Covid-induced back-pain, the food and fibre sector carried New Zealand on its back through the pandemic lockdown, supporting the economy and the country's nutrition. We've climbed the first hill, but there's another mountain to ascend, with plenty more heavy lifting to come.

The sector finally received some much-deserved recognition in the media and public which has somewhat boosted morale. But it's all relative.

With a pandemic raging across the world, farmer confidence has reached its lowest point since 2009 according to a recent Federated Farmers survey. Though recognition was no doubt gratefully received, farmers understand the reality of the short and medium-term future, with their three greatest concerns being the economic situation, regulation costs, and farmgate prices - in that order.

Where those in agriculture have been offered praise and thanks, what would happen if we gave every farmer \$100,000 to reward them for their contribution, while also using it as a tool for revitalising rural and urban economies?

With 52,000 farms in New Zealand (2/3 of these are Sheep & Beef or Dairy), \$100,000 per farm would be a spend of \$5.2b. Distributed per hectare, our investment would come out about \$375/ha across the country's 14m hectares of farmland.

If those dollars were transferred directly through an automatic bank payment tomorrow - no strings attached - the \$100,000 would likely go directly to debt repayment on higher-interest short-term debts such as overdrafts, as well as some spending on repairs & maintenance. No doubt some regions farmers would also use it to support the feed budget after extreme recent weather conditions too.

Debt repayment would settle some bank nerves and give farmers slightly more breathing room

for increased spending, while R&M would directly support work in rural communities. These all have positive flow-on effects for the wider economy.

Alternatively, the \$100,000 could have a couple of strings attached. \$100,000 provided as an interest free loan, written-off for all spending that goes towards environmental and animal welfare projects. Activities could include shelter belt and riparian tree planting, waterway and wetland fencing, and effluent upgrades.

Though this still gives a choice of how the reward is used, a \$100,000 injection could alleviate some immediate pressures, while also promoting significant economic activity for fencers, tree nurseries, contractors, machinery operators, and many more.

The additional significant benefit is that the money would be a direct investment in environmental enhancement, benefiting the whole country, and able to be delivered by the custodians of over 50% of the country's land area – New Zealand farmers.

We can spend millions on regulations, inspections and prosecutions. We can spend years developing and slowly releasing legislation and disincentivise bad practice through courtroom fines, trickling money off-farm and into pockets of consent fees, administration and lawyers. But sometimes I wonder what would happen if we just gave every farmer \$100,000.

Jack Keeyes

Agri-Food Research and Insights Analyst
KPMG Auckland



Agribusiness

[Ballance returning \\$54m to shareholders](#) [30 July, Rural News Group] Balance Agri-Nutrients will pay a farmer rebate of NZD\$45/tonne after reporting an NZD\$68.9m profit before rebate and tax. With a total volume of 1.6m tonnes of nutrients, feeds and industrial ingredients sold in the year to 31st May 2020, Ballance chairman David Peacocke stated that the industry is entering a new era, and that "...we can look forward to a renewed understanding of the value of the primary sector to NZ global economic future and reputation". The co-op says that NZD\$19.8b of New Zealand's \$45b export revenue is dependent on access to nitrogen fertilisers.

[Ravensdown has a strong year](#) [05 August, Rural News Group] Ravensdown's profit before rebate, tax, and bonus share issue for the 2019-2020 financial year was recorded at NZD\$69m, up \$17m on the previous season. The organisation has finished the year with no debt and an operating cashflow of \$143m, vs \$31 m in the previous year. Eligible farmer shareholders will receive \$68m in rebate.



Agribusiness Education

[Taster course at Taratahi Agriculture Training Centre](#) [31 July, NZ Herald] A new "On the land" taster course is being offered by EIT and UCOL Wairarapa which includes meals and accommodation. The one to six week-long courses are open to 'everyone' and have been designed to introduce New Zealander's to the opportunities and way of life offered by a career in agriculture. The course includes topics such as: Industry and career overviews, farm vehicle operation, fencing, pasture management and farm animals.



