



AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network



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1st October 2020 – This week's headlines



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Can we predict the future?

In February of this year, I was very lucky to travel to Silicon Valley, California to attend a foresight practitioner training course at The Institute for the Future (ITF). At the time, there were some reports of Covid-19 emerging but I had no idea how my day to day life was about to change within a few short weeks. While I attended the training course, California reported its first Covid-19 case and that day a sign was placed on the door of our training venue "Due to Coronavirus, no handshakes please". What has now become normal practice, seemed so strange at that time; a signal of what was racing towards us to invade our personal and professional lives.

When I heard that I was going to have the opportunity to attend foresight training, I was excited but sceptical. I'm an analytical person by nature, I use data and evidence to inform my decisions and recommendations to my clients. Foresight seemed like a cross between being a visionary and marketing; easy on the evidence and heavy on the self-belief. Will I learn how to predict the future? This didn't sound like me, but

I went with an open mind and willingness to learn.

On the first day of training, my initial impressions of foresight were completely turned on their head. IFTF teaches a foresight framework which resonates with my analytical mind; four stages:

- 1) Prepare: plan, research and gather evidence.
- 2) Foresight: develop multiple visions of the future.
- 3) Insights: define what the multiple futures mean for my organisation
- 4) Action: identify and prioritise actions for my organisation.

The framework is abundant in practical tools that can be easily picked up and applied to all industries. I quickly realised that implementing a foresight mindset and practice is accessible and will deliver benefit for our organisations and our food and fibre sector.

Unfortunately, I didn't learn how to predict the future! Foresight is not about predicting the future; no one could have foreseen a worldwide Covid-19 pandemic. But foresight can be used to think about the future systemically, create multiple possible futures that help organisations

to build readiness and resilience into their business models to respond to uncertain events.

We may not have been able to predict Covid-19 but organisations who planned for alternative future scenarios have been at an advantage in this pandemic. Envisaging alternative futures, rather than assuming the status quo will continue into perpetuity, allows us to anticipate long-term threats and opportunities. This practice also challenges our tightly held assumptions about our business models, our employees and our customers. Covid-19 has taught us that some part of our businesses we thought impossible to change, had to change overnight and did so successfully. Covid-19 also taught us that other parts of our businesses we assumed were very flexible were broken and we had to adapt very quickly. Implementing foresight would give us more certainty around the assumptions we often hold too tightly.

IFTF held a virtual conference last week, usually held in person but this year required an innovative approach. I really enjoyed the energy and passion of the speakers and two quotes stood out to me as valuable lessons for implementing foresight:

In a session on how to make foresight urgent in your organisation, two presenters quoted Socrates “the secret of change is to focus all of your energy not on fighting the old, but building the new”.

Dr. J Nichols spoke movingly about the loss of his beloved home in the very recent Californian fires. When asked how organisations can be future ready, he answered “we should build our organisations to fall apart beautifully...to create something new from something broken”.

What do you think about foresight? Do you think it would be valuable to your organisation?

Justine Fitzmaurice

Associate Director –
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Agribusiness

[Longest running ag field days all go](#) [25 September, Rural News]

The South Island Agricultural Field Days will celebrate its 70th anniversary in March 2021, and with a bigger demonstration area to showcase both large and small machinery to the attending public. Chairperson Mechaela McLeod said it is 'the perfect place for farmers, contractors and our industry to come together and share their stories, celebrate their successes and look for opportunities to improve their businesses'. Exhibitors can now book a site from their website: www.siafd.co.nz and can be reassured for a full refund if the event is cancelled due to Covid-19.

[Young farmer contest kicks off this week](#) [29 September, Rural News]

The 2021 FMG Young Farmer of the Year contest is starting this week with 16 district contests to be held in October and November to select the 8 finalists from each region, who will compete for the 7 regional finals early next year. The contest of the 2020 season was cancelled due to the pandemic. New Zealand Young Farmers chair Ash-Leigh Campbell said: "Covid-19 gave us some time up our sleeve to review, change and implement a few operational matters including the governance of the contest."

[Charter flight explored for ag machinery drivers](#) [29 September, Rural News]

Rural Contractors NZ (RCNZ) is looking at a charter flight to bring in the first batch of overseas workers by mid-October, as the government moves to grant visas for agricultural machinery operators. While some vacancies were filled by locals and former drivers, an absolute minimum of 210 drivers was needed for this season's work, said RCNZ chief executive Roger Parton.

