

*A weekly  
summary of  
all that's news  
in the  
primary  
industries*

# AgBRIEF

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Issue 09-43

## AGRIBUSINESS

### US Registration for Botry Zen

Botry Zen has received US product registration for its biological control agent, BOTRY-ZEN. Chairman Stephen Higgs said the company's future lay in exporting to markets such as the US wine industry, but it also required extra capital and the company intended offering shareholders a share purchase opportunity to raise an undisclosed amount of new capital. The US Environmental Protection Agency has agreed to register Botry Zen's flagship of the same name as a biofungicide, to control the grape and fruit wasting disease, Botrytis cinerea. The company still needed to get registration for each individual state, a task that should be relatively straightforward, but the key grape growing states of California, Oregon and Washington would be the initial targets. (Otago Daily Times)

### Dairy Overtakes Tourism

Tourism has lost its title as the nation's biggest export earner, falling behind the dairy sector for the first time in seven years. Statistics NZ says the money earned from international visitors fell by \$87 million or 0.9% in the March year to \$9.313 billion - the first time it has dropped in the 10 years since monitoring began. The recession-hit tourism sector has fallen from 18.3% of NZ's total exports of goods and services to 16.4%, while dairy has shot up to \$9.975 billion. The last time dairy was worth more than tourism was in the year to March 2002. (NZ Herald)

### First SFF Shares Traded

The first shares have been traded in Silver Fern Farms. The initial two batches were 3984 and 6000 shares at \$1 on the Unlisted Exchange. Following shareholder approval to restructure the company, farmer shareholders are able to convert their rebate and supplier investment shares into a new class of ordinary share, which can be sold in a private deal to another farmer, or on the open market to any investor. These first sales would have originated from shareholders. (Otago Daily Times)

### Harvey Buys Westbury Stud

Westbury Stud has been bought by Gerald Harvey, founder of the Harvey Norman chain. He is ranked Australia's 13th-richest person with an estimated net worth of \$NZ1.1 billion. He is also one of Australia's best-known racehorse owners but Westbury is believed to be his first foray into this country's bloodstock industry. His Australian bloodstock interests include three stud farms, around 1000 horses and a major stake in Magic Millions, one of the country's largest thoroughbred auction houses. (Sunday Star Times)

### Grant Heads Wool Growers Holdings

Jeff Grant has joined the board of directors of farmer-owned Wool Grower Holdings as chairman replacing James Aitken who remains as a director. He was recently appointed chairman of the Wool Task Force by Agriculture Minister David Carter. (Southland Times)

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## MWNZ Given Advice

MWNZ received a raft of suggestions after saying better ways needed to be found to communicate with farmers after a 39% turnout at the last vote on levies. Waingaro farmer Rory Sherlock said the Sheep and Beef Council set up by MWNZ, needed new blood to combat the perception it was a club for "old boys". Suggestions included the following: LIC sales manager Doug Lineham says a data warehouse that farmers could access online which shared industry information like reports on monitor and focus farms in digestible bites. Sheep and Beef Council's Sue Smart said part of the problem was the perception that the dairy industry has more prestige than the sheep and beef industry. The Sheep and Beef Council Mid-Northern Region has met twice in Hamilton since the Sheep Council and the Beef Council were combined a year ago. Te Akau farmer David Bull expected farmers to take more of an interest if meetings were held more frequently and at venues across the region. Other advice included: MWNZ spent time reacting to criticism which it could spend on better things; MWNZ could take a leaf out of the British cotton industry's book by allowing farmers to opt out of targeted levies; a strongly worded letter to Agriculture Minister David Carter requesting the return of compulsory wool levies. (Waikato Times)

## Products Help Goodman Fielder

New Goodman Fielder product and packaging launches are improving earnings and helped arrest a consumer drift to cheaper alternatives. Lower commodity prices this year helped its fresh dairy business increase earnings before interest, taxes, depreciation and amortisation by 3.6% to \$A44 million (\$NZ54m) for year ending June 2009. The company says its business posted a 39.3% increase in earnings in the second half of the financial year compared to the first half. Goodman Fielder launched Tararua Real Iced Coffee, a new coffee-based milk drink and Calci-Strong, a long-life flavoured milk for children. It says the yoghurt category benefited from the launch of a range of children's yoghurts. Also, the business benefited from a full year's sales of the new 1kg yoghurt pack and the new Thick and Creamy yoghurt range that was launched in the prior year. (Rural News)

