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 KPMG Agribusiness  
 Agenda**



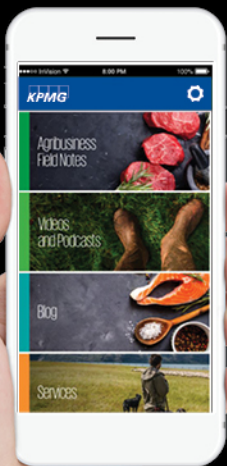
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**AGRIBUSINESS**

**Field Notes**



**Weekly news update from the KPMG Agribusiness network**

**Organisations referenced in this week's Field Notes include:**

ABARES	Hell's Pizza
ACT	Horizons Regional Council
Adelaide Bank	Immigration New Zealand
Affco Talley	Independent Climate Change Committee
Alliance Group	Internet of Things
Apeel Sciences	Just Salad
Arla Foods	Kraft Heinz
ASP	Kroger
Asure Quality	Ministry for Primary Industries
BakerAg NZ	Nestle
Bell Flavours and Fragrances	New Culture
Bellamy Organic Food Group	New Zealand Meatworkers Union
Bendigo	Overseas Investment Office
Beyond Meat	Paessler
Caprine Innovations NZ (CAPRINZ)	PepsiCo
Carlsberg	Pinterest
China Mengnui Company	Primary ITO
Chipotle	Provenance
Commerce Commission	Redefine Meat
Community and Public Health	RethinkX
CPT Capital	Sea Shepherd
Craigmore Sustainables	Shand Thomson
Crisp	Silberhorn
Dairy Goat Co-operative	Strong Roots
DairyNZ	Synlait
Danish Crown	Taranaki Mounga
Department of Conservation	Taratahi Agricultural Training Centre
Federated Farmers	Tastewise
Forest and Bird	The Economist Magazine
Foundation for Arable Research	The NZ Institute of Economic Development
Future Market Insights	The PHW Group
Future Thinking	Tomra
Goode Partners	Too Good to Go
Grant Thomson	Unilever
Greenpeace	United Nations
Groceryshop	Whanganui Conservation Department
Hanaco Ventures	Yaraam Herd Services

**This week's headlines:**

Aquaculture	<b>US seafood ban plan causes stir in NZ</b> [13 September/Stuff NZ]
Agribusiness	<b>New Zealand's primary sector exports reach a record \$46.4 billion</b> [16 September/Stuff NZ]
Horticulture	<b>FAR testing future food crops</b> [17 September/Farmers Weekly]
Dairy	<b>Goat industry leads world-first research</b> [16 September/Farmers Weekly]
International	<b>Kroger expands its line of Apeel produce to tackle food waste</b> [18 September/Grocery Dive]

**Aquaculture**

**US seafood ban plan causes stir in NZ** [13 September/Stuff NZ] A bid to ban Kiwi seafood from the US by Sea Shepherd due to Māui dolphin welfare concerns was only stopped by senior members of the US government. Sea Shepherd NZ managing director Michael Lawry stated the organisation was not surprised by the decision, but believed it had a good chance of securing a ban if it filed a lawsuit challenging NOAA's reasoning. The reasoning stated that they believed New Zealand were taking the petition from the Sea Shepherds seriously and implementing a regulatory programme similar to the US, reducing the risk of a breach. The proposed ban was towards New Zealand snapper and other seafood caught within the range of Māui dolphins' habitat. Although this proposed ban would only apply to \$2 million of annual exports, the overall \$200m of annual fisheries exports to the US could then be at risk unless a traceability and certification programme was set up. If successful, a ban would also undermine our country's reputation and environmental credentials. Fisheries Minister Stuart Nash stated that ensuring threats to Maui and Hector's dolphins were being managed effectively is a current priority for the Government.

**Crackdown on Whanganui whitebaiters flouting rules** [18 September/The Country] Whanganui Conservation Department staff have been hearing stories about whitebaiters flouting the rules and will be cracking down on rule breakers. People breaking the rules can be fined \$5000 and/or have their equipment seized. Whitebait are the juveniles of six species of native fish: giant kōkopu, banded kōkopu, shortjaw kōkopu, inanga, kōaro and common smelt. Four of the six species are either threatened or at risk of extinction according to the Department of Conservation (DOC). Later this year DOC will consult the public about whitebait management, including whitebait fishing regulations. In its last survey, 90 percent reported the whitebait fishery had to change to stay sustainable. Forest and Bird favours a ban on commercial sales and Ecologist Mike Joy states no one should be eating endangered species. Forest and Bird favours a ban on commercial sales and Ecologist Mike Joy states no one should be eating endangered species.

**Biosecurity**

**Aerial predator control operation completed in Taranaki native bush** [18 September/Stuff NZ] A second pre-feed aerial predator control operation has been completed over 3000 hectares in the Kaitake Range in Taranaki by Taranaki Mouna in order to reduce possum numbers and enable the return of native species to the national park. A total of 5000kg of non-toxic pre-feed was dropped on the Kaitake Range which the equivalent of four bait pellets on an area the size of a tennis court. The non-toxic drop will be followed up by a 1080 aerial drop in the coming weeks. Returning species such as kākā, kiwi and other taonga species to the Egmont National Park, Kaitake and Pouakai Ranges is not a distant dream, but achievable through a multi-tool approach, according to a Taranaki Mouna Spokesperson.

**Horticulture**

**Dairy Farm to be converted to kiwifruit** [16 September/Rural News] Craigmere Sustainables will invest \$38 million to convert 137 hectares of established dairy farm at Kerikeri into a kiwifruit orchard. This project will increase local kiwifruit production by a third and provide 29 fulltime jobs, and has been approved by the Overseas Investment Office. The Kerikeri move follows recent approval from the OIO to buy land in Hawke's Bay and Gisborne where Craigmere is investing \$52 million to develop apple orchards which will offer almost 100 fulltime equivalent jobs. It expects to boost NZ exports by \$30 million. Craigmere Sustainables chief executive Che Charteris states these investments are part of the company's Permanent Crop business which is expanding and diversifying horticulture in key central and northern regions. The company still has around \$50 million to invest and is looking to buy minority stakes in existing horticultural businesses to help them grow.

