



AGRIBUSINESS

# Field Notes

Weekly news update from the KPMG Agribusiness network



Available now  
**KPMG Agribusiness  
Agenda 2020**

**10 December 2020** – This week's headlines

---



## Alternative Proteins

[Singapore Is First Country To Approve Lab-Grown Meat \[03 December, Food Processing\]](#)

---



## Biosecurity

[Cats have \\$12m impact on Australian agriculture \[08 December, The Country\]](#)

---



## Food Innovation

[Kraft Heinz focuses on renovation over innovation to keep new consumers gained during pandemic \[03 December, Food Navigator\]](#)

---



## Food Marketing

[UK food and drink trends 'fundamentally reshaped' by pandemic \[04 December, The Guardian\]](#)

---



## International

[World food price index jumps to almost 6-year high \[03 December, Bangkok Post\]](#)

---



---

## Some thoughts on what lies beyond 2020

2020 will find itself well documented in the history books. It is a year that will influence our lifestyles for years if not decades to come. As I write this blog, I have just witnessed the first dose of vaccine being administered live on television in the UK, which could be a first step towards the end of the pandemic. However, with so many billions of people to be vaccinated, the start of 2021 does not mark the end of the pandemic so now is an appropriate time to share some thoughts on what lies beyond the summer break.

— The threat of Christmas presents not being under the tree has intensified the focus on supply chain pressures that have been building for most of 2020. Global supply chains have been stretched for many years. The shocks of 2020 have amplified existing problems and we face real challenges both importing and exporting products as raw materials, finished goods, the containers used to transport them and the ships that carry them are fundamentally in the wrong places.

While Christmas has shone a light on the challenges, for our primary sector the challenges will bite in early 2021 as we move into the key export season. Recognising that the challenges we face are not caused by individual companies but are systematic and global will enable us to focus on the key questions we need to answer if we are going to rebuild a robust, future proofed supply chain for our key food and fibre exports.

— Another challenge receiving significant media focus are the labour shortages being faced across the economy, but particularly in our food growing sector. Unlike the supply chain challenges, this is a problem where the solution lies within our own hands, however it needs the government to think more broadly about how we conduct managed isolation.

The impact of not having the skilled people we need will cost over a billion dollars in export revenue next year. As well as putting the picking of crops at risk it will impact our ability to secure premium pricing for our products, as the creation of the premium often relies on human handling. The opening up of 2,000 places for RSE workers was a step in the right direction but I am hoping early in the new year we will see the government authorise the use of the

accommodation blocks across the country for seasonal workers to complete their MIQ so we can get the 11,000 people we need into the country as soon as possible.

— As my colleague, Andrew Watene, has been writing in his recent blogs, organisations need to be recognising that the pandemic has shifted consumer behaviour and respond to this through the pricing strategies they adopt. With the number of consumers in the premium segment reducing as jobs are lost and incomes reduced and the channels to reach them continuing to present difficulties (particularly as the second wave locks down northern hemisphere cities and challenges food service operators) now is the time to accelerate pricing innovation. 2021 will see even more business model innovation as organisations globally respond to their key markets having substantively changed and at the core of this innovation we expect to see pricing being used as the key tool to retain consumer loyalty, capture value and to establish the platform from which organisations can thrive as the economy recovers.

— The geopolitics and economics we are facing globally into 2021 are very hard to read. The pandemic induced recession is a demand side recession, rather than a more traditional supply side recession, and most governments are responding with free spending to stimulate economic activity. Having a stronger balance sheet than many countries at the start of the crisis, our authorities in New Zealand (the government and the Reserve Bank) have been able to take a lead in quantitative easing and fiscal largesse, which has kept our economy functioning more strongly than anybody expected in March and has triggered a much discussed house price explosion.

Less talked about but more important to the prospects of the food and fibre sector has been the increase in exchange rates since March. The level of fiscal stimulus has contributed to the unexpected strengthening of our dollar, which as

hedging runs out will impact the earnings that our companies are able to bank for their exports, particularly as prices come under greater pressure.

