



AGRIBUSINESS

# Field Notes

Weekly news update from the KPMG Agribusiness network



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**24 September 2020** – This week's headlines

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## Agribusiness

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## Trust

One of the most significant conclusions in the 2020 KPMG International CEO Survey report, prepared in the wake of Covid-19 lockdowns around the world, is that business leaders are placing much greater focus on understanding and articulating the purpose of their organisations than they have done historically. Our survey showed that 54% of leaders have seen their understanding of their businesses purpose expand from narrowly managing for shareholder value to a broader, purpose-driven perspective focused on delivering to multiple stakeholders. 22% of leaders went further suggesting that their organisation's primary purpose was to improve society.

It is easy to claim that an organisation exists for a greater purpose than profit, however in a world ripe with fake news and unsubstantiated claims it is much harder to get people to believe these assertions. Belief comes with trust. When your community, your consumers, your employees believe that you are good for doing what you say you are going to do, that you will deliver on your purpose, then trust starts to grow. When trust builds value is created for all.

Trust does not grow and thrive in the shadows it is fostered in the daylight. This is reinforced in a report that KPMG has partnered in producing with the World Economic Forum which was released this week. The report, *Measuring Stakeholder Capitalism: Towards common metrics and consistent reporting of sustainable value creation*, highlights that long-term value is most effectively created by openly and transparently serving the interests of all stakeholders.

So, having recognised that being clear on purpose is no longer a nice to have but critical to long term success and prosperity, what needs to be done to turn a well-articulated set of sentiments into believable claims that ultimately foster wide stakeholder trust.

We have been writing in our *Agribusiness Agenda's* for some years about the importance of storytelling and using stories to connect product attributes to the needs of the specific consumers that are being targeted. However, I still clearly recall a CEO dinner I attended in Belfast a few years ago when we were discussing the role of storytelling in a business when one of the attendees said I don't want to tell stories, I just want to tell the truth. This

perspective, delivered with a degree of bluntness we rarely hear in New Zealand, really summed up the issue very simply; a story is only ever a story unless it is backed up by proof that the story is true (and preferably facts that have been independently verified against globally recognised standards). When you achieve this the story becomes powerful and, more importantly, valuable.

This brings me back to the recent WEF report, the core purpose of which is to try to define a common set of metrics that organisations should be using to report on the impact that they are having on their people, on the environment and on the communities that they interact with. There are literally tens of thousands of metrics available to most organisations to measure, and a smart communications person can always find one that will support the story that an organisation wants to tell (as the old saying goes there are lies, dam lies and statistics). As an auditor, I have spent my career auditing the financial statements of companies against a set of clear, consistent, widely applicable standards, currently the International Financial Reporting Standards, and conducting our audits in accordance with the International Auditing Standards. The fact that each audit is conducted under a common framework provides credibility to the numbers reported and has been critical in underpinning investor confidence in financial markets around the world.

The International Business Council of the WEF (a group including 120 of the world's largest companies) together with the Big Four Professional Services Firms have in the WEF's report set out to start to build a similar common platform around the measures that should be used and the approach that should be applied to calculating these measures in attempt to create momentum to move away from cherry picking the 'facts' that an organisation chooses to tell its story, so that a more consistent, comparable picture is reflected across companies, countries and sectors.

The simplicity of financial reporting is that there is usually only one set of standards that are likely to apply to any particular set of financial information. The reality is for people to trust the stories an organisation tells about its business and its impact on society we need to ensure the art and creativity that is necessary to make the stories compelling and engaging is backed by the precision of the financial reporting system; so that the measures reported are calculated in a truthful and consistent manner.

As articulating purpose becomes more important, organisations will need to draw more on their well-established reporting practices to ensure that their claims and stories are exactly what the executive asked for in Belfast; the truth.