[What do you get if you mix fishing and beauty products?](#) [30 September, Stuff]

Seafood company Sanford will partner with beauty brand Two Islands to produce health products using marine collagen sourced from fish skin, a natural by-product of Sanford's hoki fishery. The deal was an example of Sanford's strategy to use all its materials, said interim chief executive Andre Gargiulo. Sanford also announced plans last year to build a new facility in Blenheim to turn some of its seafood products into dietary supplements and cosmetics.



Agribusiness Education

[Zanda McDonald Award to crown two winners in 2021](#) [25 September, The Country]

The 2021 Zanda McDonald Award will go to two winners for the first time in its history. The change is to adapt to the covid-19 restrictions, which prevent the judges from interviewing the shortlisted candidates together in one place to determine the overall winner. Award chairman Richard Rains said having a winner in NZ and Australia separately would provide the best outcome for the finalists as well as for the wider benefit of the agriculture sector.



Agri-Tech

[Tail trimmer is cutting-edge](#) [25 September, Farmers Weekly]

Massey industrial design graduate Lisa Newman received the New Zealand James Dyson Awards for her ergonomically sound bovine tail trimmer, which is significantly safer and more efficient than commonly used scissors. While tail-trimming has always been a tough job, the need is greater now as recently changed animal welfare regulations prevent the docking of tails. Ms Newman is now looking to work with the company interested in commercialising the SWITCH trimmer.



Apiculture

[Study may help boost high-grade honey production](#) [24 September, Sunlive]

Research shows a unique microbiome on the surface of mānuka leaves could help explain the antibacterial properties of mānuka honey. Led by University of Waikato PhD student Anya Noble, the research found the microbiome consistent on mānuka leaves across geographical locations, suggesting it may affect how mānuka responds to different environmental conditions. Further research on this could help develop strategies to boost high-grade mānuka honey production.



Aquaculture

[Moves for NZ's first seaweed farms begin in Hauraki Gulf](#) [23 September, Stuff]

GreenWave NZ, a regenerative ocean farming model, is being planned to pilot seaweed farming in the Hauraki Gulf. This will create NZ's first commercial seaweed farming industry and potentially help restore the damaged marine environments. Paeroa-based company AgriSea will buy the product from GreenWave NZ once harvested, and it is trying to be the catalyst to create a sustainable seaweed sector that enables farmers to realise their potential.



Dairy

[Fonterra splits are changing](#) [24 September, Farmers Weekly]

Fonterra Co-operative Group will change to a new operating model for the 2021 reports, which will disclose more detailed results in geographical divisions: Asia Pacific, Greater China and Africa, Middle East, Europe, North Asia, and the Americas. The reported Consumer and Foodservice performances EBIT was \$169m in China (up 49%), \$23m in Asia and \$16m in Oceania, down 35% and 43% respectively compared with the year before.

[Where Fonterra's earnings went](#) [24 September, Farmers Weekly]

Fonterra Co-operative Group had over \$500m gains from sale of divested businesses, including \$427 million for the expipients business DFE Pharma and \$66m for the protein products business Foodspring. Fonterra Co-operative Group CFO Marc Rivers said the gains on divestment went into the \$1.1b reduction in debt, bringing the number to 3.75 times the EBITDA, down from 4.4 times a year before.

[Synlait: Covid demand for its dairy products still strong despite 9% profit fall](#) [28 September, NZ Herald]

Listed dairy company Synlait's net profit fell by 9% to \$75.2m and revenue rose 27% to \$1.3b for the year ended July 31. Chairman Graeme Milne said Synlait's lower profit this year reflected its investments in new facilities and recent acquisitions that are set to start delivering earnings from the 2022 year. The company expects the demand continues to be strong despite the covid-19 pandemic.

[Organic milk payout for 2019-20 season tops \\$10/kgMS](#) [29 September, Rural News]

Fonterra Co-operative Group has paid its organic milk farmers a record \$10.19/kgMS, which is the first double-digit milk payout in New Zealand. It was driven by factors including organic protein sales in the US, a favourable exchange rate and efficiency improvements across the supply chain, according to Fonterra's global business manager Andrew Henderson. The Group has set a forecast range of \$8.50 - \$9.00/kgMS for this 2020/21 season.

[\\$50m dryer boosts sheep milk exports](#) [29 September, Rural News]

Waikato Innovation Park has set up a new industrial spray dryer for sheep milk with a capacity of 1.2 tonnes of powder per hour, which is 2.4 times the older Food Waikato dryer. "With the existing dryer producing \$50 million in exports per year, we're predicting that the new dryer will produce a further \$200 million annually in export products," says Waikato Innovation Park chief executive Stuart Gordon.