I am as glad as anybody to see the back of 2020. The loss of so many of those small personal milestones (the trips, the concerts, the shows etc) that mark the progress through a year has made it feel at times like an endless tunnel. While I believe that 2021 will bring us more tools to combat and vanquish the pandemic, I also recognise that there is a very good chance that the first half of 2021 will feel very similar to 2020 and will, likely, represent the most challenging months of the pandemic for the food and fibre sectors.

From challenge comes opportunity. As the challenges created by the pandemic extend into 2021, a strategy of weathering the storm becomes ever less sustainable. The need to rethink product offerings, supply chains, channels to market, customer niches, storytelling and provenance solutions all become more critical. While 2021 will be challenging, I am excited that it will be the year when much of what we have talked about for a decade or more moves from the strategy paper into reality and the platform is strengthened for the long term prosperity of our food and fibre sectors.

Enjoy the holiday break and the freedom we have invested as a country in securing for ourselves, disconnect and get the rest you deserve and recharge for what will be the year that will shape what our COVID adapted future will look like.

### **Ian Proudfoot**

KPMG Global Head of Agribusiness

Partner - Audit

KPMG Auckland



## Agribusiness Education

[Rural schools look to online classes as they struggle to hire teachers](#) [07 December, One News]

Some rural schools are struggling to find teachers, with the border restrictions adding complication to hiring staff from overseas. Areas Schools Association president Stephen Beck said specialist subjects like maths and science are most in need, and some north Canterbury area schools were left with the only option of online teaching, especially in the senior secondary area.



## Agri-Tech

[Gil Meron Named Sprout Chief Executive](#) [04 December, Scoop]

Gil Meron has been appointed Chief Executive of Sprout with the role to help grow the agri-tech and food-tech sectors. Sprout is a business accelerator and investor that provides support and mentorship to entrepreneurs who are committed to building solutions for problems that reach from farm to fork.

[Global Blockchain in Agriculture and Food Supply Chain Market \(2020 to 2025\)](#) [08 December, PR Newswire]

New [report](#) shows the global market size of blockchain technology in agriculture and food supply chain is estimated at US\$133 million in 2020, and it is projected to reach US\$948 million by 2025. Blockchain technology is revolutionizing the food and agriculture sectors by enhancing the decision-making capabilities of organizations, with a wide range of applications such as product traceability, tracking and visibility, payment and settlement, smart contract, governance, risk, and compliance management.



## Alternative Proteins

[Singapore Is First Country To Approve Lab-Grown Meat](#) [03 December, Food Processing] Singapore has become the first country to approve lab-grown meat, accepting chicken nuggets from U.S. firm Eat Just Inc. to be launched in a restaurant "in the very near term". It appears no other company is currently ready to launch cultured meat commercially, but there has been a fair amount of investing in the technology including from traditional meat companies like Tyson and Cargill.



## Arable

[Grain production passes 1 million tonnes](#) [04 December, The Country]

Total grain production for the 2019-20 season has passed 1 million tonnes, despite sales of malting barley has dropped due to covid-related turbulence. The latest Arable Industry Marketing Initiative (AIMI) report shows cereal grain production (wheat, barley and oats) for the season totalled an estimated 881,800 tonnes and maize grain 181,800 tonnes, totalling to 1,063,600 tonnes.



## Biosecurity

[MPI launches Official New Zealand Pest Register](#) [03 December, The Country]

The Ministry for Primary Industries has launched a new online tool, Official New Zealand Pest Register (ONZPR), to protect the country from more than 24,000 biosecurity threats and to support our exporters selling Kiwi produce to the world. "The database informs importers, exporters, trading partners, science partners and others across the biosecurity system about what pests are of concern to New Zealand," said MPI's director of animal and plant health Peter Thomson.

[Cats have \\$12m impact on Australian agriculture](#) [08 December, The Country]  
Diseases carried by cats are having a \$12 million impact on Australian agriculture each year, with the sheep industry affected the most, according to a study by the Threatened Species Recovery Hub of the Australian Government's National Environmental Science Programme. The diseases - including toxoplasmosis, sarcocystosis and cat roundworm - depend on cats to reproduce and spread. "We can reduce the cost of cat-dependent diseases on agriculture by lowering numbers of feral and pet cats around farms," Co-author Dr Patrick Taggart said.

