



AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network



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Agenda 2020**

13 August 2020 – This week's headlines



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Embracing failure

“I am not discouraged because every wrong attempt discarded is another step forward”. This Thomas Edison quote inspired me daily when I was a student working towards my PhD in bacteriology. Part of my training as a scientist was not to see failures, but instead see situations where I collected more information, learnt a lesson or completed a piece of the technical puzzle. To learn from the things that didn't give me the answer I had originally hoped for, it was crucial that I documented the conditions surrounding each experiment so that I could objectively, and systemically, understand why the outcome was different to what I had expected.

By nature, humans don't like to fail. It affects our confidence, it's tiring and can cause us to lose perspective. In business, failure is usually expensive; our time and resources are precious and needs to be prioritised and ultimately failure means that our profits are reduced. But if we look back in our personal and professional lives, usually the most important lessons we have learnt have come from the times when things didn't go to plan.

In the primary sector, we have the culture, funding systems and capability in place to support the development of innovative solutions, but adoption of those innovative solutions is often slow. The low adoption rates mean that we are missing out on opportunities to make step changes for our sector.

Why are there low adoption rates of innovative solutions? It could be that there isn't a great need for the innovation, or there is poor communication and marketing about the benefits of the solution. But I wondered has our inbuilt fear of failure a part to play in reluctance to adopt something new, something not fully proven and that isn't mainstream?

Early adoption of innovation, be it technology, equipment or feed, can be a significant investment for the user. It is also high risk in terms of the efficacy of the product and the sustainability of the company delivering the product. The combination of high cost and high risk of failure means that early adoption is unattractive to many. If we don't have early adopters, we miss out on the vital role they play providing insights on the use of the product, feedback and influence in their communities, both in-person and on-line.

What if we changed our approach to the high risk of failure of newly developed innovative solutions? An approach that promotes a culture where failure was embraced as part of the innovation process; even late in the process at user-adoption stage. A culture that plans for failure; documents and communicates openly and widely on the reasons for failure so that the next iteration can learn from previous attempts. An approach that takes a portfolio view to problems, acknowledging that many investments won't provide the answer we hoped for, but all will provide answers to get us closer to transformational innovation. An approach that provides funding, or direct investment support, to de-risk the potential for failure of new technology, or products. Funding that supports much wider adoption of new technology and products.

I believe this approach would result in more successful primary sector businesses and increases in productivity, sustainability and profitability across the sector.

"I am not discouraged because every wrong attempt discarded is another step forward" – Thomas Edison.

Justine Fitzmaurice

Associate Director – Performance Consulting
KPMG Wellington



Agribusiness

[‘High \\$20/hour’ jobs available, but where are the workers?](#) [12 August, Stuff Business]

With the borders closed due to Covid-19, Southland’s Waipounamu Contracting is struggling to find Kiwis to fill the roles to drive its tractors and heavy machinery. The company’s HR Emily Hawker said skilled local agricultural contractors were in extremely short supply and businesses had relied on migrant workers for a long time. It is estimated about 700 skilled machinery operators are needed nationally each season, and rural contractors still need to find nearly 400. The shortage could reduce farmers’ ability to harvest, store feed for next winter as well as sow pasture and crops.



Agri-Tech

[Irish agritech company MagGrow raises €6m for crop-spraying tech](#) [8 August, Silicon Republic]

After winning the 2020 International Innovation award at New Zealand Fielddays online, the Dublin-based agritech business MagGrow raised €6m in a Series A round of funding which brings the total to €18m. MagGrow develops crop-protection tech with operations in Europe, the US, Canada, Australia and more. The new funding will be used to accelerate R&D of new products and applications, as well as building up additional manufacturing capability. The company plans to open an agricultural research facility in the UK this month.



Alternative Proteins

[Robot developed that 3D prints and grills meat analogues in 6 minutes: ‘We are completely disrupting the supply chain’](#) [29 July, Food navigator] Israeli start-up SavorEat has developed an automated system that can 3D

print and cook plant-based meat alternatives with customisation for foodservice, it is planning to set up a pilot with Burgus Burger Bar within a year. Their meat analogues adopt heterogenous structure to offer personalisation and differentiated sensory experience. The CEO of SavorEat revealed recent investments including a \$3m Series A round from Meitav Dash and \$1.75m in Seed funding from Millenium FoodTech will help its commercialisation.

