



AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network



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27 August 2020 – This week's headlines



Apiculture

[Honey more effective than conventional cold medicines, Oxford University study finds \[21 August, One News\]](#)



Red Meat

[Growing demand for antibiotic-free meat \[21 August, Farmers Weekly\]](#)

[RMPP Action Network Programme extended \[26 Augrmppst, Farmers Weekly\]](#)



Farmers & Producers

[Farm sales bounce back \[25 August, Farmers Weekly\]](#)



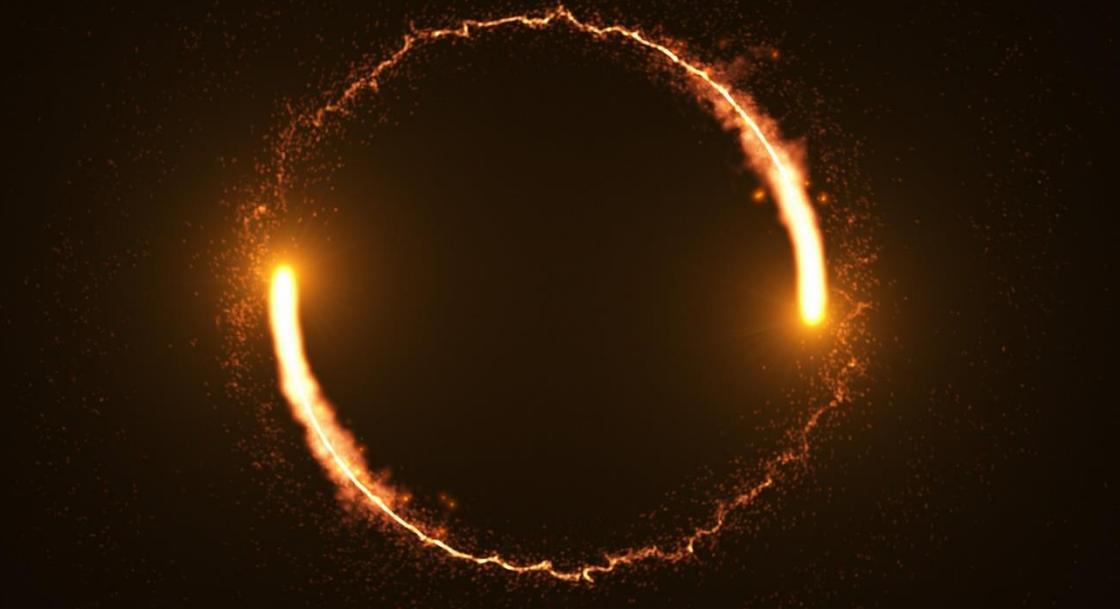
International

[Lever VC raises \\$23M to invest in early-stage alternative protein companies \[20 August, Food Divelever\]](#)

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Elimination is a finite game that no longer matters, as the rest of the world adapts to the new rules of the infinite game

Another two weeks sat at home in Auckland with the re-emergence of Covid-19 in our community has given me time to think further about the impacts the pandemic is having on our individual wellbeing, our community and global society. Re-reading the 'Now Normal Future' paper, we released in May, confirmed much of the analysis remains relevant, but in hindsight we got the title wrong. It was premature to have framed the report as being about a world emerging from Covid-19. It has become clear that what we were writing about in May was how the world would start to adapt to the long-term realities of the pandemic rather than how it emerges from a dramatic short, sharp shock to the system.

During both lockdowns, 1pm in our house has become "Dr Ashley time" when we tune in to the Director General of Health's press briefing on the latest case numbers and changes to the settings by which we are required to live our lives as New Zealand unites against Covid-19. The nature of the language used during these briefings has been enlightening. There has been

talk of defeating the virus, winning the battle and returning to normal as quickly as possible. Finite language that views the response to the pandemic as an exercise with a clear beginning, middle and end, much like a game of sport, and then life reverts to how it used to be, and we carry on as we always have done.