**Consumers rule growers' business** [16 September/Rural News] Consumers' demands are driving the way Ohakune commercial vegetable growers Bruce and Stephanie Rollinson produce and package their Brussel sprouts and parsnips. Mr and Mrs Rollinson state that consumers are beginning to demand for sustainability. Mr Rollinson states that as a result they operate under NZ GAP (good agricultural practice), a Government approved quality programme under which they are independently audited by Asure Quality and mentioned they also get random checks on their chemical applications to ensure they are meeting withholding periods and residuals. Mr Rollinson state that consumers are also seeking a smaller, gourmet vegetable as well as pre-packaged vegetables for consumer convenience and reduced waste.

**Taking blackcurrants to the top of the tree** [16 September/Rural News] South Canterbury organic blackcurrant grower Tony Howey wants to topple blueberries from being publicly perceived as the 'king of antioxidants'. Mr Howey states that blackcurrants actually contain up to 2.5 Times more antioxidants than blueberries. Enthusing over the health benefits of blackcurrants, Howey says new research in England points to them being "like a legal performance drug" for athletes. His 70ha is now the only significant organic blackcurrant farm in the country, fully certified and BioGro-audited. For organic status, Howey is allowed only limited fertilisers, simple copper and sulphur sprays for disease control, and pheromone traps to control the insect pest clearwing. Mr Howey reports that the hardest thing is weed control.

**FAR testing future food crops** [17 September/Farmers Weekly] Durum wheat and sunflowers are likely to become a common site on the Canterbury Plains. The two crops are part of food products for the future industry-funded projects looking at novel crops on a national scale. Foundation for Arable Research General Manager Ivan Lawrie stated a key driver of the arable industry's seed research is the fledgling Seed Industry Research Centre, which supports education and training at all levels in order to complete succession planning for the sector. FAR is currently involved in two Ministry for Primary Industries Sustainable Farming Fund (SFF) projects which are looking at new or alternative crops to provide more diversity and resilience for arable and mixed arable rotations.

**Strawberries risk rotting in the ground as result of late immigration decision** [18 September/Stuff NZ] New Zealand Strawberries and other early season Kiwi produce risks rotting in the ground this summer unless the immigration minister moves quickly to approve overseas workers under the RSE scheme. Seeking certainty for the sector, an open letter was sent to Immigration Minister Iain Lees-Galloway by a dozen of the country's biggest harvesting horticulture growers in which they asked the minister to act immediately, to save the businesses, jobs and livelihood of thousands of New Zealanders. ACT leader David Seymour reports that if the cap is not set several months beforehand, the strawberry sector cannot benefit from it because it takes months to recruit, transport, and train workers once the number allowed for the year is known, so many crops are now at high risk of being left unharvested and rotting in the ground. As a result Hon. Lees-Galloway stated the announcement will be made soon and states that he has some sympathy towards growers and their early season challenges.

**Agribusiness**

**Deer velvet company sold 11 million capsules containing filler instead of active ingredient** [16 September/Stuff NZ] Dunedin District Court has heard that deer velvet company Silberhorn knowingly sold 11 million deer velvet capsules filled with carob instead of the stated amount of deer velvet. Silberhorn and its sole director, Ian Carline of Invercargill, appeared for sentencing in the Dunedin District Court on Monday. Originally 101 charges were laid under the Fair Trading Act in the long-running Commerce Commission investigation which started in August 2014. The company previously admitted 26 charges relating to its deer velvet, and the company and Mr Carline each admitted one charge of withholding information from the commission. Around 500 kilograms worth of deer velvet was replaced resulting in a breach of consumer trust. The company and Mr Carline were deliberate in directing three independent manufacturers to put less of the active ingredient into the capsules, with the company gaining around \$1.2 million as a result. The sentencing will continue through the week.

**New Zealand's primary sector exports reach a record \$46.4 billion** [16 September/Stuff NZ] Primary sector goods have boosted the economy for the fourth year in a row accounting for \$46.4 billion out of a total of 8.3 billion worth of good exports to June. The figure is set to dip slightly next year because of a fall in forestry returns, and is expected to be down by almost \$1 billion next year to \$5.8 billion, following a backlog of log and timber supplies in China. The Ministry for Primary Industries latest Situation and Outlook report shows New Zealand's dairy herd has dropped by 3.7 percent in the past two years, yet export returns from dairy continue to rise. Horticulture has continued to be a standout, with export revenue rising by 13.7 percent to \$6.1 billion. ASB rural economist Nathan Penny has reported that New Zealand's food exports have been faring relatively well despite the US-China trade war and its impact on the global economy. Dairy, meat and fruit prices were all firm but wool prices had not performed as well. Mr Penny stated New Zealand wool ended up in higher end apparel markets which were sensitive to economic growth in United States and European markets. Minister of Agriculture Damien O'Connor reported that while Brexit remained a concern for trade, negotiations over the Regional Comprehensive Economic Partnership (RCEP) were entering the final stages.

**New co-op directors to help push for smarter farming** [17 September/Rural News] Fertiliser co-op Ravensdown has three new directors, Academic Dr Jacqueline Rowarth, Farmer Nicola Hyslop and E-commerce Leader David Biland. Ravensdown Chairman John Henderson stated the new directors were exceptional additions to the Board and would help drive further success for the co-operative and its shareholders, with all three being committed to the co-operatives values and purpose.

#### Environment & Emissions

**Farmer ditched chemicals and hasn't looked back** [10 September/Stuff NZ] David Crutchley uses regenerative agriculture on his 6122 hectare farm in Otago in order to help rebuild the microbiology of his soil after many years of practicing chemical agriculture. The way farmers manage soils determines how much life is within the soil and the health of the plants and animals that live on top. Using chemical fertilisers can often strip soil biology and Mr Crutchley reports that managing his soils in different ways has helped to build this back up. Mr Crutchley claims his lambs are exceptionally healthy and uniquely tasty because of his use of regenerative farming and sells his lamb to chefs at high-end restaurants under the brand name Provenance.