### **Ian Proudfoot**

KPMG Global Head of Agribusiness



## Agribusiness

[COVID-19: Record GDP fall, ag sector suffers smallest drop](#) [17 September, Rural News]  
Stats NZ announced the largest recorded drop of 12.2% in Gross Domestic Product (GDP) in the June 2020 quarter, with the smallest drop of 2.2% across agriculture, forestry, and fishing sectors. The largest declines are among retail trade and accommodation, transport, postal, and warehousing. The only industry that grew was financial and insurance service, by 0.7%.

[New visa for 11,000 seasonal workers](#) [22 September, Rural News]  
Around 11,000 current working holiday visa holders in NZ will be given the Supplementary Seasonal Employment (SSE) visa. Minister of Immigration Kris Faafoi says the horticulture and viticulture sectors have often relied on migrants for their seasonal peaks, and the SSE visa allows people with expiring working holiday visas to stay and fill those short-term roles.



## Agribusiness Education

[Lincoln PhD student receives prestigious Kate Sheppard Memorial Trust Award](#) [21 September, Stuff NZ]  
Lincoln University PhD student Laura Keenan received the Kate Sheppard Memorial Trust Award for her work in protecting crops from drought. The award was formed to support a women's study in areas that are of value to New Zealand each year. Ms Keenan's PhD is about improving drought resilience and feed supply for farmers, by creating a tool that helps predicting yield and quality of the plants in pasture mixes across New Zealand.



## Agri-Tech

[Covid-19: Tourism's loss is agritech's win](#) [22 September, RNZ]  
As NZ's tourism-focused global messaging was muted by the Covid-19 pandemic, the Agritech sector has become one of the government's priorities with more resources to step-up its international profile and lift its export earning potential. The industry received \$11.4 million to implement a transformation plan, backed up with the support of New Zealand Trade & Enterprise's global network.

[Award-winning MagGrow hits the mark](#) [21 September, Farmers Weekly]  
Irish company MagGrow has won the International Innovation Award at the New Zealand National Fieldays, with its technology of reducing spray drift while maximizing efficiency and output for farmers. The technology is a two-component system that uses permanent rare earth magnets to be installed on sprayers, which changes the physical properties of the pesticides passing through to optimise the spray droplets.



## Animal Welfare

[MPI called to cow rescue sanctuary over concerns for cattle welfare](#) [18 September, Stuff]  
Staff from the Ministry for Primary Industries (MPI) are working with a cow rescue sanctuary in North Canterbury concerning cattle welfare at the farm. Owner Jasmine Hubber found 70 cows with signs of being fed badly and severely underweight, she has since raised more than \$22,000 to rescue them and form a plan with MPI to return them back to health. The charity Helping You Help Animals said in an online appeal that 180 pet heifers and steers needed rehoming.



## Apiculture

[Move over, mānuka honey, bee pollen is creating a buzz](#) [20 September, Stuff]

Covid-19 has shifted consumer behaviour and there is a rising demand for New Zealand bee pollen, with NatureBee stating sales of its potentiated bee pollen capsules has increased five-fold over the last year. "Based on consumer behaviour, our assessment is that people are looking for a seasonal lift and are finding ways to improve their health and immune response naturally," said Keren Cook, NatureBee's global consumer advocate.



## Dairy

[Fonterra posts \\$659m full year profit, an increase of \\$1.3b on the previous year](#) [18 September, Stuff NZ]

Fonterra Co-operative Group posted a \$1.3 billion year-on-year increase in the profit after tax to \$6.59 billion for the 2020 financial year. Fonterra chief executive Miles Hurrell said the co-operative had proven strength in managing through the year with covid-19, with improved profit and reduced debt. "Demand for dairy has proved resilient and our diverse customer base and ability to change our product mix and move products between markets has meant we can continue to drive value," said Mr Hurrell.

[Fonterra examines co-op structure](#) [18 September, Farmers Weekly]

With returned profitability, Fonterra Cooperative Group is prioritising a review of capital structure. A framework to retain milk supply and provide financial flexibility for farmers will be one of the principles for the review, according to chair John Monaghan and chief executive Miles Hurrell.

