



AGRIBUSINESS

Field Notes

Weekly news update from the KPMG Agribusiness network



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Agenda 2020**

03 December 2020 – This week's headlines



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Pricing, strategies, and the application of data and analytics to 'win'

It's been one of the most extraordinary years', circumstances about the speed the pandemic took hold, its newness or uniqueness and our lack of 'immunity' which led to the entire world coming to a standstill, almost simultaneously.

It caused an unparalleled level of change, from how we live our lives, defined what we could and couldn't do, and helping us to see what was most important to us. It led to changes in behaviour around consumerism, with the metrics we once used to understand the 'needs' of our target markets dynamically changing.

In our recent pulse survey 'Consumers and the New Reality' the findings had three key observations. 'Customer experience' and 'optionality' were bundled as the most critical drivers of consumer behaviour and spend. Second, and no surprise, was a greater emphasis on 'trust'... interestingly not only in

'brands' but 'food systems' too. Third, was 'my personal safety' defined by a shopper's awareness of their safety while doing their purchases. It leads to deeper questions on our existing in-market partners, and whether they are adapting their businesses adequately to ensure New Zealand's products are positioned to sell and sell well.

Complex?... Yes!
Doable? Yes!
Same way?... No!

New Zealand continues to invest in our Economic Plan released in 2019 to "build a productive, sustainable and inclusive economy" with the objective of becoming a more productive nation... that is right, but lessons from this year indicate smart iterations of how we compete in-market are needed.

The continuation and level of investment in telling our stories is important, but there is a danger that they are too similar to other countries, especially for those who zero-in on 'attributes'.

Is it differentiated enough that a consumer can distinguish the difference to a level where their willingness to pay increases?

I heard, and still hear the need to 'pivot' to an 'e-commerce' offering to combat the effects of Covid-19. Interestingly, asking 'who, what, when, where and how' unearths that the execution side of the conversation is given less consideration. 'Op-model' changes are not often considered to not only meet any new need, but also be competitive.

It is less known, or perhaps discussed, but challenges exist within e-commerce channels too. 'It's a blood bath' was referenced in a conversation with a leading retailer in China, between 'bottle necks' in the layers of more complex supply chains to the plethora of new platforms meant that the battle has intensified and is now about getting 'traffic' between off-line "bricks and mortar" and on-line, digital channels to drive sales and grow.

Is 'pivoting' by channel going to deliver the enhanced profit?... it's yet to be seen. Is New Zealand's competitive advantage combining the above with subtle, smart application of data, analytics and machine learning to win through pricing models?

Analysts reported that a fuel companies profitability dipped whenever raw material costs rose, obvious! But, by doing a pricing diagnostic and prototype, the organisation measured potential margin uplift from addressing the issue. They found price increases didn't reduce sales volumes much, but the difference was offset by better margins. An improved pricing model contributed to a 10% profitability increase. It also indicated that top performers across industries are nearly twice as likely to price dynamically.

It has been reported that only 18% of B2B companies' globally price dynamically.

New Zealand is predominately a B2B net exporter giving sight to the opportunity to address challenges within industries, seasons and their effect?, maximising pricing for festival periods and events dynamically, maximising inventory value, launch timing for new products or negate impairment charges because our business models aren't dynamic enough to foresee events not experienced before, by the industries, organisation or people?

The aspects of a 'VUCA' world we operate within then presents grey shifts or areas to 'win', going from reactive to proactive.

By changing our approach to pricing helps us refine our competitive advantage over other countries who either can't see what new pricing models will tell us, rendering them to only 'have at a guess' through the opinions of a few experienced people.

Andrew Watene

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Alternative Proteins

[Focus on plant-based proteins](#) [27 November, Farmers Weekly]

New Zealand needs to focus on yield, taste, sustainability and nutrition component to find viable plant-based proteins, according to Plant & Food Research general manager of science and food innovation Dr Jocelyn Eason. Consumers are looking for variety and novelty, while environmental, sustainable and ethical considerations are strong motivators for plant-based food consumers.