**Show good faith and grant further extension — Feds** [14 September/Rural News] Federated Farmers President Katie Milne reports the two-week extension for submitting on the freshwater discussion document is a start, but reports the government should show good faith and grant a bigger extension. Mrs Milne reports there has been “a loud response” from farmers calling for more time and states she wrote to Prime Minister Jacinda Ardern this week calling for an extension. Late on Friday, Environment Minister David Parker issued a statement saying submissions will be accepted up to two weeks after the official October 17 deadline. DairyNZ chief executive Dr Tim Mackle welcomed the announcement but is also calling on the government to go further.

**Report shows value of ag chem** [16 September/Rural News] The NZ Institute of Economic Development recently released the report, ‘The Importance of Crop Protection Products for The New Zealand Economy’, showing that, on average, crops would lose 30% of their value without these products, amounting to a loss between \$7.5 and \$11.4 billion. The horticultural sector alone would lose 75% of the value of its crops, severely affecting growers, who with these numbers, would be unable to grow commercial quantities of these crops. Not only does the crop protection industry have an important part to play in supporting the economy, it is also vital for producing safe food and protecting crops from damaging pests and disease. It develops tools to manage biosecurity incursions which damage our native species and crops.

**Nitrogen limit worry unnecessary** [18 September/Farmers Weekly] Early farmer meetings on the Government's freshwater proposals package have raised concerns about setting dissolved nitrate level limits in waterways to 1 part per million however, Professor Troy Baisden, Environmental Management Expert, states that farmers must take a step back from the emotion of the nitrogen in waterways debate which is causing unnecessary stress. Professor Baisden states that the value of 6.9ppm in old frameworks was precise but nearly meaningless, and the new focus is on ecological health, with only 10 percent of waterways outside the conservation estate exceeding 1ppm. Farms in the Manawatu-Wanganui (Horizons) catchment are already required to farm well below the 1ppm level, with the dissolved nitrogen level set at 0.4ppm of nitrogen. Ruataniwha in Hawke's Bay is set at 0.8ppm.

#### Rural Health

**Community and Public Health issue gastrointestinal bug warning for calving and lambing seasons** [16 September/Stuff NZ] The arrival of new lambs and calves brings with it comes an increase in gastrointestinal illness and Community and Public Health have urged people to take extra care over the season. Last year two thirds of gastro illnesses in South Canterbury were picked up in spring and summer, so the authority is urging people to be careful and ensure they wash their hands and clothes after handling animals. A person can be infected by close contact with infected people or animals. Children are also at high risk of contracting E coli, which is commonly found in animals and can cause serious complications such as kidney failure.

#### Rural Infrastructure



**Massive hydro storage plan at Central Otago Lake to be reassessed** [18 September/The Country] A multibillion-dollar proposal to build a storage lake above Roxburgh and Millers Flat for a pumped hydro storage scheme that could produce electricity in a dry year is to be revisited. It comes from a Government push to have 100 per cent renewable electricity in New Zealand by 2035 and has been recommended by the Independent Climate Change Committee (ICCC). The ICCC report, which also considers electrifying up to half of New Zealand's vehicle fleet by 2035 and increasing the amount of renewable energy used instead of coal or gas, recommends investigating the possibility of pumped hydro storage (PHS) as a way to reduce New Zealand's greenhouse gas emissions. The best known proposal in New Zealand for a PHS facility, and one that would meet the size of a dry-year need, was to build a new dam on Lake Onslow and a tunnel down to Lake Roxburgh. However pumped schemes have large local environmental consequences so considerations are underway to work out the suitability of the plan.

## Dairy

**Synlait annual profit rise of 10 per cent below expectations** [12 September/Stuff NZ] Synlait's profit rise of 10 percent (\$82.2 million) fell short of expectations. Analysts had been forecasting up to 19 percent profit, however changes over the Chinese-branded sales and uncertainty over the new plant in Pokeno had weighed in on the results. The Court of Appeal's decision to reinstate covenants over the land for the Pokeno plant will be challenged with an oral hearing by the Supreme Court on 21 October.

**Infant formula sales push Synlait to \$1b in revenue** [12 September/Farmers Weekly] Synlait Milk increased consumer-packed infant formula volumes by 21% on its way to achieving \$1 billion in sales for the first time. The 17% revenue gain was not matched by after-tax profit, up 10% to \$82.2 million, as overall margins slipped, staff and fixed costs rose as growth projects were developed and the new liquid milk packaging plant at Dunsandel did not perform to expectations. Key positives for the company were the ongoing infant formula growth, strong efficiency gains and an expansion in lactoferrin capacity and sales. The company is working to stabilise its performance. The company expects the 2020 financial year to continue the strong momentum of the latest second-half trading period, and is confident that the new Pokeno plant will be commissioned and will take in its first milk later in the month, as construction has continued during the dispute period. The advanced liquid dairy unit at Dunsandel, costing \$134 million to build, made a \$3.5 million loss overall because of commissioning challenges

**New dairy goat training course trialed in Waikato** [16 September/The Country] A customised practical course for the dairy goat industry is being trialed in the Waikato as a result of a collaboration between the Dairy Goat Co-operative (DGC) and Primary ITO. The new course, together with a review of previous programmes, was enabled by Caprine Innovations NZ (CAPRINZ), a five-year \$29.65 million partnership between the Ministry for Primary Industries and DGC, launched in August last year. The growth of the dairy goat industry has allowed this programme to be launched to help New Zealand retain its position as a leading producer of dairy goat milk. The new course is being trialed with DGC suppliers but will eventually be rolled out across the industry, available through Primary ITO. Held over 12 months, the course provides students with knowledge and practical skills required over the seasonal calendar including insight to the psychology of dairy goats (as distinct from their bovine counterparts), breeding and kidding, nutrition and animal health.

