



AGRIBUSINESS

# Field Notes

Weekly news update from the KPMG Agribusiness network



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**08 October 2020** – This week's headlines

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## **How do we tackle the Essential Freshwater package when sheep and beef farmer confidence is at a 3-year low?**

With sheep and beef farmer confidence at a 3-year low (as per UMR's latest research), and our nations reliance upon red meat producing businesses to support our economy at an all-time high - shouldn't our sheep and beef farmers be feeling highly valued and supported by New Zealanders?

Unfortunately, that isn't the case. The survey found that only 46% of farmers are feeling confident about the future of the sheep and beef industry – this is a decrease of 12% from 58% in May 2020.

The decline in confidence has been driven by changes to the Essential Freshwater package and the impending challenges the sector faces with the Zero Carbon Bill, Emissions Trading Scheme, and National Policy Statement for Indigenous Biodiversity.

Many of our farmers are feeling overwhelmed by the pace of change and disrespected by the

way that Government has gone about introducing these law changes.

Farmers share in the national vision for healthy waterways and ecosystems and have been working hard to make improvements in their businesses.

Farming businesses are extremely complex and are operated by highly skilled and multi-disciplined people. Farmers wear many hats, and every hat requires a bespoke skillset to be acquired. A new skillset can take anywhere from 1-15 years to learn and for a farmer to become competent and confident using it.

The relatively rapid introduction of the Essential Freshwater package and the lack of potential producer engagement whilst developing the standards has meant that many farmers have not been taken on the journey. Instead, some are burying their heads in the sand, others are grappling with what it all means, and a small few are confident and understand what is required.

It is important that we take all farmers on the journey in order to achieve the desired outcomes. The time frames set out in the freshwater policy require farmers and

professionals to rapidly get their head around the physical, financial and social implications of the legislation. The legislation will require significant system changes on many farms, and like any change, it will take time.

It can take 5-10 years for a farm team to implement a significant system change in their business. From my work with the Action Network programme, there are several key elements required to enable on-farm changes to occur. Firstly, the farm team needs to understand what the need or opportunity is – why should they farm differently? Secondly, they need to be provided with plentiful information and resources which are clear and logical. They then need to talk to other farmers to see what they've done and to test out new ideas. Once the farm team has collected enough information and has a good plan in place, they will make the change. It is important that plenty of support is provided to the business throughout the process to ensure the successful adoption.

I believe a nation-wide extension programme will be pivotal in providing support to farm teams to implement on-farm changes to comply with the rules. The co-funding of a programme by Government would enable an increased rate of adoption, higher levels of farmer engagement and confidence. From the Action Network programme which was 50% Government funded, the research has shown that the programme delivered a 26:1 return on investment. It is estimated that sheep and beef farms which have been part of the Action Network programme have increased their EBITm by \$24/ha/year, equating to an increase in profitability in the order of \$17,716/year across the average sized sheep and beef farm. These are some phenomenal results and are a testament to the effectiveness of small group learning and the value of extension programmes.

### **Genevieve Steven**

Farm Enterprise Consultant  
KPMG Canterbury



## Agribusiness Education

[Silver Fern Farms Awards Additional Youth Scholarships In Light Of Covid Crisis](#) [01 October, Scoop Business]

Silver Fern Farms has announced their Plate to Pasture Youth Scholarships recipients for 2020 with two additional scholarships offered. Eight recipients have been awarded \$5000 each to assist their career development in the red meat industry this year. Silver Fern Farms said the additional scholarships offered were to strengthen their support for the red meat industry through the covid-19 challenges.



## Agri-Tech

[Initiative for dairy sector](#) [05 October, Farmers Weekly]

AgriTech New Zealand founder Peter Wren-Hilton has stepped down as the executive director and will now focus on international growth opportunities for the organisation and NZ's agritech sector. Ministers Damien O'Connor and Phil Twyford launched the Agritech ITP with \$11.4 million support funding in July, which provides a platform to align industry and government thinking.