[Singapore company creates plant-based egg substitute](#) [30 November, Inside FMCG]

Singaporean start-up Float Foods has invented a plant-based egg substitute, OnlyEg. The new product is made by replacing the egg yolk and egg white with legumes, keeping its nutritional value similar to a real chicken egg but mitigates “animal-to-human disease transmission, hormones or antibiotics residue and supply chain disruption”, the company said.



Dairy

[NZ milk may grow this season](#) [27 November, Farmers Weekly]

New Zealand dairy production may grow this season, despite the limitation due to shrinking dairy cow herds and adverse weather conditions. Milk production during the peak month of October had a 0.3% increase to 267.6m kg milk solids, up from 266.9m kg in the same month last year; while the season-to-date figure has grown by 1.8% compared to last season, Dairy Companies Association of New Zealand reported.

[Dairy farm debt remains high](#) [27 November, Farmers Weekly]

The Reserve Bank of New Zealand expressed concerns with the heavily indebted dairy farms as the proportion of loans tagged as “at risk of default” remains high. The central bank also warned the trading banks to closely monitor their lending quality to the horticulture sector, which is currently growing at an annual rate of 15%. The bank’s Financial Stability Report also acknowledged agriculture as an essential industry had come through the initial stages of covid-19 in better shape than others.

[Bull semen gets charter jet treatment](#) [30 November, Farmers Weekly]

LIC had a first-ever attempt to deliver bull semen through a chartered flight on October 31, but the aircraft had a technical fault at Hamilton Airport. LIC responded by driving the shipment to Auckland Airport to fly to Christchurch, then driving them to Dunedin and other towns in the South Island for delivery to farms. LIC’s general manager of NZ Markets Malcolm Ellis regarded the shipment as a milestone as it was the biggest individual consignment to the South Island to date. LIC is working to impregnate four million cows over the coming months.

[Big jump across the board in latest Global Dairy Trade auction](#) [02 December, NZ Herald]

The latest Global Dairy Trade auction has seen prices leaped 4.6% across the board with all indexes trending upwards. The Whole Milk Powder price increased 5% to an average US\$3,182/MT, closely followed by a 3.6% jump in the Skim Milk Powder index. Lactose had the biggest lift of 13.5% to an average US\$1,004/MT but with very little in terms of volume on offer. Although lower than in recent auctions, the total product sold was 32,062MT, with 112 bidders over 16 rounds.



Food Marketing

[Australia's food waste skyrockets amid Covid panic buying](#) [30 November, The Guardian]

The covid-19 pandemic has seen Australia's annual bill for wasteful food choices skyrocketed to an estimated \$10.3 billion, equivalent to \$1,043 per household, according to Rabobank's 2020 Food Waste Report. "It's to be expected that food waste has been deprioritised by Australians during this stressful year when our attention has been focused on other urgent issues," Rabobank's Glenn Wealands said.

[Which countries are true food innovators?](#) [27 November, New Food]

The Agri-Food Analytics Lab at Dalhousie University in Canada has published a Global Food Innovation Index, which is the first-ever attempt to compare countries on food innovation and to offer a glimpse of the innovative environment countries offer to the food industry. The findings revealed the ranking of countries that make food innovation the easiest, with the UK being first, the US second, followed by Germany, then Australia, Canada, Netherlands, Japan, Mexico, France and Italy.



Food Innovation

[New investment in spirulina production](#) [26 November, Rural News]

The Ministry for Primary Industries and NZ Algae Innovations will co-invest in a project to assess the viability of larger-scale production of spirulina. The two-year project will also research the benefits and opportunities of growing spirulina to support commercial-scale production, with the aim to establish a new business model to meet the growing demand for plant-based protein.

[Challenge to Accelerate Innovation in the Food, Fibre and Agritech Sector](#) [30 November, Christchurch NZ]

The Food, Fibre and Agritech Supernode Challenge seeks to accelerate ideas for disruptive solutions to some of New Zealand's most pressing challenges by providing financial resources and expert support for the participating teams in Canterbury. Presented by ChristchurchNZ, KiwiNet, AgResearch and the Canterbury Mayoral Forum, the Challenge has a total prize pool of \$130,000 and is now open to applications.