**Goat industry leads world-first research** [16 September/Farmers Weekly] New Zealand's dairy goat industry is initiating world-leading research to generate scientific evidence about consumption of goat milk infant formula from sustainable farm systems. The research is one outcome of the Caprine Innovations NZ partnership (CAPRINZ). CAPRINZ, through clinical trials and on-farm research, aims to build a portfolio of reliable science-based information about goat milk infant formula products for health professionals advising clients or patients on feeding options when exclusive breast-feeding is not feasible. End goals include providing information based on sound science around goat milk formula, growing research and farming capability and increasing export revenue across the NZ dairy goat milk industry to \$400 million per annum by 2023.

**Dairy product prices advance, bolstered by milk powders** [18 September/The Country] Dairy product prices gained at the Global Dairy Trade (GDT) auction, rising for the second time in the past nine auctions. The GDT price index climbed 2 percent from the previous auction, which was bolstered by whole milk powder rising 1.9 percent to USD\$3,133 (approx. NZD\$4,950) a tonne, and skim milk powder increasing by 3.4 percent. NZX Dairy Analyst Robert Gibson reported that strengthening prices was likely linked to fewer volumes being sold at this event compared to the last one.

## Food Safety

**Hell Pizza escapes formal action over Beyond Meat stunt** [17 September/Stuff NZ] Hell Pizza's covert use of fake meat didn't meet food standards but the company won't face formal action from the Ministry for Primary Industries. The company secretly used plant-based Beyond Meat burger patties on one of its pizzas in June and customers launched concerns in relation to allergens. The investigation concluded that the product description did not meet food standards but that the situation did not warrant a formal warning or more serious action as pea protein is not a listed allergen. A separate investigation by the Commerce Commission is ongoing.

## Farmers & Producers

**Southern farmers say they need more details and time on freshwater plan** [12 September/Stuff NZ] Southland farmers who attended a public meeting on the Government's freshwater proposal left it feeling disappointed with the way it was run and what information was provided. Farmers are upset with parts of the proposal, the short consultation period and the fact both public meetings have occurred in the middle of lambing and calving. Environment Ministry representatives were unable to answer some of the questions made and some farmers were turned away because they did not fit into the venue. The farmers are calling for more details on the proposal as well as more time to consider what has been presented.

**There are 600 jobseekers in Wairoa. Its major employer Affco meatworks wants to hire immigrants** [12 September/The Country] Affco Talley have lodged an application with Immigration New Zealand for approval to hire overseas workers even though there are high numbers of unemployment in the area. The application has been opposed by the New Zealand Meatworkers Union. To succeed with its application the company needs to prove there are no New Zealand citizens available for the jobs or able to be readily trained. Denise Eaglesome-Karekare, the town's Deputy Mayor reports that the youth have to be work fit for the jobs at the plant and states they are working on this to help these people get employed. Affco has had previous issues including lockouts of vulnerable workers.

**Farmers feel New Zealand has turned its back on them** [13 September/Stuff NZ] Wairarapa Sheep and Beef Farmer Sully Alsop feels the country has turned against the primary sector and fully supports an open letter written to Government leaders by agricultural consultancy firm BakerAg NZ saying farmer morale was at an all-time low. Mr Alsop was a runner-up New Zealand Farmer of the Year and reports that farmers would appreciate a more supportive approach from the Government. Mr Alsop states that farmers are part of a business sector that has found itself at the centre of serious environmental concern. Minister for Primary Industries Damien O'Connor addressed the issue of pressure on farmers when the freshwater accord was announced last week by stating that those living in cities often do not understand the value of farmers and their contribution to the economy.

**Horizons Regional Council SLUI subsidies now available for people without farm plans** [13 September/The Country] Horizons Regional Council has received funding from the government allowing it to offer funding for one-off jobs on priority land on farms that do not have a Sustainable Land Use Initiative Whole Farm Plan and also has more funding for farms that do have those plans or have Whanganui Catchment Strategy plans. More rain events are expected so the council is wanting more people to take up its SLUI, in order to help control erosion.

**Work visa changes praised by primary sector** [17 September/The Country] The Government's changes to Temporary Work Visas have been welcomed by primary sector groups, who applaud the new, more streamlined system which has resulted in only one type of employer-assisted temporary work visa that foreign workers can apply for. Federated Farmers says it is confident the simpler temporary work visa process announced by the government will deliver for the regions by making the process easier to follow. Federated Farmers also state that changes incentivise farmers to invest in training and supporting migrant employees because there's a greater chance of keeping them than currently exists. Horticulture New Zealand also welcomed temporary work visas changes, saying they simplified the immigration system and recognise the important role overseas workers play in our primary industries.

**All Taratahi staff paid** [18 September/Farmers Weekly] Employees caught up in the collapse of the Taratahi Agricultural Training Centre have been repaid their full entitlements, totalling more than \$2 million. Taratahi was put in liquidation before Christmas and since then Grant Thornton has been selling assets to try to pay debts. A report by Grant Thornton stated nearly \$19.5 million was raised from asset sales, farm income, cash on hand and outstanding debts but there are still outstanding claims for more than \$16.5 million from 254 unsecured creditors. It paid \$10 million in costs associated with the liquidation in fees and to secured and preferential creditors along with \$3 million in farm operating expenses. The liquidators have retained the home dairy farm, Telford and Ballentrae leased properties, but surrendered the lease on the Telford campus to the Southland Institute of Technology, which took over the delivery of education in February.

## Red Meat

**Govt freshwater proposals a blunt instrument for complex water problems** [12 September/The Country] The meat industry states the Government's freshwater proposals represent a blunt instrument for complex water problems. Meat Industry Association Chief Executive Tim Ritchie stated they generally welcomed the proposal for processing plants to have a Risk Management Plan for wastewater discharges into waterways but reports flexibility is needed in the legislation so that each situation is considered on its merits. Mr Ritchie reported that the sector has invested significantly in wastewater treatment upgrades and that reasonable time needs to be given to allow improvements to continue.