[Fonterra shrugs off COVID-19 to boost returns](#) [18 September, Rural News]

Fonterra Cooperative Group records a \$67 million increase in normalised earnings before income tax (EBIT). The strong performance was mainly driven by its ingredients business's strong normalised gross profit which was up \$165 million, as well as the strong sales and gross margins from the Greater China foodservice business in the first half of the year, according to Fonterra chief executive Miles Hurrell.

[Rabobank lifts milk price forecast but says dairy market recovery remains 'fragile'](#) [22 September, The Country]

Rabobank farmgate milk price forecast was increased by 40 cents to \$6.35 kg/MS for the 2020/21 season. With foodservice revenues strengthened in the last quarter, Rabobank is expecting higher global dairy commodity prices for the remainder of this season. However, RaboResearch senior dairy analyst Emma Higgins said the market recovery remained fragile and it would take time for the sector to make a full recovery.



## Farmers & Producers

[Cellphone coverage, internet access still issues for Whanganui rural areas](#) [23 September, The Country]

Economic development agency Whanganui & Partners conducted a survey of rural landowners, which has revealed the issue with poor rural connectivity putting farmers at disadvantages. "A lack of reliable connectivity makes it difficult to meet the growing needs for compliance, traceability and uptake of agri-tech. It can also make it hard to attract new staff, as it impacts the quality of life in rural areas," said Colleen Sheldon from Whanganui & Partners, "Poor connectivity also creates health and safety concerns on the farm, such as not being able to call for help in an emergency."



## Food Safety

[FarmTrace can track a banana's journey from farm to consumer](#) [16 September, Fresh Plaza] Desai Fruits Venture Pvt Ltd's (DFV) fruit brand Happy Banana has started deploying the QR code solution FarmTrace to help consumers track the journey of the fruit. "FarmTrace helps us to further differentiate our premium bananas from other suppliers and give our consumers full transparency and assurance about buying a healthy and hygienically produced product," said DFV's CEO Marco Klinge.



## Forestry

[\\$1.69m for trees for Māori landowners](#) [21 September, Rural News] Up to \$1.69 million government funds will be provided to Māori landowners through the One Billion Trees (1BT) programme, aiming to make their whenua more productive through planting forests, as well as to improve economic and environmental outcomes. Forestry Minister Shane Jones said: "It is estimated that this will deliver between \$25m and \$40m in increased earnings, 120 direct and 200 indirect jobs, 7.6m tonnes of carbon sequestered and improvement in soil erosion rates and water quality."



## Food Innovation

[What are the top 25 'breakthrough innovations' of 2020 so far?](#) [17 September, Food Navigator] UK has topped Nielsen's ranking of the most innovative and best sold food and drink products in Europe this year, with a total of 8 winning product innovations sold in the market, including Mars' Maltesers Buttons and McCain's Lighter Home Chips. Based on the list, Nielsen noted a trend of 'mindful living and indulgence' to inspire manufacturers.

[Massey's FoodHQ and Food Pilot wow Prime Minister Jacinda Ardern](#) [17 September, NZ Herald]

Massey's FoodHQ and FoodPilot researchers have pitched their studies to Prime Minister Jacinda Ardern, Finance Minister Grant Robertson and Te Tai Hauāuru MP Adrian Rurawhe in Palmerston North. Products being developed include Hemp ice-cream, Tahī spirulina, carrot fibre, quinoa puffs and fermented foods.



## Horticulture

[Apples see the light](#) [16 September, Rural News]

Plant and Food Research scientists in Hawkes Bay have been working on an MBIE funded research programme - Future Orchard Planting Systems - to design an orchard system that allows the fruiting canopy to capture more sunlight to improve production and sustainability. The programme is led by Dr Stuart Tustin, who said the new design with the innovation of narrowing tree rows can utilise up to 85% of the sunlight energy while the conventional orchard designs only utilise between 60% to 65%.