[Focus on food sustainability](#) [30 November, Farmers Weekly]

A new postgraduate school will be opened in Canterbury, with the aim to support the transition of New Zealand food systems to become more future-focused and sustainable. The new school is a joint project between the University of Canterbury (UC), Lincoln University (LU), Plant & Food Research, Manaaki Whenua Landcare Research and AgResearch.



Horticulture

[Govt offers Kiwis \\$1000 bonus to take up horticulture work amid labour shortage](#) [27 November, Stuff]

The Government announced new incentives to attract more workers into horticulture jobs, including a \$1000 bonus for workers who complete six weeks or longer, up to \$200 a week towards accommodation costs, and higher wet weather payments when people can't work. "Our changes will help address the barriers unemployed New Zealanders face when considering seasonal jobs, particularly relocation costs and unstable income," Minister for Social Development and Employment Carmel Sepuloni said.

[Government announces first major border exemption with 2000 horticultural workers coming in the new year](#) [27 November, Stuff]

The Government has announced a major border exemption to relief the labour shortage in the horticultural and wine sector, allowing 2000 horticultural workers from the Pacific to enter New Zealand in the new year under strict conditions. Employers will be required to cover the cost of managed isolation, currently estimated at \$4722 per person, in addition to paying the workers for a 30-hour working week while in isolation with a minimum of \$22.10 an hour.

[2000 RSE workers given green light](#) [27

November, Farmers Weekly]

The Government has granted approval for 2000 seasonal workers from the Pacific Islands to fill in New Zealand's horticultural jobs. The government's proposal requires the industry to cover the isolation costs for the Recognised Seasonal Employer (RSE) workers, and to pay them the living wage during isolation. "It is an opportunity now to evaluate industry managed isolation as a next step," Gary Jones of NZ Apples and Pears said.



Poultry

[Mass chicken deaths: 'No excuse' for investigation taking so long – welfare group](#) [29

November, Stuff]

About 190,000 chickens died at D B Chicks near Auckland's Helensville on November 29, 2019, while the investigation into this incident still remains incomplete. The Ministry for Primary Industries (MPI) said covid-19 restrictions delayed its investigation, and at the time the deaths were thought to be caused by a power failure and a subsequent generator issue. Animal welfare organisation SAFE (Save Animals From Exploitation) said it was "inexcusable" and called on the MPI to have better monitoring and enforcement of animal welfare.



Red Meat

[Report reinforces red meat's role in diet](#) [27 November, Farmers Weekly]

A new report by Beef + Lamb New Zealand (B+LNZ) reinforces the role of red meat in the human diet as a healthy and sustainable food.

The Role of Red Meat in Healthy and Sustainable New Zealand Diets outlined the key nutrients of red meat and looked at farming practices, its greenhouse gas emissions, impact on land and water quality, and biodiversity to reveal that consuming moderate amounts of pasture-raised red meat doesn't necessarily create a trade-off between human and environmental wellbeing.

[New Zealand red meat exports drop](#) [01

December, Farmers Weekly]

New Zealand red meat exports value fell by 18% in October compared to the same month last year, with a 25% drop in sheepmeat and a 14% drop in beef exports, while co-product declined by 8%, according to the Meat Industry Association (MIA). The fall was mainly attributed to China (down 36% to \$195 million), reflecting the high prices New Zealand red meat was commanding last year, said chief executive Sirma Karapeeva.



Trade & Exports

[China's tariffs slam door shut on Australian wine's biggest export market](#) [30 November, CNN]

China decided last week to impose tariffs up to 212% on Australian wine imports, effectively cutting off the most important export market for Australia's wine industry. China's Commerce Ministry announced that its decision was made after finding preliminary evidence of dumping, while Australian officials protested that China was unable to provide proof. CEO of Australian Grape and Wine Tony Battaglene said the decision had endangered business with mainland China and left Australian wine producers with no backup plan to find new buyers.



Viticulture

[New Zealand wine exports hit record \\$2 billion](#) [27 November, Stuff]

Increased home wine consumption during covid-19 lockdowns has helped lifting New Zealand wine exports value to a record \$2 billion, according to the latest figures from New Zealand Winegrowers. NZ Winegrowers chairman Clive Jones said the milestone reinforced New Zealand's reputation for distinct, premium and sustainable wines; and he was "optimistic" that demand will continue to grow in the year ahead, which raised the question around our supply to meet that demand.