Hearing such finite language, reminded me of the article we wrote in the 2019 Agribusiness Agenda on Simon Sinek's 'Infinite Game' concept. The idea that rather than business (or life) being about a series of finite victories, it is actually about recognising we operate in an environment without a beginning, middle or end. A game where the players and rules change continuously, and success is being a long term, sustainable player.

As Covid-19 started to influence our lives in February and March, I saw it as finite game, something that would be beaten quickly. I retained travel bookings for May and anticipated I would be taking those trips. I believed the virus, while disruptive, could be beaten and life would resume. The finite language in March that the battle could be won resonated and the go hard and go early strategy, even if it seemed to lack a robust economic rationale or analysis, made sense.

What has become apparent is that we are not looking at an event analogous to a rugby match

or even a cricket test (it is a tricky virus as we have heard many times in recent days). This is not a finite game with victory being possible. The pandemic has moved the playing field, changed the players and rewritten the rules of the game, it has fundamentally transformed the global infinite game we consistently strive to remain relevant within. As a consequence, the desire to vanquish the virus no longer makes any sense; we would win a game that the world is no longer playing. As cases have mounted it has become apparent that those countries and companies that give themselves the best chance of remaining as sustainable players in the game are those that adapt quickest to its new rules.

The discussions we are having with clients and contacts around the world confirm this view. The game is no longer elimination but adaption; what needs to be done to enable communities to live and function with the virus ever present in their midst; to balance the demand for available health facilities with the economic costs of lockdown and the social toll that the virus takes on vulnerable people in our society.

People around the world are learning to live and thrive within the confines of the new rules (social distancing, tracing, masks, sports events without crowds, travel restrictions and quarantine) to enable their economies to restart. Business is also making the necessary decisions to right size their operations and align product offerings to the new economic realities. They are all adapting to the new rules of the infinite game rather than trying to win a finite game that with six months experience now seems irrelevant. From New Zealand's perspective, there is no doubt our initial success in responding to the virus has enabled us to return back to last year's way of life more quickly than most of the world. The trouble is last year's way of life is just that, last year's way of life which seems irrelevant and out dated to those that are adapting to the new rules. We are Truman living the idyllic life of yesteryear in 'The Truman Show' while the rest of the world is in on the secret and knows things have changed. Adapting to the new rules of the game is changing how consumers think about

health, safety, traceability, provenance and many other attributes of the food they eat.

As we sell our food, fibre, beverages and experiences to the world to create wealth; playing the same game as the rest of world is critical if we are to benefit from our early success and the perception this has created of New Zealand being a safe country. Our consumers are expecting the organisations they buy from to be playing to the same rules as they are, to help keep them and their families safe. To understand these expectations, we need to be closer than ever to our consumers, meaning there is an urgent need to re-establish all the connections we have historically had with the world. We now need brave leadership that steers the country towards a reset, one which sees us adapt to the new rules of the infinite game.

As one CEO put it to me recently, we have been able to afford to have one year remote to market, particularly when the market has also been at home and ready to Zoom. However, as the market gets back out into the real world, another year away would reduce our relevance which will take years to recover. Now is the time to ensure we are playing the same game as the rest of the world and setting policies to ensure we are sustainable players in the only game that really counts.

Ian Proudfoot

Global Head of Agribusiness
KPMG Auckland



Agribusiness

[Fertiliser company ordered to remove misleading claims](#) [21 August, Stuff Business]
Fertiliser companies Quin Environmentals Limited and Ballance Agri-Nutrients Limited had a dispute over marking claims about their phosphate products in the Auckland High Court. Ballance alleged Quin had engaged in misleading or deceptive conduct in breach of the Fair Trading Act. The court found Quin's Algerian phosphate rock didn't meet the Fertmark code standard of RPR in New Zealand and its advertising is a breach of the FTA. The dispute ended with a permanent injunction for Quin to remove the misleading claims from its marketing of Algerian phosphate rock.

[A2 in discussions to buy 75% of Mataura Valley Milk for \\$270 million](#) [21 August, Stuff Business]
The A2 Milk Company is negotiating a purchase of 75.1% interest in the Southland dairy company Mataura Valley Milk for NZD\$270 million. The offer would value the business at about NZD\$385m. The announcement was made to NZX only days after A2 announced a 34% year-on-year increase in profit after tax to a record high of NZD\$386m. A2 plans to move into infant formula manufacturing with Mataura Valley's facility in Southland.