## PGGW Board Blasted

PGGWrightson shareholders have blasted the company's board for losing nearly \$50 million on the failed Silver Ferns Farm deal and called for its directors to resign. PGGW reported an after-tax loss of \$66.4 million compared with a profit of \$73.2 million for the June year after it had to write off \$49.6 million for settlement and due diligence costs associated with its failed deal to buy a 50% stake in Silver Fern Farms. Chairman Keith Smith said the board accepted responsibility for the failure and apologised to shareholders for the lost value that had wiped 16c off the company's share price. But the apology was taken with a grain of salt by shareholders. "It's very well to say sorry but it doesn't make it any better,"

one said. Shareholder Garth Williams said the apology was long overdue and the \$50 million loss was "appalling". The board had believed there would be a strategic advantage in rationalising the meat industry but in hindsight it would not have done the deal now. Director Craig Norgate's decision to step down as chairman had previously been assumed to be his way of taking the blame for the failed deal but he said he had only stepped down to allow an independent director to preside over the capital restructure. Shareholders wanted to know if any of the board stood against the decision to go ahead with the deal and, if not, why the entire board was not stepping down. But the chairman said the board had an obligation to pull the company back into shape after the disastrous year it had been through. (NZ Herald)

## Hill Re-elected To IDF

Fonterra's Dr Jeremy Hill has been re-elected to the International Dairy Federation board of directors. He previously served on the IDF Board from 2002 to 2008 and is looking forward to boosting NZ's involvement in the leadership and governance of the leading organisation for the global dairy industry. The IDF has the responsibility of providing sector-wide input into international food standards. It also has input into policies, guidelines and practices, such as good farming practices, the environment, food assurance and milk product composition standards. (Rural News)

# TRADE

## Gulf FTA Agreed

The Dairy Companies Association of NZ has hailed the Free Trade Agreement with the Gulf States, with Executive Director Simon Tucker saying the industry expects to make substantial gains through preferential market access to the GCC and leverage off growing dairy consumption in the region. "The countries of the Gulf region are an important market for NZ's dairy exporters with sales worth approximately \$750 million in the 2008/09 year," he said. The FTA was signed with Bahrain, Oman, Kuwait, Saudi Arabia, the United Arab Emirates and Qatar. Trade Minister Tim Groser said exports to the GCC totalled \$1.3 billion in the year to June, an increase of 218% since 2000. The group now ranks as New Zealand's seventh largest trading partner with bilateral trade worth \$3.85b. The FTA is likely to be signed in the first half of next year. (NZPA)

## NZ Wants Bigger Share of Sth Korea

While satisfied with the way the talks with South Korea FTA talks are going, MWNZ chairman Mike Petersen says NZ would like to keep growing its share of the beef trade. "We have to realise that there are still very high tariffs in this country for us, 38.5% tariffs, so if we don't address that, we have a lot of other countries looking for our beef as well." South Korean tariffs stand at 40% for beef and 22.5% for sheepmeat. The low base for the latter reflects the fact

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the meat is not traditionally consumed in South Korea, but NZ's exports to the country have increased 157% in value and 78% by volume since 2003. He said NZ could live with a 10-year phase-out of tariffs. (NZ Farmers Weekly)

### Trade Deficit Shrinks

New Zealand's annual (September) trade deficit shrank to a six-year low of \$1.53 billion, the most slender gap since early 2003, according to Statistics NZ. In the month of September, imports fell to \$3.25 billion from \$3.47 billion, while exports rose to \$2.83 billion from \$2.74 billion. Imports in September tumbled 27% by value from the same month of 2008, reflecting weaker prices for crude oil. Exports fell 10.9%, paced by milk powder, butter and cheese. (NZ Herald)