[New protein network to take on world players](#) [11 August, Farmers Weekly]

A new emerging proteins network was launched this month to meet bigger overseas competitions by coordinating New Zealand’s response to the growing food sector. A recent report prompted Emerging Proteins NZ and highlighted that New Zealand needs to strengthen investment and research focus in the sector of plant protein, where global sales surged 17% in 2018. FoodHQ’s CEO Dr Abby Thompson says NZ is capable of growing a wide range of plants for alternative protein industry but with the need of understanding the market, and the biggest barrier is a lack of capital and infrastructure.



Animal Welfare

[Here’s why critics say tick scheme ‘fundamentally flawed’](#) [9 August, Stuff] SPCA

awards its blue tick to egg, chicken meat and pork producers who meet its animal welfare standards, and it is planning to expand the accreditation scheme to include beef, sheepmeat and dairy. Critics say the scheme doesn’t appropriately address the problems of poultry farming in New Zealand. Spokesman for *Direct Action Everywhere* Dr Michael Morris commented on the scheme’s failure to address the problem of using fast-growing chicken breeds.

[Study shows popular insecticides harm birds in the United States](#) [11 August, The Country]

Neonicotinoid pesticides have been used increasingly in the U.S over the past decades, which may have reduced bird populations and diversity according to a paper recently published in [Nature Sustainability](#). Madhu Khanna and colleagues suggest the use of neonicotinoids has a relatively large effect on population declines of important birds and these impacts grow over time, based on their study of neonicotinoid's effects on birds in the U.S from 2008 to 2014.



Aquaculture

[Enhanced process for iwi aquaculture assets](#) [07 August, Beehive releases, Hon Stuart Nash] Fisheries Minister Stuart Nash has introduced an amendment bill to the Parliament, which proposes a limited new discretionary power for Te Ohu Kaimoana Trustee Limited to improve the process for allocating and transferring aquaculture assets under the Maori Commercial Aquaculture Claims Settlement 2004. The Government has an [Aquaculture Strategy](#) to grow the aquaculture sector five-fold to \$3 billion by 2035.



Arable

[Grain yields up by 17%](#) [12 August, Farmers Weekly] The Arable Industry Marketing Initiative (AIMI) survey report for the harvest season 2020 shows New Zealand's final harvest data has grain yield up by 17% compared to the year earlier, while most grain growing countries are reporting significant yield declines. The lack of yields internationally is expected to be supportive for NZ growers in global pricing.



Biosecurity

[Mycoplasma bovis: Zero cases in Southland](#) [10 August, The Country] The Southland farming community has reached zero cases of Mycoplasma bovis, a cattle disease first detected in NZ on 22 July 2017. Estimated economic losses would be \$1.3b if allowing M.bovis to spread, along with substantial animal welfare issues and challenges for farmer to manage the disease within their herds. The Ministry for Primary Industries, DairyNZ, and Beef + Lamb NZ jointly funded and established a Government Industry Agreement Programme, with estimated budget of \$870m (68% provided by government and 32% from farmer levies) for the 10-year Programme.



Dairy

[Fonterra's first wood pellet-fuelled plant will fire up in September](#) [09 August, Stuff] Fonterra Co-operative Group's Te Awamutu plant in the Waikato is finalising on the \$11m power source conversion as part of its move to renewable energy and to reduce emissions. While the factory had used coal to heat its boiler to produce dry milk products, the new wood pellet burner will eliminate 84,000 tonnes of carbon emissions every year and will reduce its coal energy consumption in New Zealand by 10% once operational from 1 September. Fonterra stated it was on target to reach a 20% reduction in energy intensity by 2021 as working towards newt zero carbon emissions by 2050.

[GDT falls as covid 'spooks dairy market'](#) [7

August, Farmers weekly]

Global Dairy Trade (GDT) prices at the first August auction decreased by 5% with concerns in the stability of demand from China, whose share of purchasing dropped to 56% from 62% at the previous GDT event. Whole milk powder suffered the largest fall of 7.5% at about USA\$3000/tonne on average and skim powder dropped 4.6% to levels below \$2500/tonne. Auction volumes have begun to build up in anticipation of the spring milk production.

[New A2 boss will get \\$5.5 million for signing on](#)

[11 August, Stuff Business] The A2 Milk Company announced in statement to NZX on Tuesday morning that David Bortolussi has been appointed as the new chief executive and managing director, expected to commence the role in February next year. Mr Bortolussi will receive AU\$5m (NZ\$5.5m) to compensate for lost benefits at his previous job.

[What's on tap for the milk market?](#) [11 August, Farmers Weekly] Dr Torsten Hemme, US dairy researcher and CEO of the IFCN Dairy Research Network, says that complexity and speed of change are the two rising challenges facing the dairy sector, and that market intelligence is key for farmers, processors, retailers and farm input companies to navigate the challenging market especially in the Covid-19 crisis.