**Alliance diverts meat from UK** [12 September/Farmers Weekly] Alliance has taken a backwards step in the British market as uncertainty continues to swirl around when the United Kingdom will leave the European Union. The exporter has sent some of its lamb elsewhere that would have traditionally gone to UK retailers for Christmas. Britain is due to leave the EU on 31 October, however this date is uncertain and the company does not want to take chances. The UK has agreed NZ exports will be waved through British ports using existing EU documentation for an undefined period following Brexit, however concerns remain that British reports could become gridlocked in the immediate aftermath due to new tariffs and documentation accompanying imports from the EU. Alliance reports that it is not dropping the UK, as they are one of New Zealand's long standing customers and do not want to put their business under undue risk.

## AgTech

**Feed robot turning in results** [13 September/Rural News] DeLaval OptiDuo, a robotic feed pusher, has been installed on a South Island dairy farm and is reportedly helping to increase production and has also offered significant labour savings. The feed pusher remixes and repositions supplementary feed in barns and on feed pads to allow cows 24/7 access to refreshed feed, helping to increase intake whilst reducing waste. Said to offer versatility, the robot can handle varying amounts of material and a wide range of feeds, including TMR's, silage hay and fresh grass. The OptiDuo runs along an induction line and can be easily programmed to alter feed times and frequency, and only requires simple maintenance.

**Kiwi farmers slow on uptake** [16 September/Farmers Weekly] Paessler Asia Pacific director George Wilson states farmers are turning more and more to technology to increase efficiency, operate sustainably and stay competitive, however dairy farmers are lagging behind on the uptake. Earlier this year the Government announced the launch of its first Internet of Things (IoT) farming trial in collaboration with the New Zealand IoT Alliance, which demonstrates how digital technologies can improve NZ agriculture. IoT can improve farming practices in a variety of ways including product quality, efficiency, herd movements, health and wellbeing and in developing sustainable practices. Better use of IoT could create \$446m in economic benefit for the farmers over the next 10 years. However, to profit from these technologies the industry must create awareness and improve knowledge among the farming community.

**Growers urged to keep track of 'messy middle'** [16 September/Rural Life] Gary Loh, a Singapore blockchain entrepreneur states that New Zealand has done a good job in their produce industries, however once things leave the farm it can get into the messy middle which can be anywhere from the farm to the consumer and can take 5 to 10 percent off the bottom line. Mr Loh states that the four t's need to be solved: trace, track, transparent and trust. Blockchain enables everyone to have the same record of transactions and for documentation to be kept track of.

**Automation answer to labour issues** [16 September/Rural News] More automated asparagus harvesting is now in progress and is expected to address the industry's seasonal labour bottleneck. Asparagus crops are picked daily during season, meaning skilled labour is in high demand for a relatively short time, and is one of three top demands on growers. The harvester project started in 2015, with one key challenge being machine selection of the asparagus spears as it needs to know where individual spears are located across the width of the harvester. This task fell to PhD student Matthew Peebles, who developed a spear recognition system in real time, using a time of flight camera. A proof of concept trial took place in May 2019 in California. The machine successfully located spears, cut them with an arm, then placed them in a collection bin. More testing is expected to lead to a fully autonomous harvester.

**Data and science do the work** [17 September/Farmers Weekly] The topography of The Ranch in South Otago is 1700 hectares of steep to rolling hill country but it is managed and performs like an intensive breeding and finishing farm. Farm Managers Maurice and Renee Judson report much of the performance comes down to decisions based on science and data. The farm is owned by Canterbury-born Lincoln University-trained Lecturer and Plant Physiologist Dr David Ivory who has spent about 30 years working for the United Nations on sustainable agricultural programmes around the world and his wife Wichanee, who report that everything on the farm comes down to data collected and analysed, including soil fertility, pasture species, genetics and farm infrastructure. The scientific and data-driven management means the farm's steep topography and scale does not preclude them from targeting performance normally associated with an intensive down land property. The aim is to have the farm's economic performance in the top 20 percent of farms in the district as measured by Balclutha Accountants Shand Thomson, and they are currently in the top 25 percent.

### Animal Health

**Worm detective wants to find a better way to combat worms in sheep** [18 September/Stuff NZ] Massey University PhD student Seer Ikurior is on the hunt for a new way to detect worms in sheep. Mr Ikurior won the Falling Walls Lab New Zealand competition last week for his research into helping farmers control worms in livestock and will represent New Zealand at the international final in Berlin in November. Mr Ikurior wants to develop a support tool to assist farmers to more sustainably control worms in grazing lambs and stated that the current way was to count worm eggs in lamb faeces, which can be a tedious process for a large flock. His research uses GPS monitors and collar sensors to track the movements and activity patterns of infected and uninfected lambs. Mr Ikurior's ultimate goal is to give farmers a tool that assists them making decisions, whether to treat for worms or not, because at the moment the basic practice for farmers is to treat all lambs, but in theory lambs should only be treated when it is necessary. Mr Ikurior stated lambs were treated every four weeks and worms were resistant because of over treatment, so his study could find a way to use drugs more wisely.

### Economics & Trade

**Primary sector exports reach record highs** [16 September/Rural News] New Zealand's primary sector exports continue to surpass expectations with revenue for the year ended 30 June 2019 reaching a record \$46.4 billion, up 8.7% on the previous year. Minister of Agriculture and Minister of State for Trade and Export Growth, Damien O'Connor, reported that the sector appears to be set up for another favourable production season. For the year ending June 2020 horticulture revenue is forecast to rise 3.8%, seafood exports is expected to rise 5.5%, meat and wool prices remain near record highs with strong international demand and prices for red meat products are expected to remain at near-record highs for the near future. Hon. O'Connor reported that last week he attended a Regional Comprehensive Economic Partnership (RCEP) Ministerial meeting, as negotiations enter the final stages. When concluded, the RCEP Agreement will anchor New Zealand in a regional agreement which covers 16 countries with markets that take more than half our total exports. It will also provide us a free trade relationship with India, a fast-growing economy with a GDP of more than \$2.6 trillion in 2018.