### 95% Goods Duty-Free with Malaysia

Ninety-five percent of goods traded with Malaysia will be duty-free and within seven years all goods tariffs will be phased out under then new free trade agreement. Malaysia has also bound in existing duty-free access for NZ dairy (except liquid milk) products, meat, wool, fish and forestry exports, which means it can't reapply tariffs for domestic reasons. Some key aspects of the deal were in the non-tariff areas. "It's clear over the next five to 10 years that this is where the action is going to be - they are the fast-growing economies - and our traditional markets in Europe and the UK are not in great shape," said Acting Prime Minister Bill English. (NZ Herald)

### US Top End Competitor

The US is not always producing the right dairy products to the right specification, according to Rabobank's Goedhart Westers. Production of non-fat dried milk, rather than skimmed milk, was an example. "Non-fat dried milk qualifies for intervention. Skimmed doesn't. It illustrates the mindset." In contrast, New Zealand's dependence on exports has developed a commitment to customers and relationships that has led to production of high-value products. US producers do compete in whey markets, but that is the exception. They are bulk producers of butter, non-fat dried milk, and a little cheese. "The bad news is the US is going to be competing with NZ in world markets but the good news is that it will only be at higher prices." He does consider the US is well placed to build production to meet growing demand for dairy from a burgeoning world population. (Rural News)

### Fonterra Ponders Chinese Future

Fonterra is celebrating a milestone at its Chinese farm – and deciding whether to expand. When calf number 1249 – the product of NZ Friesian stock and American sex-sorted bull semen – was born, it was a positive milestone in a topsy-turvy year for Fonterra's China operation. A milestone, because she was the first offspring of a Chinese-born cow on the 35-hectare farm 85% owned by Fonterra. With its China headquarters in Shanghai under the new leadership



# AgBRIEF PRICE TRENDS

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## AVERAGE EXPORT MEAT SCHEDULE PRICES

This week, ending November 6, 2009 (last week's in brackets)

LAMB(\$)	North Is.	South Is.	Southl'd
(Incl 1kg pelt)			
13.0kg YL	57.85 (58.15)	46.45 (47.25)	46.45 (47.25)
15.0kg YM	80.35 (80.70)	82.90 (83.80)	82.90 (83.80)
17.5kg YX	93.80 (94.20)	93.65 (94.75)	93.65 (94.75)
19.0kg YX	101.65 (102.15)	101.30 (102.50)	101.30 (102.50)
21.0kg YX	112.00 (112.45)	110.70 (120.60)	110.70 (120.60)
<b>PELT 1.0kg Shorn</b>	0.15 (0.10)	1.65 (1.65)	1.65 (1.65)
<b>MUTTON (0.5kg pelt)</b>			
21kg MX1 (\$)	44.31 (44.31)	43.37 (43.37)	43.37 (43.37)
<b>BEEF (c/kg)</b>			
P2 Steer(296-320kg)	313 (314)	276 (281)	276 (281)
Bull (296-320kg)	280 (283)	258 (263)	258 (263)
<b>VENISON</b>			
AP 60kg \$/kg(gross)	8.13 (8.13)	8.17 (8.22)	8.17 (8.22)

Based on announced schedules with levies & charges deducted, and premiums included. For a valid comparison between the Islands, take off \$1.50 in Lamb and 8c/kg in Beef & 20c/kg in deer from the South, because North Island companies pay all freight.

## AVERAGE EXPORT DAIRY PRODUCT PRICES

	Last week, ending October 30, 2009	4 weeks ago	3 months ago
Fonterra predicted payout			
\$/kg Milksolids	5.10	5.10	4.55
<b>Butter (NZ\$/Tonne)</b>	4500	3570	2990
<b>Skim milk Powder</b>	4230	3700	2990
<b>Wholemilk Powder</b>	4500	4170	3320
<b>Cheddar</b>	4770	4370	3960
<b>Casein</b>	11050	9960	8210

Prices above are indicative only. They are compiled from a range of sales made on a one-off or "spot" basis in US\$. (Many sales are made at prices outside the range). Quota market sales and contracts are excluded. The prices are converted to NZ\$/Tonne FOB using current exchange rates.