[Millions of tonnes of food at risk without foreign contractors, farmers say](#) [26 August, Stuff NZ]
Rural Contractors New Zealand stated the lack of skilled machine operators could cause contracting businesses to lose NZD\$65 million worth of business this season, and the sector is desperate for border exemptions to get heavy machinery operators from overseas to fill the gap. A new survey from rural contractors shows that farmers risk losing NZD\$110 million and waste 27 million tonnes of food if the Government does not allow at least 200 skilled heavy machine operators into the country.

[Food parcel demand back at lockdown-scale levels in Auckland](#) [21 August, RNZ]

Auckland City Mission, a charity that distributes free food parcels for people in need, says demand has returned to levels seen during the first Covid-19 lockdown. City Missioner Chris Farrelly stated the organisation was handing out about 1200 food parcels a week, which is three times more than a normal week before Covid-19. Continued support from the community would be crucial for charity as it prepares to see this continue for the long-term.



Agribusiness Education

[Covid 19 coronavirus: Plans for female-only farm training institute](#) [20 August, The Country]

Laura Douglas is preparing to open a women-only farm training institute 'Fairlight Foundation' in Northern Southland. Starting small, the 12-month programme will have its first intake of three women next year. With the value of being community minded, well, professional and proficient, Fairlight Foundation aims to create mentors and role models in the rural industry to positively influence other women. In late 2016, Ms Douglas established a successful agritourism venture Real Country and she is hoping to get an operating manager for the business after the Covid-19 lockdown and border restriction.



Agri-Tech

[Power in on-farm ag tech](#) [20 August, Farmers Weekly]
The Digital Pathway to Power report created by agribusiness banking group Rabobank suggests the growing complexity of on-farm decision-making requires farming related individuals and companies to better use technology. The report outlines a framework to enhance the capability of technology in the sector, which highlighted collection of the right data and automatic transfer of data to analytical platforms safely and timely as the pain point for

many farmers globally. “The intellectual power to optimise many on-farm decisions has now moved beyond human capacity and there is a greater need for technology to play a central role,” said analyst Wes Lefroy.



Apiculture

[Honey more effective than conventional cold medicines, Oxford University study finds](#) [21 August, One News] [Research](#) by Oxford University found that honey helps to combat antimicrobial resistance and it is more effective and less harmful than conventional cold medicines. New Zealand honey industry has experienced a boost in sales during the pandemic, with exports increasing by approximately 20% on the previous year. CEO of Apiculture NZ Karin Kos expects to see continued growth in both export and domestic revenue for honey.

[Comvita gains height](#) [26 August, Farmers Weekly] Comvita has reported strong second-half earnings of \$13m to reverse the first-half loss of \$8.8m. Revenue increased by 14.5% to \$196m, and a \$50m capital raise in June has reduced net debt to \$15.5m at year-end from \$89m on the previous balance date. The positive second-half performance was driven by an 11% growth in revenue from China and 66% from the US, by contrast sales from Australia and New Zealand dropped 24%.



Aquaculture

[Coculture brings environmental and economic benefits](#) [21 August, Stuff Business] A research paper in the latest *NZ Journal of Marine* shows that Integrated Multitrophic Aquaculture (IMTA) - also known as coculture - could bring environmental benefits and provide significant revenue for marine farmers. Researchers say New Zealand aquaculture is flexible for implementing IMTA under different conditions to help the industry grow sustainably. But



Arable

[Arable sector must determine its future](#) [20 August, Farmers Weekly] Foundation for Arable Research chief executive Alison Stewart believes the arable sector could play a key role and be more recognised in New Zealand’s agri-economic development in the next five years. Covid-19 lockdown has made the public recognise the value of having a local grains industry. A strong demand for locally produced animal feed driven by the drought conditions in the North Island also demonstrates the role of the arable sector in sustaining the New Zealand economy. Ms Stewart suggested FAR can deliver the research to show the benefits of arable cropping and the entire section should work together to drive more positive changes.