Wool

[Wool rebrand to target consumers](#) [30 November, Farmers Weekly]

Wools of New Zealand (WONZ) launched a new strategy in May to transition the marketing of strong wool as the product to gain consumer attention. WONZ chair James Parsons said: "We want to sell carpet, so now we are promoting the product, being carpet, not the ingredient, being the wool." Mr Parsons says the key has been shortening the supply chain and retaining the grower ownership through to the finished product.

[Serial Kiwi inventor banking on corn starch and wool combination to save the wool industry](#) [30 November, Stuff]

Young Kiwi inventor Logan Williams joined New Zealand Merino Company last year to create Keravos pellets - a new product made by combining coarse wool with polylactic acid (PLA) from corn starch. Keravos pellet is a natural, lighter, cheaper and biodegradable material to replace plastic. They have secured a global provisional patent and formed a company, Keravos Limited, to market the new product.



International

[Pig intestines fly as Taiwan politicians spar over US pork imports](#) [28 November, Stuff]

Taiwan's politicians got into a fight and threw pig guts at each other over the policy of allowing imports of US pork, which contains the additive ractopamine used to promote leanness. More than 100 countries ban meat with the additive for health and food safety considerations. Taiwanese President Tsai Ing-wen lifted the ractopamine ban in September to pave the way for a comprehensive bilateral trade deal with the US, but Tsai's agricultural groups, parents and political opponents vowed to launch a referendum over the decision.

[African swine fever remains the biggest change driver in global animal protein, says Rabobank](#)

[26 November, Feed Navigator]
Agribusiness banking specialist Rabobank predicts global pork production will gradually return to growth in 2021, with African swine fever still active imposing biggest risks. "The recovery from COVID-19 presents opportunities and risks for global animal protein. Major issues include the foodservice recovery, labour availability and costs, supply chain transformations, and food safety," Rabobank noted.

[Consumer NZ announces winners of Bad Taste Food Awards](#)

[30 November, RNZ]
The 2020 Bad Taste Award was announced by Consumer NZ, highlighting claims used to promote food products as being healthier than they really are. Sugary products being promoted with 'fat free' or with 'whole grain goodness' were especially found to be loaded with sugar or sodium, said Consumer NZ chief executive Jon Duffy.

[Crisis control and technology: China highlights how to overcome protein self-sufficiency challenge with green tech](#)

[30 November, Food Navigator]
China's State Council has published a new development proposal document for animal agriculture, calling for modernisation and rapid advancement in the sector with an emphasis on the need for green technology. The document highlights China's development goals of improving animal disease prevention, using green technology and being able to guarantee the safety of local livestock and poultry products.

[Tens of thousands of farmers swarm India's capital to protest deregulation rules](#)

[01 December, CNN]
Tens of thousands of farmers have congregated in India's capital to protest the new agricultural laws that they say could destroy their livelihoods. Passed in September, Indian Prime Minister Narendra Modi says the laws will give farmers more autonomy to set their own prices and sell directly to private businesses, such as supermarket chains. However, India's farmers are infuriated and say the move will leave them worse off by making it easier for corporates to exploit agricultural workers.

Organisations referenced in this week's Field Notes include

University of Canterbury
Wools of New Zealand

AgResearch
Agri-Food Analytics Lab
Australian Grape and Wine
Beef + Lamb New Zealand
Canterbury Mayoral Forum
ChristchurchNZ
Commerce Ministry of China
Consumer NZ
D B Chicks
Dairy Companies Association of New Zealand
Dalhousie University
Float Foods
Global Dairy Trade
Keravos Limited
KiwiNet
LIC
Lincoln University
Manaaki Whenua Landcare Research
Meat Industry Association
Minister for Social Development and
Employment Carmel
Ministry for Primary Industries
New Zealand Merino Company
New Zealand Winegrowers
NZ Algae Innovations
NZ Apples and Pears
Plant & Food Research
Rabobank
Reserve Bank of New Zealand
Save Animals From Exploitation
State Council of China

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