---



## Dairy

[Fonterra forks out for Christmas](#) [04 December, Farmers Weekly]

Fonterra Co-operative Group lifted the milk price forecast range from \$6.8-\$7.0 per kg of milk solids to \$6.7-\$7.3 and the midpoint has risen by 20c. The increase will deliver \$300 million more to the farmers. Fonterra chief executive Miles Hurrell said the performance was tracking well with strong demand from China, but the risks remain with the ongoing disruptions of covid-19 and product price relativities for the rest of the year.

[Fresh milk vending machine business takes off](#) [04 December, The Country]

Farm Fresh South delivers fresh milk in bottles and from vending machines to thousands of customers across the South. As former large-scale contract milkers, Melissa and Logan Johnson started their own milk business, Farm Fresh South, with 35 calves in Woodlands in 2017. "There's a lot of people who like the idea of it being in glass bottles because it takes them back to old times, and there's also the environmental element," said Mrs Johnson. Their second vending machine was launched last month in Windsor, Invercargill.

[Fonterra delivers solid first quarter results](#) [04 December, Dairy News]

Fonterra Co-operative Group has reported its first-quarter gross profit of \$270 million, up \$72m on the same period last year. Chief executive Miles Hurrell says sales volumes are in line with the same period last year pre-covid, reflecting the strong demand for dairy and the business's careful supply chain management. Normalised earnings also increased by 40%, continuing to make good progress on implementing its strategy.

[How a dairy farm went from producing milk to thousands of eco-sourced native plants](#) [08 December, Stuff]

Fonterra Co-operative Group has converted its Buxton Farm property in Waikato to a native plant nursery, which will be managed by the Ngāti Hauā Mahi Trust. The 100-hectare farm will become the home for up to 40000 native plants, and will grow about 3000 trees to enhance the habitat of long-tailed bats found living on the property in the past year.



## Environment & Emissions

[VTT creates recyclable plastic bottles from citrus peel](#) [08 December, Food Navigator]

The VTT Technical Research Centre of Finland developed a way to recycle agricultural waste that contains pectin. The new technology enables the use of pectin-containing agricultural waste, such as citrus peel and sugar beet pulp, as raw material for bio-based polyethylene furanoate (PEF) plastics to replace fossil-based polyethylene terephthalate (PET). The use of PEF can reduce the carbon footprint of plastic bottles by 50%, while also improving the shelf life for food.

---

### [Meet Spikey: a nitrous oxide-busting machine](#)

[09 December, Stuff]

Spikey is a new machine that can detect and neutralise patches of paddock where nitrous oxide is likely to bloom. Designed and developed by Pastoral Robotics, the towable machine rolls through farm paddocks with its spike going down into the soil; when detected urine patches, it would spray on a chemical to prevent the creation of nitrous oxide. Tested in New Zealand, Australia and Ireland, the next step is to determine the effectiveness of Spikey in reducing the gas emissions or controlling the nitrogen transformation.

---



## Farming Systems

### [Call goes out for more cashmere goat farmers](#)

[07 December, Farmers Weekly]

Cashmere wool producers are calling for more farmers to get on board as they struggle to keep up with the demand. Cashmere is a high-value fibre with prices ranging from \$110 to \$150 per kg depending on grades. New Zealand Cashmere co-owner and farmer David Shaw says the local industry needs 25,000 goats right now to satisfy current demand.

---



## Forestry

### [Rise in farmland for forestry purchases](#) [03

December, Farmers Weekly]

A special forestry test policy has enabled increasing activity by foreign forestry owners, with 29 livestock farms covering 26,308ha sold and converted to forestry since 2017. Figures from the Overseas Investment Office show that sales peaked in 2019 but fell away this year. Negotiated by NZ First as part of the coalition agreement with Labour, the policy was designed to attract forestry investment by streamlining the investor approval process and reducing the hurdles they have to cross.