Dairy

[Sheep milker looks to future](#) [18 August, Farmers Weekly] Running a small farm amid lifestyle blocks near Christchurch, Ian MacDonald and Tanya Whiteford created a fully self-contained mobile sheep milking plant, which has earned the inaugural B.linc ‘Celebrating Success Innovation’ award for on-farm design. The entire plant can be operated by one-labour unit with low running costs. Mr MacDonald doesn’t intend to make more and sell the plant, but to “make wholesome food in a sustainable way”.



Environment & Emissions

[Milk tanker drivers learning to save on fuel and reduce emissions](#) [26 August, Stuff NZ]

With about 1600 drivers and a milk tanker fleet of 484 across New Zealand, Fonterra Co-operative Group is using technology to improve their truck efficiency and reduce emissions. Thanks to the Tanker Activity Management System which collects real-time data on board each truck, drivers can learn and improve their driving styles. Driver trainer assessor Simon Aykroyd were pleased to share that drivers saved 16,000 litres of fuel and more than 45 tonnes of CO2 emissions in the past year.

[Fertilisers can increase the carbon sucked from the atmosphere](#) [25 August, Stuff NZ]

New research published in the journal Plant and Soil suggests that nitrogen fertiliser can boost the long-lived greenhouse gas carbon dioxide absorbed from the air and stored in soils. Nitrogen fertiliser has been blamed for polluting waterways and creating the long-lasting greenhouse gas nitrous oxide, but the effect might be countered by its climate benefits as the new findings revealed.



Farmers & Producers

[Farm sales bounce back](#) [25 August, Farmers Weekly] Real Estate Institute of New Zealand (REINZ) data shows farm sales had a 15.6% increase for the three months ended July compared to the same period last year, prompting guarded optimism in the rural real estate sector. REINZ rural spokesperson Brian Peacocke said the sales volumes are still well down on the same period in 2018 albeit improved from 2019, indicating the sector is still in a recovery phase.



Farming Systems

[Beefed up for dairy](#) [21 August, Dairy News]

With animal welfare a growing focus moving forward, dairy farmers are paying more attention to retaining bobby calves. It is also aligned with a more targeted approach to artificial breeding for farmers to elite dairy bulls. LIC is offering dairy farmers a variety of beef options with value-adding features such as short gestation length and striking coat colours. LIC says the key is to understand different breeds and base farmer selection on the desired outcome.



Food Safety

[Tesco blackmail plot: Nigel Wright contaminated baby food](#) [20 August, BBC]

Nigel Wright, a farmer in Lincolnshire, UK, was captured on CCTV placing metal shards to contaminate baby food on the shelf of a Tesco supermarket in a plot to blackmail the store. He was convicted of three counts of blackmail and two charges of contaminating goods. To be sentenced on 28 September, Wright may face a custodial sentence ranging 8 to 17 years. The contaminated jar discovered in Scotland prompted Tesco to issue a product recall. A total of 42,000 jars of baby food were recovered with no evidence that further jars were affected.



Fisheries

[Banned fisherman clocks up 10th offence with undersized paua](#) [19 August, Stuff NZ]

Factory supervisor Nathan Christopher Gerrard, 34, was caught collecting undersized paua while banned from fishing in November last year. Following nine separate fisheries offences on six occasions, Gerrard received a prohibition order from the Napier District Court banning him from doing "any fishing activity" on September 2018. He was fined NZD\$3000 and ordered to pay court costs.

[\\$8.2 million boost for Kōpū project](#) [20 August, The Country] Infrastructure Minister Shane Jones announced an NZD\$8.2m funding for Kōpū towards planning and construction of a new access road, upgraded boat ramp and carpark. It is planned to transform Kōpū into a centre for marine servicing across the Hauraki Gulf and connect it to the Paeroa wharf. The government investment will support employment in the local community and provide alternative marine-servicing options for vessels in the surrounded areas, said Minister Jones.