Agri-Tech

[Fonterra anchors NZ Azure](#) [30 July, iStart] Microsoft and Fonterra Co-operative Group have announced a five-year deal which will see Fonterra transition to standardise onto Azure as its preferred cloud platform. This makes Fonterra the first main user of the intended Azure data centre set-up in New Zealand. Fonterra's CIO Piers Shore stated that "The platform aims to bring together all parts of Fonterra and build a culture around data".

[Waikato food tech company plans \\$14m research and development centre](#) [03 August, Stuff NZ] BBC Technologies is set to develop a new NZD\$14m Centre of Excellence in Research and Development in the Waikato Region. Chief Executive Geoff Furniss stated that despite impacts of Covid-19, the new centre would still go ahead, and he expects the team to grow from 175 to 300 staff by 2025. BBC Technologies was started on a Waikato farm, and exports to 39 countries as a world leader in sorting and packing machines for small fruits.



Animal Welfare

[New animal welfare regulations approved](#) [30 July, Rural News Group] As of August 2020, new animal welfare regulations will become law, however with a delayed commencement to May 2021 enabling time for adjustment. Ministry for Primary Industries veterinarian and director for animal health and welfare Dr Chris Rodwell stated that ""The majority of the regulations reflect current practice, but some raise the standards under which procedures can be performed."



Biosecurity

[Auckland fishmonger fined \\$60k for importing, selling unauthorised fish](#) [30 July, 1 News]

The Ministry for Primary Industries has prosecuted a fish import and wholesale business 'Khan Brother's Distribution Limited' after illegally importing 'Hilsa' fish from Bangladesh which are prohibited under the Biosecurity Act 1993. The Company Director Mustafezur Rahman Khan received six months community detention and 12 months supervision in addition to the NZD\$60,000 fine. An MPI biosecurity officer discovered the fish being sold on facebook, and Mr Kahn's brother has also been convicted for a related offence at the same Supavalue store.



Dairy

[Dairy factory denied wastewater river discharge but granted release into air](#) [30 July, Stuff NZ] Open Country Dairy (OCD) have had mixed results in their recent resource consent application to the Waikato Regional Council. The second biggest dairy company in New Zealand has been granted consent to discharge contaminants into the air, but has been declined in its application for discharging wastewater – despite the Chief Executive personally drinking some of the water to prove his confidence in the technology used. OCD Directors were hopeful that their NZD\$20m investment in a new treatment plant which they believed would be sufficient to have their submission accepted, and now plan to re-submit their application.

[Fonterra turns to 'Kowbucha' as a possible methane-reducing probiotic for cows](#) [04 August, Stuff NZ] The Fonterra Co-operative group has trademarked the term 'Kowbucha', related to its research in using cultured probiotics to limit cow methane emissions. Fonterra have hundreds of dairy cultures in one of the world's biggest collections, and state they have had promising results in their new methane-reducing fermentations. A final

decision on commercialisation of the product is expected to be about 18 months away.



Farmers & Producers

[South Island job losses as casualty calf collection canned](#) [03 August, Stuff NZ] A confirmation by Wallace Group LP of a stop to dead calf collection in the South Island will mean up to 300,000 calves may be buried on-farm, and a loss of 100-120 jobs. After the crash of skin and rendering prices related to Covid-19, Wallace Group LP met with government officials to discuss funding opportunities to save the industry, however were "disappointed in the meeting and the outcome" according to General Manager Bernie Lynskey.



Food Innovation

[Nufarm welcomes Canadian regulatory approvals for Omega-3 Canola](#) [30 July, ASX Release] Canadian regulatory authorities have approved the world's source of long-chain omega-3 fatty acids from a plant-based source 'Nuseed Omega-3 Canola', developed by Nufarm Limited. It was determined that the refined oil is as safe as traditional canola oil for human consumption and poses no increased environmental risk.