[Fonterra's China strategy: R&D focus on nutrition for beauty and cognition, alongside immunity needs](#) [11 August, Nutra]

Fonterra is building a R&D centre in Shanghai collaborating with Anchor Centre for Certification, and an application centre in Wuhan next year to meet the market demand. The move is part of its China R&D nutrition strategy around beauty, mental health and immune health products. The company has seen an increasing demand for nutrition that supports immune health in light of the Covid-19 pandemic, and physical fitness is another area of market interest.



Environment & Emissions

[New body to cut Australia's food waste in half](#) [7

August, Mirage News] The Morrison Government has announced AUD\$4m in seed funding to create an independent governance body responsible for driving food waste reduction in Australia. Sussan Ley, the Minister for the Environment, says the new body will bring together industry, businesses, government, research institutions and food rescue organisations to tackle the problem, as part of the government's commitment to halve Australia's food waste by 2030.

[Risks to agriculture from climate change](#) [12

August, Farmers Weekly] The consequence of invasive species spread, and the economic costs of extreme events are the two areas of public life most affected by climate change, according to the first National Climate Change Risk Assessment. The report attributes a higher urgency to the costs of lost productivity, disaster relief expenditure and unfunded contingent liabilities due to extreme events. Factors considered in the assessment include trends and projections from business as usual developed by NIWA.



Farmers & Producers

[Profound RMPP results for action group](#) [11

August, Farmers Weekly] A King Country Red Meat Profit Partnership Group facilitated by AgFirst's Steven Howarth has shown substantial improvement in performance. The group decided to use software program FARMAX to provide detailed farm system insight and benchmarking, which Mr Howarth states "has worked really well for them". Performance improvement includes lifting liveweight per hectare by 30-40%.



Food Safety

[Food recall issued after 29 people hospitalized due to Salmonella-contaminated onions](#) [8

August, The Canadian Press]

The Public Health Agency of Canada confirmed 239 cases of illness in the country linked to a recall of U.S.-grown onions over Salmonella contamination. Food science professor Keith Warriner said improperly composted manure or bacteria in irrigation water may be the cause of contamination, and for food safety he suggested “if in doubt, throw it out.”

[The End Is Nearer for ‘Forever Chemicals’ in Food Wrappers](#) [7 August, WIRED Science]

Takeout containers may damage human health as they consist of PFAS, a class of chemicals associated with health hazards including liver damage, birth defects, cancer, and impaired immunity. As food retailers face growing pressure to switch to PFAS-free packaging, the U.S. Food and Drug Administration announced a voluntary agreement with three manufacturers of chemical products used in food packaging to phase out a PFAS called 6:2 fluorotelomer alcohol. Companies such as Taco Bell and Whole Foods have promised to be proactive in seeking alternative food packaging without the chemicals.



Food Marketing

[HelloFresh sweeps away supermarket competition in meal-kit space](#) [11 August, Food

Navigator] The food box company HelloFresh raised its guidance for the third time this year, illustrating strong consumer demand for meal-kit amid the Covid-19 pandemic thanks to “additional demand triggered by a renewed worsening”. Its net profit rose to €115.8m from a €4.8m loss the previous year, and revenue rose to €972.1m from €436.7m. The company also plans to expand in the ready-meal category

unconcerned with competition from retailer’s meal kits.



Fisheries

[Lobster slaughter methods causing significant pain and distress, Animal Law Society says](#) [11

August, Stuff Business] The New Zealand Animal Law Society lodged a complaint with the Regulations Review Committee on June 29, stating that the minimum standards under the code of welfare for commercial slaughter of lobsters should be updated. Research presented as part of a complaint shows that lobsters experience significant pain and distress when chilled and boiled alive. A Ministry for Primary Industries spokeswoman responded it was aware of the association’s complaint and noted regulations were strengthened in 2018.



Horticulture

[T&G reports its 2020 interim results](#) [06 August, ShareChat]

T&G Global’s unaudited financial results revealed the Group’s performance has improved for the first half of 2020, with a 20% increase in revenue to \$671.3m and operating profit lifted to \$19.5m, up from \$6.2m in 2019. Key drivers for the positive results include the revenue increased from its apples division to \$440.5m (up from \$315.4m in 2019), and the revenue growth in its domestic business T&G Fresh with the acquisition of Freshmax New Zealand. T&G Global Chief Executive Gareth Edgcombe says the Group’s results demonstrate that its ongoing transformation from a commodity exporter to a customer-led premium fresh produce business is shifting the business forward.