[\\$4.7m boost for vegetable grower project](#) [16 September, Farmers Weekly]

The Ministry for Primary Industries has invested \$4.7 billion into a nationwide programme for improving the vegetable crop production, with a focus on protecting the industries' ability to grow, process and export products while meeting environmental standards and maintaining international competitiveness. "This project will give growers the ability to accurately manage nutrient flows, while meeting demand for quality produce, meaning better environmental outcomes," said Potatoes NZ chief executive Chris Claridge.





## International

[Tesco to work with sharing app Olio in bid to drive down food waste](#) [17 September, The Guardian]

Tesco with its 2,700 UK branches is joining the food sharing app Olio to help reduce food waste in the UK and feed people in need. More than 8,000 local volunteers from the social enterprise Olio will visit Tesco stores to collect surplus food nearing its sell-by date and re-distribute to households and community groups.

[Digital watermarks: PepsiCo, Nestlé, and Unilever back sorting tech for packaging recycling](#) [18 September, Food Navigator]

The European Brands Association (AIM) is working with brands including PepsiCo, Nestlé and Unilever to improve recycling of plastic packaging with digital watermarking technologies. Digital watermarks are stamped on the surface of goods packaging and carry information about the product, they are hoped to be detected when entering a waste sorting facility to sort the packaging into streams accordingly. "This would result in better and more accurate sorting streams, and thus consequently into higher-quality recyclates, benefiting the complete packaging value chain," said AIM.

[Olam Cocoa hits 100% traceability in direct cocoa supplies: 'This is a crucial step towards... eradicating child labour and deforestation'](#) [22 September, Food Navigator]

Olam Cocoa has achieved 100% traceability for its directly sourced cocoa, with the company's end-to-end traceability system that tracks cocoa at 'every stage' in their direct supply chain across nine countries. Olam Cocoa sustainability chief Andrew Brooks said it was a milestone and delivering their commitments to eradicate child labour and tackle deforestation.

[Sugarcane waste upcycled into plastic-free packaging: 'Dispose SupraPulp the same way you would your salad'](#) [22 September, Food Navigator]

Concerned about plastic pollution, Israeli foodtech start-up W-Cycle has developed a plastic-free packaging made from upcycled sugarcane waste. W-Cycle co-founder and CTO Joseph Siani said the 'fully compostable' offering would help consumers 'ditch plastic containers' and 'create a cleaner environment'.



## Poultry

[Commerce Commission grants proposed merger of Whanganui egg farm Rasmusen's](#) [18 September, The Country]

Commerce Commission has granted Whanganui egg farm Rasmusen's proposed merger with two other North Island egg farms, Heyden Farms Limited and Henergy Cage-Free Limited. They will merge operations to form a new holding company, Better Eggs Limited, to improve cost efficiencies, maintain competitive prices and continue to invest in innovation and production over the long term.



## Red Meat

[The highs and lows of selling climate-friendly meat](#) [17 September, The Country]

Consumers may not be prepared to pay a premium price for climate-friendly meat although they want it, according to Rabobank senior analyst Angus Gidley-Baird's report, *Selling climate friendly meat*. Despite the challenge, Mr Gidley-Baird believed there were opportunities for the suppliers to consider the environmental benefits and form a product suite to attract consumers.

[NZ meat company First Light bringing 'steak club' home](#) [22 September, Stuff NZ]

Kiwi grass-fed meat company First Light is launching a wagyu steak club, which will curate monthly deliveries of the highest marble score wagyu beef for its members. First Light chief executive Jason Ross said the high marble score wagyu beef is harder to produce on a purely grass-fed diet and are highly prized. With strong demand for the club to open in New Zealand, First Light has started taking registrations through its website now, ahead of its planned launch next year.