[OverseerFM wins international design award](#) [06 October, Farmers Weekly]

NZ farm management software tool OverseerFM has received a Gold Accolade in the Good Design Awards for its outstanding design and innovation. "OverseerFM is a good example of the impact of good design, enabling farmers to apply science to their practices to reduce environmental impact and boost productivity," said Overseer Limited chief executive Dr Caroline Read.



## Alternative Proteins

[Algae could soon be on the menu as an alternative protein](#) [01 October, RNZ]

The Ministry of Business Innovation and Employment has granted Nelson's Cawthron Institute \$3m to study the potential of the red seaweed Karengo and the microalgae Chlorella as alternative protein sources. The aim is to better understand the full health and commercial benefits of the two protein-rich species, according to the research leader Dr Tom Wheeler.



## Animal Welfare

[Spotlight on vet shortage](#) [05 October, Farmers Weekly]

The border restrictions have contributed to a shortage of veterinarians, though the role is not being viewed by government as important enough in supporting the functioning of the economy, said New Zealand Veterinary Association (NZVA) chief executive Kevin Bryant. The NZVA has been trying to communicate this issue to ministers and officials, aiming to help streamline processes to enable veterinarians to enter the country and alleviate the critical veterinary shortage.



## Apiculture

[DNA tool detects bee species fraud in premium honey](#) [30 September, Securing Industry]

The price of premium honey is sometimes tied to factors such as the species of bee that produced it. Researchers from the Agricultural Institute of Slovenia have developed a DNA-based technique to detect adulteration of honey from an entomological perspective. "Our method offers a new tool in detecting certain kinds of adulteration and enables traceability of samples," said the researchers.

[Real honey... without bees? Berkeley-based startup MeliBio gears up for launch in late 2021](#) [02 October, Food Navigator]

MeliBio is working with molecular biologist Dr Aaron Schaller to bring vegan honey to the market. MeliBio CEO Darko Mandich argues that commercial-scale honey production would be viable following the ethical and environmental rationale, and that US honey consumption is showing significant growth while honeybee populations are declining, which proves a clear opportunity to step-in with an accessible and affordable product that can be biosynthesized.



## Dairy

[Tatua dairy company creams it again this year](#)

[01 October, The Country]

Waikato blue-chip dairy company Tatua achieved a record group revenue of \$381m and earnings of \$151m for the year ended July 31. Tatua is paying \$8.70 per kilogram of milksolid to its local community of cooperative shareholder-farmers. The company is "cautiously optimistic" for the next financial year despite the uncertainty around covid-19.

[Fonterra sells China farms for \\$555 million to pay down debt](#) [05 October, Stuff]

Fonterra Co-operative Group will sell its farms in China for \$555 million and will use the proceeds to pay down debt. Fonterra chief executive Miles Hurrell the sale would allow Fonterra to prioritise its competitive advantage in other areas of the business, and the Co-operative would continue to sell NZ milk to China with investment in research and development of application centres in China supporting this direction.

[Fonterra back in black](#) [05 October, Farmers Weekly]

Fonterra Co-operative Group has posted good annual results with a \$659 million profit and a \$1 billion reduction in debt, despite the disruption caused by covid-19 and the widespread drought conditions. The Co-operative has kept its forecast for the current season at \$5.90-\$6.90/kg milksolids.

[Bank gives forecast payout 40c lift](#) [30 September, Dairy News]

Rabobank has lifted its forecast farmgate milk price by 40c to \$6.35/kgMS, however, its forecast remains towards the lower end of Fonterra's forecast range of \$5.90 to \$6.90/kgMS due to global market uncertainty, according to RaboResearch senior dairy analyst Emma Higgins. "Food service revenues are improving, but they remain well back on pre-Covid levels and it will take time for this sector to make a full recovery," said Ms Higgins.