[New Zealand's first food waste to bioenergy facility gets under way in Reporoa](#) [04 August, NZ Herald] Ecogas, a joint venture between Pioneer Energy Ltd and Ecostock Supplies Ltd will begin construction on the first large-scale food waste to bioenergy facility in New Zealand. It is expected that upon completion, the facility will be able to remove up to 10,000 tonnes of carbon dioxide per year, which is the equivalent of planting 218,400 trees annually. The facility is expected to be operational by 2022 and process 75,000 tonnes of organic waste, supporting a reduction in the 327,000 tonnes of food waste that is sent to landfill in New Zealand each year.



Fisheries

[Inaugural seafood awards honour sustainability](#) [03 August, Beehive] New Zealand's first ever Seafood Sustainability Awards have named six winners amongst scientists and fishing operators across the country. Winners include New Zealand King Salmon (The Lee-Fish Limited Award for Market Innovation and Value Added) and Nate Smith (Emerging Leader Award) and Rosemary Hurst – NIWA (Minister of Fisheries Award).



Horticulture

['Amazing' upsurge in veggie-growing amid skyrocketing prices](#) [30 July, 1 News] New Zealand vegetable seed prices have accelerated significantly through the Covid-19 lockdown, as Kiwis looked to improve their veggie gardens. The surge of sales before and during lockdown has continued through winter, with garden centre's reporting a winter demand equal to their Spring peaks. Cauliflower and broccoli seeds have increased by 50%, while courgettes are reported to have reached \$40/kg.

[Legal action begins as illegal kiwifruit plantings in China soar](#) [31 July, 1 News] Zespri believe that the total unauthorised plantings of their Sun Gold kiwifruit in China have increased from 2500 to 4000 hectares over the past six months, reaching levels close to New Zealand's entire plantation area of 7500 hectares. Zespri Senior executive Dave Courtney said that eradication of the plantings is not possible and legal action against a Chinese nursery will begin using the Plant Variety Right law. However, Mr Courtney also stated that Zespri are exploring opportunities for some sort of win-win where they can mitigate spread of the vines, but add value to small scale peasant farmers in China as well.



International

[Mystery seeds from China are landing in Americans' mailboxes](#) [29 July, CBS News] Households from every state across the United States of America have received unexpected packages of unidentified seeds. The packages appear to have been sent from China and the current primary concern is any potential impact of invasive species on United States Agriculture industry. Individuals have been urged not to handle or plant the unidentified seeds, but to store them safely and email USDA.

[Experts worried as fires in Brazil's Amazon rainforest surge in July](#) [02 August, 1 News] 6803 fires have been recorded in the Amazon rainforest for July, and increase of 28% from 2019. This is despite Government bans on fires in Pantanal wetlands and the Amazon which are described by researcher at the Advanced Studies Institute of Sao Paulo as "low effectiveness". With August marking the beginning of 'fire season' and 2020 expected to be drier than 2019, there is widespread concern that another surge in fires, driven by land development, could cause widespread deforestation.

[UN removes anti-meat tweet](#) [31 July, Rural News Group] The United Nations posted a tweet: ""The meat industry is responsible for more greenhouse gas emissions than the world's biggest oil companies. Meat production contributes to the depletion of water resources & drives deforestation" which has subsequently been accused of misleading and irresponsible. The UN has since removed the tweet, which received strong criticism from Australian government and industry with their Minister for Agriculture stating "Rather than denigrate and insult the integrity of our meat producers, we should be celebrating the farmers who help produce the first choice of protein for people globally."

[HEALS Act Provides \\$20 Billion For Agriculture](#) [03 August, Forbes] A USD\$1 trillion bill was unveiled by the Senate Republicans on July 27th which included a single paragraph for the agriculture industry. That paragraph included a USD\$20b additional investment for the Secretary of Agriculture, which is expected to be used in support of Farmers to Families Food Box programmes and Coronavirus Food Assistance Program.