## Food Innovation

[Kraft Heinz focuses on renovation over innovation to keep new consumers gained during pandemic](#) [03 December, Food Navigator]

Benefited from new consumer shopping and eating habits developed during the pandemic, Kraft Heinz says it will focus on renovating its iconic brands over innovation in an effort to maintain their gains. The company has seen household penetration increasing by double-digits across half of its brands since the covid-19 outbreak in February, said Kraft Heinz's US Zone president Carlos Abrams-Rivera.

---



## Food Marketing

[UK food and drink trends 'fundamentally reshaped' by pandemic](#) [04 December, The Guardian]

The annual food and drink report by Waitrose shows that food and drink trends in the UK have been "fundamentally reshaped" by the covid-19 pandemic, with significantly increased activities of cooking at home and a "seismic" shift towards online shopping, which are expected to stay. The Waitrose report is based on a poll of 2,000 adults who shop across a range of retailers, and sales data from millions of purchases in-store and online this year.



## Horticulture

[Central Otago fruit growers 'doing their best' to hire suitable NZ workers](#) [05 December, One News]

As the horticulture sector is facing labour shortage, Amalgamated Workers' Union is concerned that plenty of people are applying for the jobs but don't get timely replies. Summerfruit New Zealand chairman Tim Jones said the industry was overwhelmed with applications after their call for help with harvesting, but growers could do better to provide more information and respond to enquiries.



## Policy & Regulation

[Live export ban conditionally lifted](#) [03 December, Farmers Weekly]

The Ministry for Primary Industries has lifted the conditional ban on live cattle exports, but exporters must continue to meet existing requirements for animal welfare until the wider review is finalised. The absolute ban was imposed on September 22 following the sinking of the Gulf Livestock 1, then it was changed to a conditional ban from October 24 to November 30. Some 24,000 live cattle have now been shipped to China over the past four weeks.

[O'Connor announces further investment in soil](#) [05 December, Rural News]

Agriculture Minister Damien O'Connor has announced a \$6.25 million investment to further develop the mapping of New Zealand's soils. The investment will be used to expand S-Map, a tool that combines on-the-ground soil sampling with digital mapping technologies, which currently covers 50% of New Zealand's farmable land. The Ministry for Primary Industries has commissioned Manaaki Whenua to carry out the project over the next five years.



## Red Meat

[Red meat sector launches new strategy](#) [03 December, Rural News]

Beef + Lamb New Zealand and the Meat Industry Association are collaborating on a new strategy to unlock market opportunities for the red meat sector, and to improve its sustainability, productivity and prosperity. Building on the first Red Meat Sector Strategy which was adopted in 2011, the new strategy sets out four key goals to be achieved by 2030, including sustainably profitable, premium value, vibrant communities, and trusted guardianship.



## Research & Development

[Kiwifruit innovators propose partnership to boost new cultivar development](#) [03 December, The Country]

Zespri and Plant & Food Research are proposing to establish a 50:50 joint venture breeding centre at Te Puke, which will be dedicated to developing new kiwifruit varieties that are tastier and healthier. Zespri chief executive Dan Mathieson expects investment in kiwifruit breeding to increase by 50% over the next 10 years, from \$18 million annually now to more than \$30 million, with the extra investment shared by Zespri and Plant & Food.

[Study explores Kiwi livestock farms' economic resilience to droughts](#) [08 December, The Country]

A new study by Motu Research has linked financial, agricultural and productivity data with historical weather data to investigate the economic effects of drought on Kiwi livestock farms. The study found the increasing drought intensity is negatively correlated to the gross output, net profit, and intermediate expenditure of dairy farms. The researchers looked at different farm characteristics and their changes to understand the factors involved with farm resilience to droughts.



## Rural Communities

[Improved sentiment among pastoral farmers pushes rural confidence higher](#) [08 December, Rabobank media release]

The latest Rabobank Rural Confidence Survey has found the rural confidence at its highest level since late 2019, but sentiment remains at net negative overall. Dairy, sheep and beef farmers are more optimistic about the prospects for the broader agricultural economy than horticulturalists, citing improved demand and overseas markets as the key reasons for optimism, while government policy and Covid-19 being the key concerns for farmers with a negative outlook.