**'On the Map' podcast: Disturbing signs ahead for NZ trade** [17 September/The Country] The Economist magazine has reported that global uncertainty is at its highest point on record, particularly due to the US-China and South Korea-Japan trade wars which could cause major damage to the global market. New Zealand has been cocooned until now from the worst effects of the trade wars, thanks to distance, an FTA with China, and relative predictability in commodity prices according to Fran O'Sullivan who reports we might be on the verge of a crisis. Business confidence has hit its lowest level in 11 years according to the ANZ Business Outlook Survey. Big players in trade are misbehaving which places pressure on New Zealand's trade policy. Peter Petri, founder of the Brandeis School of Business in Boston states that he is quietly confident as the international system has not collapsed yet, so there is still hope to get out of this intact. He reported that New Zealand needs to chase good-quality bilateral deals where it can't get agreement on multilateral deals.

### Wool

**Fine wools good in volatile market** [13 September/Farmers Weekly] Fine and mid-micron wools spiked higher at Christchurch's auction last week but remain well below their highs. The Australian market picked up on Wednesday and the gains flowed to Christchurch. Mid-micron wools (22 to 30 microns) were the big mover after previously falling sharply and quickly and were up 5% to 18%. There was no explanation for the gains, however the markets are confidence driven. There was also competitive bidding for well-prepared woolly hogget-type and ewe wool. That best wool was up to 8% stronger but most of the 31 to 35 micron was up just 1% to 2% and best wool above 35-micron was 1% to 3% higher. Crossbred second shear and oddments were steady.

### International

**Food tech startup Strong Roots raises \$18 million for vegetable-based frozen products** [10 September/Venture Beat] Strong Roots, a U.K.-based tech company developing natural health foods, today announced that it's raised \$18.3 million in series A funding led by New York-based private equity firm Goode Partners, which will go towards global expansion for the company, particularly into the US. The plant-based company creates vegan frozen vegetable-based products which have not been genetically modified, and they're also made without artificial flavours or trans fats. It currently sells its products in 4000 stores world-wide.

**'Animal-free cheese' start-up New Culture receives \$3.5m** [11 September/FoodBev] New Culture, a start-up which creates animal-free dairy cheese has raised USD\$3.5 million (approx. NZD\$5.5 million) in a seed funding round led by Kraft Heinz. The start-up uses fermentation instead of animals to make dairy proteins that are sustainable and "indistinguishable" from animal-based dairy cheese in taste, texture and function. According to New Culture, the company was founded to address two the unsustainability of current dairy cheese production and the lack of companies working on a viable alternative cheese product.

**A popular salad chain is ditching beef for good and replacing it with Beyond Meat** [12 September/Business Insider] Salad chain Just Salad is replacing its beef menu item with a Beyond Meat meatball starting from this week. The product will be available in all 30 stores across the US. Just Salad is the first chain to entirely remove beef from its menu and replace it with a plant-based meat substitute.

**'A mandatory approach may be necessary': Campaigners slam out of home operators as supermarkets make more progress on reformulation and labelling** [12 September/Food Navigator] A new survey has revealed high levels of 'hidden' sugar and calories in breakfast options sold through restaurant chains and other food service providers. UK campaigners are now calling for mandatory labelling and reformulation to spur progress and level the playing field with supermarket suppliers, who have already made moves in this field. Campaigners have called on UK regulators to enforce mandatory colour-coded nutrition and calorie labelling on menus and online, after finding that 43% of products tested in the sample would have a red label for high-sugar content, many food service providers did not offer full nutrition information in store or online.

**Trump favors 'whole deal' with China, two sides prepare for trade talks** [12 September/Reuters] US President Donald Trump said on Thursday he preferred a comprehensive trade deal with China but did not rule out the possibility of an interim pact. The world's largest two economies are preparing for new rounds of talks which will aim at stopping the year-long trade war which has hurt global economic growth. The two sides have been making conciliatory gestures ahead of the talks, lowering the temperature between them and cheering investors as global stocks have risen as a result. One of the gestures resulted in Chinese importers purchasing at least 10 cargoes, or 600,000 tonnes, of U.S. soybeans for October-December shipment, the country's most significant purchases since at least June.

**A.I. and its promise for ingredient innovation** [13 September/Nutra Ingredients] One of the big frustrations for product formulators is that there are not many novel ingredients coming into the market, it has been suggested that AI might be able to solve this issue. AI companies are starting to create bioactive ingredients as well as flavours, through using sensory perception tools. These tools may be of significant interest to the functional beverage category or for sports nutrition product formulators.

**'Best before, often good after': Unilever adopts anti-food waste labels on food packaging** [13 September/Food Navigator] Unilever is adjusting its packaging labels to state "Best before, often good after" to help reduce food waste at the consumer level, in collaboration with Too Good to Go and other industry players. This comes after research has shown over half of Europeans do not know the difference between 'best before' and 'use by' when it comes to food labelling, which can result in unnecessary food waste. Both Carlsberg and Arla Foods have also recently made this change to some of their products.

**Future Thinking: How are UK consumers shopping and eating in 2019?** [13 September/Food Navigator] A survey conducted by insights and analytics company Future Thinking has investigated UK consumers' buying and eating habits with regards to convenience foods, cooking from scratch in the home, snacking, and attitudes towards sugar and fat intake. The results have found that one in five consumers is eating less meat than they did a year ago, with 6 percent of these people citing health benefits as their main reason for cutting this down. 30 percent of respondents reported they avoid at least one food group, such as wheat, gluten or soy, mostly due to lifestyle changes rather than allergies. More than one third stated they believe 'free from' products are healthier than their counterparts. Respondents are also making more time to cook from scratch than before, whilst more are also buying pre-prepared convenience foods than they did last year.

**Redefine Meat raises \$6M to produce 3D-printed meat alternatives** [13 September/Food Dive] Israeli start-up Redefine Meat, has completed a USD\$6 million (approx. NZD\$9.5 million) funding round, led by CPT Capital. It also included investments from Hanaco Ventures, the PHW Group and Israeli angel investors. The company plans to use the money to finish developing its 3D printing system which will produce plant-based meat alternatives, aiming to enter mass production in 2021. The printing system aims to produce animal-free meat with the same appearance, texture and flavour as conventional meat, as well as having a smaller environmental footprint than the usual.