[Is dairying still in the driver's seat?](#) [30 September, Dairy News]

The IFCN (International Farm Comparison Network in dairying) has become more active in light of the covid-19 and lockdowns, benefiting those who are unable to travel this year as they are kept in contact with online meetings. Nicola Shadbolt says price volatility is common in a thinly traded global market, and it's difficult to predict the delicate balance between supply and demand with the impact of covid-19.

[Lindsay Farm becomes first registered farm in NZ to have raw milk depots](#) [05 October, NZ Herald]

Central Hawke's Bay raw milk supplier Lindsay Farm has been allowed to have depots for their raw milk by the Ministry of Primary Industries, marking it the first registered farm in NZ to have raw milk depots. Under the MPI rules, farmers can sell raw drinking milk directly to consumers either at their farm or by home delivery, but all personnel involved in the operating and transporting process must meet certain requirements to minimise risks to public health.

[Sheep milk demand soars](#) [06 October, Rural News]

Sheep milk company Maui Milk has taken on 4 new independent suppliers in Waikato this season and is still seeking additional farmer suppliers to meet the growing demand. The company needs a lot more milk supplies to satisfy the demand from Danone for its Karicare brand sheep infant formula, says Maui Milk general manager operations Peter Gatley.



## Environment & Emissions

[The war on weeds](#) [05 October, Farmers Weekly]

A serious cropping pest, velvetleaf, has been found in fodder beet and maize crops throughout NZ and particularly in Southland. Lincoln University professor of plant biosecurity Philip Hulme warns that losing the war on weeds is challenging NZ's position as a global leader in biosecurity, and little effort has been invested from the Government and landowners to manage weeds.

[New Zealand sheep and beef farms close to being carbon neutral new study shows](#) [07 October, Stuff]

New Zealand sheep and beef farms are already helping to offset 63%-118% of their on-farm agricultural emissions, and the sector is on the way to carbon neutrality by 2050, according to a new research by Auckland University of Technology. Funded by Beef and Lamb New Zealand, the research is led by AUT senior lecturer Bradley Case, who said farmers should be given credit for the carbon being stored on their farms.



## Forestry

[Recognition for NZ forestry's highest achievers in 2020](#) [04 October, Voxy]

The New Zealand Institute of Forestry (NZIF) has announced the winners of its 2020 awards, with recipients being acknowledged for their diverse range of skills and experience from hard graft and commitment at grass roots level, to high level policy planning and execution, and academic leadership. "We're fortunate with our high-calibre industry professionals who set the standards for others to aspire to," said NZIF President James Treadwell.



## Food Innovation

[Hemp, curry and asparagus in mix at icecream awards in Auckland](#) [03 October, NZ Herald]

A panel of 17 judges in Auckland will be tasting more than 300 New Zealand-made icecreams, gelatos, sorbets and dairy-free frozen products at the icecream awards, which are run by the New Zealand Manufacturers Association. The awards have been held since 1997. "We have a korma curry gelato, an asparagus and cream cheese gelato and spiced chai icecream this year," said the chief judge Jackie Matthews.

[Kiwi celebs back Anchor's plant-based milk bottle plans](#) [06 October, NZ Herald]

Fonterra Co-operative Group owned dairy brand Anchor has created the world's first plant-based milk bottle made from sugarcane, a renewable and sustainably sourced material. Fonterra hopes to roll out this change widely as part of its move to reusable, recyclable or compostable packaging by 2025. Anchor Blue 2l in the new plant-based bottle will be in the market from October 13, beginning with 300,000 Blue 2l bottles per month.



## Fisheries

[Ministry reveals NZ's biggest illegal shellfish hauls during the past three years](#) [01 October, Stuff]

The Ministry for Primary Industries (MPI) has released NZ's biggest alleged illegal shellfish takings for the past 3 years, which include a group picking up 3291 cockles at Patua in Northland on January 4, 2019 (the daily catch limit is usually 150 per person). Over-catching cases were usually by "multiple people" rather than one offender, said national fisheries compliance manager Steve Ham.