## Trade & Exports

[NZ opens up pathway for trial shipments of Tongan watermelon](#) [04 December, The Country]

A temporary approval permit was issued for Tongan watermelon imports under special conditions, provisionally lifting the suspension which came after the discovery of live fruit fly at the New Zealand border in a shipment of watermelons Tongan watermelon nearly two months ago. Peter Thomson from Biosecurity New Zealand said Tonga would need to complete the trial shipments without any non-compliance issues, and the MPI would then fully reopen the pathway and closely monitor it.

[EU exception to tariff reductions](#) [08 December, Farmers Weekly]

The horticulture sector is benefited from lower tariff rates among New Zealand's major trading partners, despite the European Union being the exception. Latest data from NZ's Horticulture Export Authority reveals a 6.5% annual growth in the sector's export sales to June this year, which is better than anticipated earlier this year. Alongside export volume increases in key crops, tariff reduction also played a key role in improving value returns, as tariffs paid by NZ growers is down from the \$214m to \$152 over the last two years.



## Water

[Otago farmers seek clarity on freshwater rules](#) [08 December, Farmers Weekly]

The Government's new freshwater rules require Otago and Southland farmers to have their winter crops resown by November 1, and thereafter by October 1, for the next four years. Due to the absence of interpretations and guidance from the Ministry for the Environment, farmers attending a field day in Otago raised 5 concerns: the resowing dates were unworkable, how to calculate the 10-degree slope for winter grazing, what species constitutes a fodder crop, the extent of feedlot rules and issues with the online slope maps.



## Wool

[Wool snap leads to business venture](#) [03

December, Farmers Weekly]

Wellington-based farm business venture Good Wool is transforming wool directly from the farm gate into knitting yarn. Inspired by a photo shared on Instagram by Otematata Station farmer Philippa Cameron, this farm to needles project tells a good story of creating sustainable and purposeful products locally behind the farm. "As a business we can add value to wool here in NZ, we compete well on the international stage," NZ Woolscouring chief executive Nigel Hales said.

---



## International

[World food price index jumps to almost 6-year high](#) [03 December, Bangkok Post]

World food prices had the sixth consecutive increase to 105.0 in November, hitting almost a six-year high, according to the UN Food and Agriculture Organization (FAO). The index measures monthly changes for a basket of food including cereals, oilseeds, dairy products, meat and sugar. FAO also said that worldwide cereal harvests remained on course to hit an annual record in 2020.

[Israeli AI agri-tech co SeeTree raises \\$30m](#) [08

December, Globes]

Israeli AI-powered agri-tech company SeeTree has raised \$30 million in a series B financing round, enabling it to expand globally, grow the R&D and customer-facing teams, and to extend its services to cover new crops. With operations in Brazil, the US, Chile and South Africa, SeeTree provides intelligence on trees to the growers, and it monitors over 50 million trees around the world, which will grow to 1 billion trees by 2023.

---

## Organisations referenced in this week's Field Notes include

Amalgamated Workers' Union  
Arable Industry Marketing Initiative  
Areas Schools Association  
Beef + Lamb New Zealand  
Biosecurity New Zealand  
Cargill  
Darlings Fruit  
Eat Just Inc.  
Farm Fresh South  
Fonterra Co-operative Group  
Food and Agriculture Organization  
Good Wool  
Horticulture Export Authority  
Kraft Heinz  
Labour  
Manaaki Whenua  
Meat Industry Association  
Ministry for Primary Industries  
Ministry for the Environment  
Motu Research  
New Zealand Cashmere  
Ngāti Hauā Mahi Trust  
NZ First  
NZ Woolscouring  
Overseas Investment Office  
Overseas Investment Office  
Pastoral Robotics  
Plant & Food Research  
Rabobank  
SeeTree  
Sprout  
Summerfruit New Zealand  
Threatened Species Recovery Hub  
Tyson  
VTT Technical Research Centre of Finland  
Waitrose  
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

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

---

## Subscribe

To subscribe to future editions of Field Notes please [click here](#).

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.

The information provided herein is of a general nature and is not intended to address the circumstances of any individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received nor that will it continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International"). KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.