**Heather Mills launches UK 'vegan northern powerhouse'** [13 September/The Guardian] Heather Mills has launched a 55 acre site in Northumberland in the UK, aimed at fighting climate change, which has been nicknamed 'the Plant-based Valley'. The site will offer manufacturing, storage and business space exclusively to vegan entrepreneurs and plant-based business. There are hopes for it to be at the centre of a food revolution.

**New York City files \$1 million suit against Chipotle for alleged labor violations** [13 September/New Food Economy] This week, New York City Mayor Bill Di Blasio's administration filed a million-dollar lawsuit against Chipotle for a list of Fair Workweek violations. Fair Workweek laws are aimed at guaranteeing basic protections for employees in the city's fast food industry and went into effect in 2017 and include things such as giving 14 days' notice of shifts or paying a premium for last-minute changes as well as discouraging the practice of back-to-back shifts. The suit is the result of an investigation triggered by complaints from more than 30 Chipotle employees. The city is seeking at least \$1 million in fines and restitution and has launched a separate investigation of 11 of Chipotle's Manhattan locations as well.

**'We are entering the era of functional foods': Tastewise** [16 September/Food Navigator] Tastewise reports that consumer interest in functional foods is soaring, but often in different ways than expected. CEO Alon Chen states that the company uses AI and machine learning to provide insight into people's food tastes. Mr Chen reports that it is important to consider the trend behind the trend, for example with interest soaring in sauerkraut, it boils down to it being a fermented food, and today, fermented food is highly associated with gut and brain health. Understanding behind the trend allows products to be created that suit growing consumer needs as the pursuit of wellness has become a powerful entity that can be capitalised on.

**New innovation hub set to boost food start-ups** [16 September/Straits Times] Food start-ups in Singapore may have a new home in a 90,000 square foot building in Chin Bee Drive which offers spaces such as research and development laboratories, a co-working area and trading, logistics and manufacturing facilities. Start-ups can benefit from a network of sales partners, mentors and funding.



**China Mengniu Dairy Makes \$1 Billion Bid for Australian Infant Formula Maker Bellamy's as Beijing Pushes Self-Sufficiency** [16 September/Fortune] China's Mengniu Dairy has placed an offer for Tanzania-based Bellamy's Australia, the parent company of infant formula maker Bellamy's Organic. The move comes as Beijing has advocated self-sufficiency in the baby formula market. Bellamy's announced the proposed cash purchase, stating that the board has unanimously concluded the offer is in the best interests of shareholders. Mengniu is offering AUD\$12.65 (approx. NZD\$13.66) per share which is a 59% premium on share prices from last week. The company hit its peak in 2018, before slumping 62% to today's share prices. In Bellamy's most recent annual reports, the company acknowledges that substantial portion of its Australia sales are actually routed to China through online re-sales which sell their products in China for up to three times the profit.

**Are big CPG companies getting serious about reducing plastic packaging?** [16 September/Food Dive] Some global CPG firms are doubling down on waste-reduction efforts, with Nestle establishing a packaging research institute to devise more environmentally friendly solutions and PepsiCo setting a goal to reduce the amount of virgin plastic it uses by 35 percent before 2025. Nestle has built the institute as it believes its suppliers have not really delivered in providing them with solutions so are doing the work themselves. The company was singled out among other CPG giants in a Greenpeace report as moving to phase out single use plastics and has since been making moves to become more environmentally sustainable such as producing recycled paper packaging for a few of its products.

**'We are at the forefront of tackling food waste': Tomra sees tech as a catalyst for change** [16 September/Food Navigator] Food waste is a pressing challenge facing the global food sector, however sorting machine manufacturer Tomra Food believes technological advances can be a catalyst for change. The manufacturer reports that the issue largely boils down to consumer attitudes and inadequate processes for redistributing wasted produce to food banks and those in need. Tomra believes new technology will help, and they work with farmers, processors and retailers to help reduce food waste, optimise yields and maximise profits with their sensor-based sorting machines and integrated post-harvest solutions.

**3 hot trends on the Expo East show floor** [16 September/Food Dive] Latest innovations in the organic and natural food and beverage space were shown off at this year's Natural Products Expo East, with more than 29,000 attendees to the event. One of the trends on the floor was the increased presence of CBD and hemp infused products. There was a new range of bars, many plant-based and protein filled. The mushroom market was also well displayed, with many products from mushroom jerky along with bars, crisps and coffee.

**Crisp launches with \$14.2 million to cut food waste using big data** [16 September/Venture Beat] Cutting waste has emerged as a micro-trend in the investment realm. New York-based Crisp has launched with the mission of creating a more efficient supply chain, through crunching big data to create insights. The company states that the root cause of food waste is a lack of communication. They analyse data from a range of sources in order to help food brands forecast their food production requirements, which can help reduce food waste as well as inform other business decisions such as staffing.

**Danish Crown unveils new brand identity** [16 September/Food Navigator] Pork processor Danish Crown has launched new branding, with an increased focus on sustainability. The change is rolling out in 75 factories and offices around the world and will begin to rollout on products during the next few months. The change has been put down to the company's increased focus on sustainability, transparency and provenance. The company has set a goal to reduce greenhouse gas emissions by 50 percent before 2030 across their entire chain.

**How to avert Big Food bias in science? Researchers strategize to prevent conflict of interest** [16 September/Food Navigator] Researchers hope to stamp out conflict of interest risk through determining international principles to guide interactions between the food industry and scientists. Dr Cullerton and The University of Cambridge have done research to set out the basis of internationally-agreed guidelines to help manage and prevent conflicts of interest, which can often make it hard for health scientists to know what an appropriate engagement is and what is not. The next stage of the research will involve creating a toolkit to help researchers better manage the risks resulting from interacting with the food industry.