Horticulture

[Seeka posts strong six-month profit](#) [20 August, Farmers Weekly] The orcharding and post-harvest company Seeka reported a 55% increase in profit and a 5% increase in total revenue for the six months to 30 June, partially driven by a taxation change benefit and increased underlying earnings for the period. The company expects lower operational earnings in the second half of the financial year given the lower fruit volumes in store and an earlier selling season, according to Seeka's chief executive Michael Franks.

[Plans to be drawn for new Katikati Innovative Horticulture facility](#) [20 August, The Country] Katikati Innovative Horticulture Project now has more than \$290,000 to warrant the plans being drawn up before starting construction of the horticulture facility at Katikati College. Estimated to cost \$432,000, the purpose-built facility will bring together educational, skills and training providers to students of the horticulture industry. Project manager Hilary Johnson looks to open the facility and start welcoming students in mid-2021.

[Exemption at Auckland border for horticulture a relief for frustrated growers](#) [21 August, One News] The Covid-19 checkpoints along the Waikato-Auckland border have caused numerous delays in harvest work. However, the growers have now been assured they will be able to operate under a broad class exemption for horticulture which is under way. The Ministry of Health had granted more than 1,000 exemptions and declined 100 as of August 20, while 7,800 applications are in the review.



International

[Lever VC raises \\$23M to invest in early-stage alternative protein companies](#) [20 August, Food Dive] Alternative protein venture capital fund, Lever VC, has raised its first fund of \$23 million, which will be used to target early stage plant/cell-based protein and alternative dairy companies for investment. The Spoon reported that Lever VC plans to make 20-25 investments with its new fund and it has already invested roughly \$5 million in 10 companies. A study suggested growing consumer interest in the plant-based food during the pandemic, which outpaced general food sales growth by 35% according to SPINS statistics for the 16 weeks ended April 19 this year.

[Nestlé launches plant-based Vuna with 'rich flavour and flaky texture of tuna'](#) [20 August, Food Navigator] Nestlé launched a six-ingredient vegan alternative to tuna – Vuna, on August 20 in Switzerland. The product has been prototyped and tested in some retail outlets, and will be available both chilled in glass jars and as plant-based sandwiches. A spokesperson of said Vuna mimics the flavour and texture of the real tuna, it contains all essential amino acids but no artificial colourings or preservatives.



Red Meat

[Alliance distributes \\$5m to shareholders](#) [19 August, Rural News] Red meat cooperative Alliance Group will be paying \$5 million to its Platinum and Gold shareholders who supply 100% of their livestock to the company. Farmers also receive additional payments on a per-farm basis. A total of \$13 million has been distributed to loyal shareholders for the 2019-20 season. Alliance Group chief executive David Surveyor says the loyalty programme provides Platinum and Gold shareholders with a host of benefits and it is an important part of the co-op's strategy.

[Ribeye steaks from record 946kg Wagyu steer to be auctioned for charity](#) [20 August, The Country] Last week First Light processed a record 946kg Wagyu steer from Evan and Clare Chapman of South Canterbury's Rockburn Farming. One Rockburn ribeye weighing approximately 6.8kg will be auctioned for the charity Kids Can. "We're keen to see this remarkable meat go to a Wagyu enthusiast here in New Zealand - and to support a charity doing important work in our schools and early childhood education sector at the same time," said First Light Managing Director Gerard Hickey.

[Growing demand for antibiotic-free meat](#) [21 August, Farmers Weekly] As customers become increasingly conscious of their food choice, there has been a surge in the market demand for antibiotic-free meat despite global markets being generally subdued. Danny Hailes, Alliance general manager of livestock and shareholder services, said the demand for antibiotic-free meat has been growing steadily and the co-operative is paying a premium of 15c per kg for antibiotic-free lamb. This premium is through the Raised Without Antibiotics programme, which involves farm audits to provide assurance over the products that are RWA certified.

[Meat companies forced to divert product](#) [21 August, Farmers Weekly] In response to the growing demand of cooking at home due to the lockdown, meat companies are switching products from food service to chilled retail markets with changes in portion sizes to target mid-week meals. AgriHQ senior analyst Mel Croad said sales increase in chilled product is beneficial for both exporters and producers but it may be hard to gain further traction beyond what's already being achieved.