[EU and US agriculture chiefs clash over role of innovation in sustainable farming](#) [30 July, Science Business] An online exchange between the US Secretary for Agriculture Sonny Perdue and the EU agriculture commissioner Janusz Wojciechowski highlighted the key clashes and differences in intentions between the groups. Mr Perdue stated that EU's Farm to Fork strategy will restrict innovation, manipulate trade flow and decrease farming efficiency. This reflects Europe's intentions to reduce pesticide and fertiliser use, increase organic production, and continue a strict stance on gene editing. Mr Wojciechowski argued that the EU will focus on quantity, however this focus may cause a dilemma while Europe also attempts to increase yields and become less dependent on food imports.



Policy & Regulation

[Lawyer questions legality of raw milk raids](#) [31 July, Stuff NZ] An anonymous lawyer has stated he can find no evidence of outbreak or illness from a single farm raided by the Ministry for Primary Industry (MPI) for selling raw milk, despite Official Information Act requests to 13 district health boards. Raw milk sellers have received legal advice to structure their businesses with their customers as shareholders, which enables a 'loophole' to avoid NZD\$10,000-\$20,000 compliance costs. However, as the system has not been tested in court, it is still unknown what precedent would be set by a judge, and instead MPI is being urged to readdress the regulations.

[Farmers fear new lease rules](#) [31 July, Farmers Weekly] The Crown Pastoral Land Reform Bill

will adjust the relationship between the Crown and those leasing Crown land to be on a regulatory basis, rather than a contractual one across the 1.2m hectares. This means that lease applications will be started from a position of decline by the commissioner of Crown lands, unless proposed farming activity is proven to be able to uphold inherent values. Financial viability of farms or economic benefits of activity will not be able to be considered. Philip Todhunter, the chairman of High Country Accord Trust states that the proposed regulation will "strangle farmers and the commissioner in red tape, and environmental outcomes will go backwards" citing that farmers would even need to apply for consent to fence off a wetland.



Red Meat

[PULSE: Weak venison market ahead](#) [31 July, Farmers Weekly] Extremely high airfreight cost and demand disruptions linked with Covid-19 is causing a market drop for venison this year. With a five-year average of NZD\$9.60/kg at peak, this year's forecast of NZD\$7/kg is well below previous seasons. The important European market in addition to United States restaurant markets are looking uncertain due to weak economic activity, while despite an uplift on the venison bid to China, strict border controls on imported foods are creating challenge for the re-uptake of imports.

[The Detail: How China's changing appetite will affect New Zealand businesses](#) [05 August, Stuff NZ] Current dietary trends of Chinese consumers could have significant impact on New Zealand's red meat sector and connected businesses. In addition to the 2016 Government health guidelines of halving per-capita meat consumption by 2030, there is also a growing perception that meat is a carrier of Covid-19. With China currently consuming 28% of the world's meat supply, entrepreneur Jade Gray who has spent 20 years in the Chinese food industry says that it's important for New Zealand to focus on food safety and traceability.

[Alliance's Levin plant helps support specialist prison project](#) [04 August, Farmers Weekly] Alliance Group is supplying split beef shin bones to a specialist treatment unit for men at Rimutaka Prison. Te Whare Manaakitanga Special Treatment Unit was struggling to source the specific bones required for carving, but are now provided a regular supply for Alliance Group's processing plant in Levin. Nicola Perkins, Manager of Psychological Services at the Unit stated "Although many have never done carving before, it can connect them to their culture. It allows them to carve gifts for their whanau and feel they are still part of their communities."