**China puts \$1.5bn price on baby milk** [17 September/The Australian] Some have reported Bellamy's Organic Food Group may die completely with a takeover bid by China Mengniu Dairy Company. The AUD\$1.5 billion (NZD\$1.6 billion) valuation is far away from the valuation when the company had booming stock, and was a favourite pick of investors. The takeover still needs to be approved by the Foreign Investment Review Board. The company began as a family-owned entrant into the market and sales quickly rose however faced multiple supply issues and getting its product on the shelves. However, Australia could not produce sufficient core ingredients for the products despite best intentions, meaning the group was forced to outsource these from other countries. Now almost half of Bellamy's sales go to China, resulting in one of China's biggest dairy companies making a bid to buy the entire company.

**Drought cuts farm export values by 5 pc** [17 September/Financial Review] Bendigo and Adelaide Bank have both cast doubt on Australia's ability to notch a 10th consecutive year of growth in agriculture exports as a drought is taking a heavy toll on cattle and sheep numbers. A warm start to spring has resulted in a warning to farmers to brace for sharp falls in livestock, livestock products and summer crop production. The warning comes as ABARES predicts a 5% drop in the value of farm production to AUD\$59 billion (approx. NZD\$64 billion) in 2019-20.

**Fire sparks mass explosion of semen at cattle breeding centre** [17 September/The Country] Emergency services were called to Yarram Herd Services in Gippsland, Victoria, at about 3am on Wednesday where 100 cryogenic cylinders containing cattle semen exploded in the blaze. It took 10 fire crews more than two hours to contain the fire at the building, which is a cattle breeding service. Yarram Herd Services' committee vice-chairman Aaron Thomas reported the loss would be a huge blow for farmers, especially coupled with the droughts experienced in the area over the past 12 months. The cylinders are worth between \$500 and \$1000 each.

**Grocers want an AI framework to maximize experience and efficiency** [17 September/Grocery Dive] Retailers lead spending on artificial intelligence at USD\$3.4 billion (approx. NZD\$5.3 billion) in 2018, however, Coresight Research CEO Deborah Weinswig at Groceryshop states that it is not a one-size-fits-all solution for supermarkets. Grocers believe AI can help alleviate some of the industry's biggest pain points, including personalization, waste and checkout, but state that supermarkets need to be aware of their customer base and personalise AI specially for those particular groups in order to be successful.



**UK's food supply at risk from climate change and imports: report** [18 September/Food Navigator] A report warning of food shortages states that a fifth of Britain's fresh produce is imported from countries at risk of climate breakdown, while 40% of UK's food is currently imported from overseas. Climate change and a high dependency on imported fresh food risks causing food shortages in the UK. The report raises concern on the impact of food price rises on the poorest people in the UK. The report asks the government to recognise the risks of imported food, to promote healthier, sustainable diets, create a national food council, place more advertising restrictions, set food waste targets and take action on food deserts.

**Bell launches hemp flavours: 'The hemp trend is going mainstream'** [18 September/Food Navigator] Bell Flavors & Fragrances is launching a range of natural hemp flavours and botanical hemp extracts in Europe. The company states that innovation in the European food sector is being driven by demand for natural, clean and adventurous products. Hemp is a major trend currently in the world, with the ingredient being included in a range of new products.

**A think tank predicts beef and dairy will collapse in 11 years. Is it right?** [18 September/Food Dive] RethinkX has forecasted that the beef and dairy industries will collapse by 2030, as technology to produce meat and dairy in the lab will get better and less expensive. The forecast states that demand for cow-associated products will fall by 70 percent in the next 11 years. The report states that the current animal-centric model will be replaced by a "food-as-software" model which will geographically spread out food production and make food that is not subject to price volatility or threats posed by weather, disease or trade. However, technology is still in its very early stages for lab-produced meat, and RethinkX's "food-as-software" model goes against what many cultured meat companies are aiming for. Consumer perceptions of lab-cultured food also stand in the way.

**Multi-sensory indulgence through fusion flavours** [18 September/Food Navigator] Sales of 'fusion beverages' are forecast to increase thanks to consumer's appetite for different combinations of taste and wholesomeness. A new report from Future Market Insights states that fusion beverages is set to appeal to consumer's wanting to try something different, by combining a variety of beverages for different flavour combinations. They predicted however, that there will be consumer pressure for constant innovation in this field. Fusion beverage sales are especially set to explode in alcoholic beverages.

**Mobile commerce evolves along with food and beverage** [18 September/Grocery Dive] Mobile commerce has evolved as consumers increasingly rely on their phones to discover and buy products which has resulted in new companies joining the food and beverage space. Advertisement on various platforms is helping to drive mobile commerce. 55 percent of Pinterest users utilise the application to help make decisions whilst shopping in store. Selling CPG products has always been a core strategy at Iris Nova, an image-sharing app, and this strategy has helped them to sell more than 2 million bottles of its Dirty Lemon beverage this way.

**Kroger expands its line of Apeel produce to tackle food waste** [18 September/Grocery Dive] Kroger is expanding its partnership with Apeel Sciences to bring Apeel's longer-lasting avocados to more than 1,100 Kroger stores across the country this month. Last year, Kroger introduced Apeel avocados to 109 stores in the Midwest and found the products significantly reduced food waste. Kroger will also be adding Apeel limes and asparagus in select stores as part of a pilot program. Apeel's plant-based technology allows avocados to stay ripe twice as long as regular ones without refrigeration or preservatives. This comes as consumers are increasingly looking for products that align with their environmental concerns and grocers that carry those products. Kroger introduced its Zero Hunger Zero Waste initiative in 2017, with the intent to reduce hunger and eliminate food waste by 2025.

**Flavour and cost remain clean meat's major hurdles, but 'customisable products' are on the horizon – Study** [18 September/Food Navigator] A recent Israeli study reports that flavour and high costs remain two of the biggest challenges that the cell-based meat sector needs to overcome before production for everyday consumers can be realised, but its potential benefits for customisation are unrivalled. The report conducted a comprehensive review on over 300 international studies on clean meat. The report states that it is positive that these challenges can be overcome within the next ten years, as commercialising product will result in a drop of technology prices and flavour will be solved by emerging technology.

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# Field Notes

Weekly news update from the KPMG Agribusiness Network – 19 September 2019

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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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