[‘Plastic beaches’ fear if mussel farm pollution in Marlborough Sounds not reduced](#) [05 October, Stuff]

Clova Bay woman Shelley King and her triplets undertake weekly cleans of their local beach in the Marlborough Sounds. She has created an Instagram page, the Frayed Knot Project, to show photos of their finds with the aim of “pushing for change” around “aquaculture plastic pollution”. 824 pieces of rubbish were collected on 22 August, which included 222 pieces of mussel rope, 65 pieces of mussel industry related plastics and 388 microplastics. Marine Farming Association had been working with the Clova Bay community to address the problem of debris accumulation and would assign a company to perform more regular beach cleans in that area, said the general manager Ned Wells.



## International

[Food waste upcycling ‘ripe for innovation’: report](#) [30 September, Food Navigator]

The technology consultancy Oakland Innovation produced a report to show how food and beverage manufacturers can use upcycling to address the food waste challenge. Upcycling converts waste streams into new consumer products or ingredients for human consumption. Oakland says the technical challenges and costs barriers are set to change, with increased partnerships across different sectors pooling their expertise and resources.

[M&S cuts soya from production of milk to curb deforestation](#) [30 September, The Guardian]

UK retailer Marks & Spencer has eliminated soya from its milk production, as part of the commitment to end deforestation in its supply chain. Soya is the second-largest driver of deforestation, according to the charity World Wildlife Fund. Marks & Spencer says it has worked with the 44 British farmers to replace soya feed with alternatives such as rapeseed oil, avoiding the use of nearly 4,000 tonnes of soya each year.

[New plastic-eating ‘super enzyme’ offers hope for full recycling](#) [01 October, Food Navigator]

A new ‘super enzyme’ derived from bacteria that naturally evolved the ability to digest plastic up to 6 times faster than before may help to address the problem of plastic waste, according to research by the Centre for Enzyme Innovation (CEI) at the University of Portsmouth and the National Renewable Energy Laboratory (NREL) in the US. It is believed to enable the full recycling of plastic bottles and waste, and could be used for recycling soon.

[Roquette’s world’s largest pea protein plant marks ‘new era of food innovation’](#) [01 October, Food Navigator]

French ingredients maker Roquette is planning to open the world’s largest pea protein factory in Canada later this year in December. The new plant will be able to produce 120,000 tonnes of yellow peas when at full capacity in 2022. Roquette has identified rising demand for plant-based foods in supermarkets, as consumers did more cooking from scratch in homes during the covid-19 lockdowns. Roquette says the plant would mark a ‘new era of food innovation’ as it expects demand for plant-based protein and meat alternatives to grow in the long term.

[Subway rolls too sugary to legally be called bread, rules Irish Supreme Court](#) [02 October, Food Navigator]

In Ireland, Subway’s bread has been ruled to be in the confectionery or fancy baked goods category due to its high sugar content, and subject to a higher rate of value-added tax. The Value-Added Tax Act lists staple foods exempt from VAT and specifies that “fat, sugar and bread improver...shall not exceed 2% of the weight of flour included in the dough”, though the sugar content in Subway’s bread was measured at 10%.

[What does the list of top most valuable UK brands tell us about food trends?](#) [02 October, Food Navigator]

The 2020 top 75 Most Valuable UK Brands report shows that food related brands collectively rose 8% from the previous year, despite the total value of the 75 brands across all 25 consumer-facing sectors dropping 13%. The [report](#) was conducted by ad giant WPP and insight firm Kantar.

[Bang, Beyond and Snap'd: Nielsen names its 25 breakthrough innovations](#) [02 October, Food Dive]

Nielsen released its Top 25 Breakthrough Innovation winners, which included 17 brands in the food and beverage space. The products making the list help to define production innovation for the "new normal" and they have to reflect strong, distinct qualities such as mass potential, longevity and brand incrementality. Despite uncertainty in consumer behavior, a survey by Mattson revealed innovation is still going strong with 58% of consumers showing willingness to purchase innovative new products.