Research & Development

[Are all proteins created equal? The difference between plant and animal proteins](#) [30 July, Stuff NZ] Distinguished Professor Paul Moughan delivered a recent presentation on world food security which highlighted the key role of animal proteins in the human diet. Mr Moughan explained that research conducted by Riddet institute and the Food and Agriculture Organisation of the United Nations (FAO) highlighted the superior amino acid content and protein digestibility of animal proteins when compared to plants. As a result, it is important that foods are not compared on the level of protein alone, but a more comprehensive DIAAS method should be used to compare protein quality.



Trade & Exports

[Global chocolate consumption 'melts' on back of Covid-19 - Rabobank report](#) [30 July, Voxy] Rabobank's recent report 'Consumers Lose Taste for Cocoa Under Covid-19' shows that global consumption of chocolate has shown a significant decrease under Covid-19 restrictions. Reductions have been seen across the US and Europe, leading to a subsequent reduction in demand for cocoa grindings of 10.8% in North America and 8.9% in Europe. According to the report, cocoa is not expected

to continue its growth trend until the Covid-19 recession and social distancing measures are overcome, forecasted for 2021/2022.

[World's largest livestock carrier docks in Timaru](#) [02 Aug, Stuff NZ] The Ocean Drover, the world's largest livestock carrier has arrived at New Zealand in Timaru to pick-up 14,000 cattle for transfer to China. Strict animal welfare controls that have been recently further heightened will be enforced by the Ministry for Primary Industries, which includes requirements related to animal number limits, ship conditions, port disruption contingency planning on arrival, veterinarian support, and post-arrival stock condition reports. Animals exported will be predominantly Friesian and Jersey dairy cows, with some Hereford and Angus beef.

[Quota fill rates low despite deal](#) [31 July, Farmers Weekly] The dairy industry was heavily disappointed with outcomes of the 2015 Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) when it provided minimum opportunity for more trade access. However, Canada, Japan and Mexico have not even delivered on those 'disappointing' agreements, with Canada only filling 12% of CPTPP imports last year, and 4% so far this year while also providing a subsidised milk payment system to domestic farmers that undercut international imports. It is now unlikely that the anticipated NZD\$96m of annual gains through tariff reduction for the New Zealand dairy industry will be achieved.



Water

[Irrigators unveil poll wish list](#) [04 August, Rural News Group] Irrigation New Zealand has released its 2020 election manifesto which requests a focus on water storage in addition to opportunities for partnership with government to support new policies related to monitoring, farm environment planning and innovation. Irrigation NZ's Chief Executive Elizabeth Soal stated that "We want to see this precious resource better managed through the development of a water strategy for Aotearoa."

Organisations referenced in this week's Field Notes include

Alliance Group
Ballance
BBC Technologies
Ecogas
Fonterra Co-operative Group
Food and Agriculture Organisation of the United Nations (FAO)
High Country Accord Trust
Irrigation New Zealand
Khan Brother's Distribution Limited
Microsoft
Ministry for Primary Industries
New Zealand King Salmon
NIWA
Nufarm Limited
Open Country Dairy
Rabobank
Ravensdown
Riddet Insitutie
Taratahi
Wallace Group LP
Zespri

Contact Us

Auckland/Audit

Ian Proudfoot

09 367 5882

iproudfoot@kpmg.co.nz

Auckland/Agri-Food

Jack Keeyes

09 363 3502

jkeeyes@kpmg.co.nz

Auckland/Agri-Food

Andrew Watene

09 367 5969

awatene@kpmg.co.nz

Auckland/Deal Advisory

Charles Widdicombe

09 367 5949

cwiddicombe@kpmg.co.nz

Wellington/Management Consulting

Justine Fitzmaurice

04 816 4845

jfitzmaurice@kpmg.co.nz

Hamilton/Private Enterprise

Hamish McDonald

07 858 6519

hamishmcdonald@kpmg.co.nz

Consultant – South Island

Genevieve Steven

03 307 0761

gsteven@kpmg.co.nz

Farm Enterprise – South Island

Brent Love

03 683 1871

blove@kpmg.co.nz

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