## Research & Development

[Kiwis Want To Know What's In Their Food](#) [17 September, Scoop]

The New Zealand Food Composition Database (NZFCD) is becoming increasingly popular for people to look up nutrient information for New Zealand foods, with website visits increased by 46% and page views increased by 79% over the past year. The new and improved NZFCD provides a comprehensive collection of nutrition data for over 2,700 commonly consumed foods in NZ, with new data on sugar added last year.

[Research into genetic resilience](#) [17 September, Farmers Weekly]

Dr Richard Rennie from AgResearch is researching genetics that will help develop livestock and forages more resilient to climate stress such as drought. The work is to improve species adaptation to climate change, as well as to develop future breeds that help lower greenhouse gas emissions.



## Rural Communities

[More work ahead for rural broadband](#) [17 September, Farmers Weekly]

Federated Farmers' latest rural broadband survey have highlighted some problems in the country's rural network, indicating more work to be done in parts of the country. Based on 900 survey responses, 25% of NZ's rural users had a relatively slow internet speed of 5Mbps, and only one-third of users had uncapped data plans. The challenge for rural broadband delivery is the high operating costs for the technology, said Mike Smith from Telecommunication Users Association of NZ.

[A marathon in gumboots: melanoma survivor's rural-themed Auckland Marathon](#) [17 September, Stuff NZ]

Jack Keeys is training to run the Auckland Marathon in gumboots to raise funds for New Zealand's Rural Support Trust network and Melanoma New Zealand. Mr Keeys has recovered from melanoma at the age of 24 last year, and wants to raise awareness about getting regular check-ups, regardless of your background or age. With his "gumboot marathon" Mr Keeys wants to support the great work that these two charities deliver for rural communities and the wider New Zealand public. Mr Keeys's charity page is [here](#).





## Trade & Exports

[China takes half our meat exports](#) [16

September, Farmers Weekly]

The latest Meat Industry Association annual report shows a record \$9.4 billion of total exports from the meat industry in 2019-2020, driven by a 15% rise in the value of beef. China provided half of the export revenue - a total of \$4.7 billion across all industry products. MIA chair John Loughlin praised the industry's response to covid and averting animal welfare problems despite the drought.



## Wool

[SWAG defends itself amid criticism](#) [18

September, Farmers Weekly]

The Strong Wool Action Group (SWAG) was formed with representatives from across the primary sector to lead a strong wool sector, but some industry stakeholders are concerned that SWAG lacks fair and industry-wide representation. Craig Smith, the chair of National Council of New Zealand Wool Interests, said the council representing 80% of post-farmgate stakeholders has been left out of the loop and in the dark. SWAG chair Rob Hewett says the group will be communicating transparently with the stakeholders and is not too far away from going out to the industry.



## Viticulture

[Coronavirus: New Zealand's 'original wine festival' cancelled for first time in 36 years](#) [17

September, Stuff NZ]

The 2021 Marlborough Wine and Food Festival has been cancelled for the first time in 36 years to minimise the risk of covid-19 on the region's grape harvest. Marlborough Winegrowers board chairman Tom Trollove said it was to "protect the health of our people and the economic lifeblood of this region".

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

AgResearch  
Commerce Commission  
Desai Fruits Venture Pvt Ltd  
European Brands Association  
Federated Farmers  
First Light  
Fonterra Co-operative Group  
FoodHQ  
FoodPilot  
Happy Banana  
Henergy Cage-Free Limited  
Heyden Farms Limited  
Lincoln University  
MagGrow  
Mars  
McCain  
Meat Industry Association  
Melanoma New Zealand  
Ministry for Primary Industries  
National Council of New Zealand Wool Interests  
NatureBee  
Nestlé  
New Zealand Food Composition Database  
New Zealand Trade & Enterprise  
New Zealand's Rural Support Trust network  
Nielsen  
Olam Cocoa  
Olio  
PepsiCo  
Plant and Food Research  
Potatoes NZ  
Rabobank  
Rasmusen  
Stats NZ  
Strong Wool Action Group  
Telecommunication Users Association of NZ  
Tesco  
Unilever  
W-Cycle  
Whanganui & Partners

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