[Aquaculture to play key role in EU-Africa project](#) [02 October, The Fish Site]

Aquaculture development will play a key role in the Food and Local, Agricultural and Nutritional Diversity (FoodLAND) project. The €7 million project involves 28 African and European partners, with the aim to boost the nutritional performance of local food systems in Africa.

[Firmenich Announces the World's First AI-Created Flavor](#) [02 October, Cision]

Firmenich, the world's largest privately-owned perfume and taste company, announced its first AI-generated flavor - a lightly grilled beef taste for use in plant-based meat alternatives. This is a key milestone in Firmenich's digital transformation across its value chain, providing customers with uniquely tailored taste and nutrition solutions with unprecedented speed-to-market. Firmenich is currently testing on several new flavors created by AI across its core tonalities.

[Rabobank Reveals 45 Standout Food & Agriculture Startups Selected for FoodBytes! Pitch 2020](#) [06 October, Cision]

Rabobank has revealed the 45 companies selected to participate in the *FoodBytes! Pitch 2020* - its global food and ag startup discovery programme that connects the entrepreneurs with corporate leaders and investors. The pitch features 15 startup companies in each of three sectors: consumer food and beverage (CPG), food tech, and agtech.



## Red Meat

[Lamb prices expected to remain lower](#) [01 October, Farmers Weekly]

North Island meat exporter Taylor Preston is offering \$8.35 per kg for lamb at 16kg carcass weight and below. AgriHQ senior analyst Mel Croad warns it is not a precursor of prices to come this season, and pricing prospects for the new season will likely be lower and remain uncertain.



## Trade & Exports

[UK beef exports to U.S. restart after two decades](#) [01 October, Food Safety News]

This week, the UK restarted exporting beef to the US after more than 20 years. The US market had been closed to beef from the European Union since January 1998, with import restrictions on beef, sheep, goats and their products due to Bovine Spongiform Encephalopathy concerns. Currently under negotiation is a UK-US free trade agreement following the UK's exit from the EU.



[Back to back rises for Global Dairy Trade auction](#) [06 October, The Country]

The latest Global Dairy Trade (GDT) has seen prices rise for the second time in a row, with the index up 2.2% across the board. The whole milk powder prices increased by 1.7% to a record US\$3041 per tonne, which has the biggest bearing on Fonterra's farmgate milk price. Skim milk powder, which is Fonterra's second biggest reference product, fell by 0.9% to US\$2865 per tonne.



## Viticulture

[Nine Hawke's Bay winners in wine awards](#) [06 October, NZ Herald]

The 18th New World Wine Awards announced the winners on Monday, with nine of Hawke's Bay wines placed in the top 50 and three winning gold medals. The awards judge wines that are less than \$25 in retail price. Chairman of judges Jim Harré said the panel looked at whether there were faults, whether it has typicity of the varietal and the balance of the wine, which moves the entrants from being a good wine to a great wine.

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

AgriHQ  
Agritech New Zealand  
Auckland University of Technology  
Beef and Lamb New Zealand  
Cawthron Institute  
Firmenich  
Fonterra Co-operative Group  
Global Dairy Trade  
International Farm Comparison Network in dairying  
Kantar  
Lincoln University  
Lindsay Farm  
Marine Farming Association  
Marks & Spencer  
Maui Milk  
MeliBio  
Ministry of Business Innovation and Employment  
Ministry of Primary Industries  
National Renewable Energy Laboratory  
New World  
New Zealand Institute of Forestry  
New Zealand Manufacturers Association  
New Zealand Veterinary Association  
Nielsen  
Oakland Innovation  
Overseer Limited  
Rabobank  
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Roquette  
Silver Fern Farms  
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