Environment & Emissions

[Food waste recycling: Platform offers 'perfectly good food' at discount](#) [23 September, Stuff]

Australian social enterprise Yume is an online marketplace that connects food suppliers with commercial buyers and food rescue organisations to reduce waste. Yume conducted a feasibility study with Kivi businesses and the results showed that 404 tonnes of surplus food could go to landfills or be used as animal feed, according to chief executive Katy Barfield. Covid-19 pandemic saw a surge in food surplus, which caused disruption in the business and led to a rethink of its planned New Zealand launch date.

[How much will climate change cost our biggest companies?](#) [28 September, Stuff]

A recent regulatory change to financial disclosure rules requires large businesses to calculate and disclose their climate change-related risks. In the future, all businesses with more than \$1b assets in New Zealand will need to produce a report estimating the impact of climate change on their business. Nobel Prize-winning economist Joseph Stiglitz praised this change and said New Zealand was 'leading the world'.

[From coal to pellets](#) [29 September, Rural News]

Fonterra Co-operative Group is swapping coal for wooden pellets at its Te Awamutu site, on track to achieving a 30% reduction in emissions by 2030, as part of its plans to have net zero emissions at manufacturing sites by 2050. This transition to renewable energy will reduce Fonterra's national coal consumption by almost 10% once completed, saving more than 84,000 tonnes of carbon emissions per year.

[Did Amazon forest protection offsets save the carbon claimed?](#) [30 September, Stuff]

Brazilian carbon credits schemes made little difference in minimising carbon footprint to save the Amazon rainforest, according to a new study by forestry scientist Thales West. 12 voluntary schemes for "reducing emissions from deforestation and forest degradation" were examined and they turned out to have overestimated the regional deforestation and sold too many carbon credits as a result. Mr West advised offset certification programmes to refine their way of calculating how much deforestation has been prevented.



Horticulture

[Breeder of red kiwifruit scoops Innovation Award](#) [24 September, Fresh Plaza]

Russel Lowe received the 2020 Kiwifruit Innovation Award for his work breeding Zespri Red - the first commercialised red kiwifruit cultivar. Zespri Chairman and awards judge Bruce Cameron said: "Russell's success in developing this red cultivar has again enabled the New Zealand kiwifruit industry to provide the market with a new, distinctive great-tasting fruit which will strengthen kiwifruit's share of the global fruit bowl in the years ahead."

[New project to increase tomato yield in winter](#) [25 September, The Country]

A northland venture Rohe Produce Limited plans to build a \$70 million and 8.9-hectare glasshouse at Marsden Point to grow organic speciality tomatoes. It will be the New Zealand first glasshouse using 100% LED lights, which would increase yields by 50 per cent per square metre, according to the company.



International

[Global trade in food and agricultural products more than doubles in last two decades](#) [24 September, Hellenic Shipping News]

A new report by the UN's Food and Agriculture Organization shows global agri-food trade has more than doubled since 1995. Agri-food trade's total value amounted to US\$1.5 trillion in 2018; exports from developing countries are rising and account for over one-third of the world's total.

['Biggest plastic polluters' accused of hypocrisy: Unilever, Danone, and Coca-Cola respond](#) [24 September, Food Navigator]

A new report by the Changing Markets Foundation listed the '10 biggest plastic polluters' which includes Coca-Cola, Danone, Mars Incorporated, Mondelez International, Nestlé, PepsiCo and Unilever. The report argues these businesses use initiatives 'as a tactic to delay and derail progressive legislation', and accused them of 'distracting consumers and governments with empty promises and false solutions'.

[Food giants launch new deforestation pledge after missing 2020 objectives: 'Our approach was not agile enough'](#) [24 September, Food Navigator]

The Consumer Goods Forum launched a new initiative, Forest Positive Coalition of Action, in collaboration with 17 global consumer goods retailers and manufacturers to tackle deforestation in the food chain. The aim is to have 'transformative change across the industry'. The coalition includes Nestlé, PepsiCo, Unilever and Danone as well as retailers such as Carrefour and Tesco.

[America has 'out of control' population of 'super-pigs', expert says](#) [26 September, NZ Herald]

The wild pig population is growing rapidly in the US and causing an estimated US\$2.5b in damage and control costs each year, according to the US Department of Agriculture (USDA). The wild pigs are referred to as 'feral swine bomb'. They threaten the health of people and cause damage to property, crops, livestock, ecosystems, and cultural and historic resources, according to USDA's website.