[Not so deer: Venison hits six-year slump due to Covid-19](#) [24 August, One News] This spring is expected to see returns for deer farmers slump to a six-year low, as the Covid-19 pandemic has lowered demand for venison consumed at restaurants. With the high-demand winter season approaching, many of New Zealand's 1400 deer farmers are preparing to get their stock ready for processing. Deer Industry NZ chief executive Innes Moffat said the sales are hard due to the lack of restaurant trade, and a full recovery would take time.

[RMPP Action Network Programme extended](#) [26 August, Farmers Weekly] The Red Meat Profit Partnership (RMPP) Action Network programme, an initiative to support farmers developing the confidence to turn ideas into action on-farm, has been extended. Beef + Lamb New Zealand (B+LNZ) will now be delivering the programme on behalf of RMPP until March 31 next year.



Research & Development

[Right genetics could reduce leaching](#) [21 August, Dairy News] CRV Ambreed states that widespread use of genetics for low-N dairy cows could result in a 20% reduction in nitrogen leaching in 20 years. Lincoln University's recently-published research on pasture-based grazing systems reports that cows with lower milk urea nitrogen (MUN) breeding values have a lower concentration of nitrogen in their urine. CRV Ambreed's head geneticist Phil Beatson says a strategy of using the MUN genetics would be useful across NZ, and particularly on the free-draining soils where the urinary nitrogen leached is higher.



Rural Communities

[Platform launched to support Aucklanders in lockdown](#) [19 August, Farmers Weekly] An online platform, Kia Kaha Auckland, has been created by a group of rural people to show support for Aucklanders in the covid-19 lockdown. The group's spokesperson Lee Astridge said "This is a way the rest of New Zealand can show the Auckland Team's City of 1.9 million that the rest of the team of five million was thinking of them and wishing them strength in adversity."



Trade & Exports

[Live export ship to take 7300 cows from Napier to China](#) [21 August, NZ Herald] Approximately 7300 breeding cows are being exported from Napier to China with the purpose to develop the Chinese dairy and livestock industries according to an MPI spokesperson.

Animal rights activist group Safe has raised concerns about the exports regarding inhumane slaughter, and MPI responded that animals are not permitted to be exported for slaughter, with new animal welfare regulations also requiring a status report from importers after the animals have been delivered.



Wool

[Armadillo Merino aims for the moon](#) [19 August, Farmers Weekly] Wool clothing company Armadillo Merino is taking the versatile Merino wool to a whole new level as Armadillo clothing is now being considered for astronauts involved in NASA's 2024 expedition to the moon. Armadillo designs high-performance-base layer Merino wool clothing for those working in extreme conditions such as firefighters, policemen, adventurers and sportsmen.

[Record low wool prices edge up](#) [20 August, Farmers Weekly] A small recovery in crossbred wool prices along with good demand for new season's lambswool is giving crossbred wool growers more confidence. Strong wool prices dropped 25-40% at the resumption of NZ's market with a further 10-15% down in June, but recovered in July and early August to prices closer to pre-covid level. New businesses to India and China are the driving markets and supply of pre-covid orders resumed to Europe.

Organisations referenced in this week's Field Notes include

AgriHQ
Alliance Group
Apiculture NZ
Armadillo Merino
Auckland City Mission
Ballance Agri-Nutrients Limited
Beef + Lamb New Zealand
Comvita
CRV Ambreed
Deer Industry New Zealand
Fairlight Foundation
First Light
Fonterra Co-operative Group
Foundation for Arable Research
Katikati College
Lever VC
LIC
Lincoln University
Mataura Valley Milk
Ministry of Health
Nestlé
NZ Journal of Marine
Plant and Soil
Quin Environmentals Limited
Rabobank
Real Country
Real Estate Institute of New Zealand
Red Meat Profit Partnership
Rural Contractors New Zealand
Seeka
Tesco
The A2 Milk Company

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