[NZ Apple Industry On Track To Become A Billion-dollar Export Business](#) [5 August, Scoop Business] New Zealand Apples and Pears Inc (NZAPI), the representative industry body for the

apple, pear and nashi industry reported the highest ever total export returns of \$870m for the year ending March 2020 (pre-Covid), which is a \$500m increase from the past 8 years largely driven by value rather than volume. NZAPI chief executive Alan Pollard says the industry is well placed to reach its \$1b target by 2022 and \$2b by 2030, and the focus for next year will be the rebuild and recovery post-Covid.

[Kiwifruit industry urged to 'ramp up' capital planning - report](#) [13 August, Voxy] A recently released report by Rabobank is calling for significant investment in New Zealand kiwifruit's post-harvest segment to support the continued strong international demand for export products from the sector. Global demand for Zespri kiwifruit is expected to reach 300 million trays by 2028, a 46% increase on 2019 volumes.



International

[Endangered Brazilian monkeys get a bridge to themselves](#) [8 August, Stuff] The habitat for golden lion tamarins has been shrinking over decades of rampant deforestation, along with the animal trafficker are putting them at risk of extinction. The number of individuals remained was 200 when Scientists began conservation in the 1970s, which had reached 3400 in the most recent census by AMLD in 2014. To help conserve the species, an overpass on a highway in a rural area outside Rio de Janeiro, Brazil was finished in late July following a court order. Recently planted trees will allow the primates to safely cross the busy highway between a biological reserve and an ecological park transformed from a farm.

[Global food prices rise in July](#) [6 August, Reliefweb] The benchmark UN report shows global food prices continued rising in July, led by vegetable oil (FAO price index up 7.6%) and dairy product (up 3.5%) while meat and rice prices declined. The Food and Agriculture Organisation's Food Price Index, which tracks

international prices of most commonly traded food commodities, increased by 1.2% in July from June and is nearly 1% higher than the same period last year.



Policy & Regulation

[Funding boost for sustainable food and fibre production](#) [06 August, Beehive releases, Hon Damien O'connor] Agriculture Minister Damien O'connor announced 22 projects to bolster the sustainability and climate resilience of NZ's food and fibres sector, with \$18m funding targeted towards 3 priority areas: fresh water mitigation, climate adaptation, and climate change extension. The government aims to boost primary sector export earnings by \$44b over the next decade, aligned with the *Fit for a Better World* plan. These projects will help farmers use land more sustainably, stay prosperous and better respond to the climate change. Details of all the projects available here.



Red Meat

[Red meat exports record 7% increase year on year - MIA](#) [06 August, Voxy] Despite the COVID-19 disruption, New Zealand's red meat exports totalled \$9.4b (up 7%) for the year ending June 2020, according to the Meat Industry Association (MIA). China remained the largest market at \$3.7b (up 24%), followed by the US at \$1.7b (down 1%) and the UK at \$453m (down 3%). The overall exports value of sheepmeat increased by 4% at \$4b, beef increased by 15% at \$3.8b, and co-products largely remain unchanged at \$1.6b. MIA Chief Executive Sirma Karapeeva said NZ's product diversification strategy is a strength of the meat processing and exporting industry, and there is continuing strong international demand for NZ red meat despite the global volatility.



Viticulture

[Native wētā are eating grape buds in Marlborough](#) [10 August, Stuff] New research confirms that wētā are eating grape buds and sap in the eastern Awatere Valley in Marlborough. Concluded from direct observations, lead author Dr Steve Trewick reported that wētā do climb and forage on vine buds, they also live directly under the vines potentially due to irrigation during the driest time of year. Researchers found little evidence that plastic sleeves reduce the rate of wētā climbing onto the vines. Dr Trewick suggested for growers to accept grape loss to wētā as part of the business could be the sustainable way forward.

[Wine exports enjoy online sales surge, but wineries ill prepared for digital demand](#) [10 August, Farm weekly] Exploring the performance of the wine industry in Australia, a surge in online and takeaway liquor orders has helped to resist the hit of Covid-19 on its wine. Wine Australia's chief executive officer Andreas Clark said demand had held up in most countries despite disruption to worldwide wine markets due to closure of pubs, bars and restaurants. For the last financial year, Australia's total wine exports fell by 1% to \$2.84b in value for the first time in decades.

Organisations referenced in this week's Field Notes include

A2 Milk

AgFirst

DairyNZ

Fonterra Co-operative Group

FoodHQ

HelloFresh

IFCN Dairy Research Network

MagGrow

New Zealand Apples and Pears Inc

New Zealand Animal Law Society

NIWA

Rabobank

SavorEat

SPCA

T&G Global

Waipounamu Contracting

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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