[The megatrends that will impact future red meat demand](#) [27 September, Farm Weekly]

Sustainability and the environment, total health and wellbeing, convenience and connection are some key megatrends that will influence the red meat consumption, according to Meat & Livestock Australia consumer insights manager Emma Gillingham. "So our job is to promote the role of red meat as part of a healthy, balanced diet," said Ms Gillingham.

[Food loss and waste must be reduced for greater food security and environmental sustainability](#) [29 September, UN Environment Programme]

The UN Food and Agriculture Organization (FAO) urged everyone to take part in reducing food loss and waste on September 29th, the first International Day of Awareness of Food Loss and Waste. The covid-19 pandemic is threatening the food security of 132 million people in addition to 690 million already in hunger. An ecosystem decline and the consequences of climate change also add to the risk we are facing. Innovation, technologies and behavioral change are the key to tackle the challenge.



Red Meat

[NZ's sheep flock shrinks](#) [29 September, Rural News]

Drought has led to the total number of NZ sheep flock falling by 2.3% over the past year to 26.21 million, according to Beef + Lamb New Zealand (B+L NZ)'s annual stock number survey. Demand for stock was reduced due to covid-19 disrupting international trade and operation of sale yards. B+L NZ economic service chief economist Andrew Burt says the combined decisions to destock younger animals will affect future stocks for at least a couple of years.



Research & Development

[Our Land and Water Fund projects greenlighted](#) [28 September, Farmer Weekly] Our Land and Water Rural Professionals Fund has granted funding for 15 projects to test innovative ideas that could result in significant improvements in farming systems. One of the projects will look into improving meat quality with regenerative farming, which could potentially increase farm profitability, reduce the environmental footprint and lead to increased sustainability of the NZ pastoral industry.



Trade & Exports

[Trade negotiator's warning](#) [25 September, Farmers Weekly]

New Zealand trade negotiator Vangelis Vitalis warned sheep and beef farmers that covid-19 pandemic had accelerated a resurgence in protectionism in agricultural trade. "Animal welfare measures, environmental standards – these are all the kinds of challenges we are going to have to think about," said Mr Vitalis.



Viticulture

[Wine region facing disaster as west coast vineyards tainted with taste of wildfire smoke](#) [26 September, Independent]

Smoke from the wildfires on the West Coast have tainted some of the US's best-known wine regions, including California, Oregon and Washington. Without steps to minimise the harm of tainted grapes, the taste of the wine made from damaged fruit would be significantly impacted and be un-marketable. The severity of the smoke damage to crops is being assessed by the growers.

[Wineries unable to profit from tasting tourism call for law change](#) [27 September, NZ Herald] Marlborough's small-sized winery Sugar Loaf Wines is unable to charge visitors for tasting as it does not have an on-licence. Managing director Kate Acland said the business struggled to run its unprofitable tasting room, as they did not have dedicated hospitality staff to offer food to accompany the wine tasting, which is required for an on-licence holder under the Sale and Supply of Alcohol Act. To support the wine tourism, industry body New Zealand Winegrowers has been working with officials for 'technical improvements' to the Act.



Wool

['I've never seen anything like it': Shrek 2 found in Gisborne](#) [25 September, Stuff]

A sheep named Gizzy Shrek with 'spectacular' unhandled fleece has finally been caught at Wairakaia Station. "I estimate her fleece length would be 60 centimetres, I've never seen anything like it in my 30 years farming," said farmer Rob Faulkner. The upcoming Gisborne A&P show will star the fleece shearing of Gizzy Shrek, and competition will be held to guess the weight of her fleece.

Organisations referenced in this week's Field Notes include

AgriSea
Beef + Lamb New Zealand
Carrefour
Changing Markets Foundation
Consumer Goods Forum
Danone
Federated Farmers
Fonterra Co-operative Group
GreenWave
Meat & Livestock Australia
Nestlé
New Zealand Winegrowers
New Zealand Young Farmers
Our Land and Water Rural Professionals Fund
PepsiCo
Rohe Produce Limited
Rural Contractors NZ
Sanford
Sugar Loaf Wines
Synlait
Tesco
the US Department of Agriculture
Two Islands
UN Food and Agriculture Organization
Unilever
University of Waikato
Waikato Innovation Park
Yume
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Field Notes presents a summary of some of the media comment on the Agribusiness sector in the last week. The views expressed do not necessarily represent the views of KPMG but are summaries of the articles published.

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