## MAIN OVERSEAS MARKETS AND CURRENCY

	Last week, ending October 30, 2009	4 weeks ago	3 months ago
UK PM Lamb (pence/lb)	106.5	106.5	106.5
US Bull Beef (US c/lb)	136.0	137.0	142.0
US Dollar (for NZ\$1)	0.733	0.743	0.670
Aust Dollar (for NZ\$1)	0.800	0.820	0.797
UK Pound (for NZ\$1)	0.443	0.462	0.399
Euro (for NZ\$1)	0.494	0.502	0.467
<b>INTEREST</b>			
90 Day Bill Rate (%)	2.8	2.8	2.8
Rural Term Loan (%)	6.7	6.7	6.6
Overdraft Cost (%)	8.5	8.5	8.4

## NEW ZEALAND WOOL PRICES

WOOL PRO Wool Prices			
Fine (21 microns)	1009	1052	872
Medium (29 microns)	505	505	530
Coarse (35 microns)	320	298	310
2nd Shear(37 microns)	304	288	292
Lamb (31 micron-75mm)	325	335	365

W H E A T			
ASW NZ\$/tonne	340	317	351

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of former diplomat Philip Turner, Fonterra is now part-way through a stocktake to figure out how to advance its booming, yet arguably underperforming, China business without SanLu. As milk powder prices rise again and local brands recover, he expects the surge in imports to flatten in the next six to 12 months. Part of the post-SanLu stocktake has been intensive number-crunching to map and forecast the state of the Chinese market. Most Chinese viewed the melamine debacle as SanLu rather than Fonterra. Fonterra believes the future of the Chinese dairy industry lies more in domestically-sourced product than imports. As a pilot project, the farm was to show Fonterra could set up a local supply chain and produce NZ-quality milk in China. That goal is considered achieved and the farm is now turning a profit and is ahead of target on production and revenue. "So we're now in a position where we can start to think about whether we want to expand into further farms in China," he said. Fonterra's food service business, which supplies butter and cheese to restaurants, fast food joints, hotels and bakeries, is seeing 20% year-on-year growth. Eight out of every 10 pizzas sold in China have Fonterra cheese on them. Yum! China, which operates Pizza Hut and KFC, opens new outlets at the rate of more than one a day. The demographic, economic and dietary changes are "coming together in what looks like a perfect storm of positive factors" for Fonterra products. (Dominion Post)

## LIVESTOCK

### 1000 Crafar Cows Disappear

Receiver Michael Stiasny is missing more than 1000 cows. Appointed receiver of the Crafarm group, he has been victim of possibly the biggest rustling operation this country has seen. He was 'flabbergasted' at the moonlight cattle migration that began on Friday afternoon and continued until Sunday. He said he had a suspect in mind for the heifer heist. Federated Farmers' Don Nicholson said you don't just "magic" away that many cows. The value of the haul of dairy beasts would probably exceed \$1 million. Lachlan McKenzie said the cattle-movers would have trouble hiding their stash: "I could put 100 cows in a back paddock and no one would know, but 1000?" There is dispute over the ownership of the cows, as the farm from which most of them vanished - Taharua Farm near Taupo - is run by sharemilkers, who own the stock. (NZ Herald)

### Caged Bird Reform Slow

Law-makers are dragging their feet over banning what animal rights campaigners label as cruel caged egg farming. Competition in the \$280 million industry is fierce, with battery hen egg producers arguing that prices will soar if they are forced to abandon cages. One major free-range egg producer says some farmers are cramming 15,000 to 20,000 birds in a shed and marketing the eggs as free range rather than barn eggs. The National Animal Welfare Advisory Committee stopped short of banning caged egg farming when it drew up the "layer hen" code of welfare in

2005. Instead, it increased the minimum floor space by 50sq cm to 550sq cm per bird. In the meantime, consumers are voting with their wallets, paying up to four times more for free-range eggs than caged eggs. Supermarket sales of free-range eggs increased by 49% in the year to September, grabbing a 12% share of the market. Barn eggs took a 5% share (down 1%) and organic eggs had a 2% share (up 10%). (NZ Herald)

### New Scrapie Form Found

Biosecurity NZ has confirmed the presence of a new condition, known as Nor 98 or atypical scrapie, in a single sheep's brain from NZ. It is the first time the brain condition, discovered only relatively recently in sheep and goats, has been found in an animal that was born and bred in NZ. Biosecurity NZ says the condition was first detected in European laboratories that were using 200 sheep's brains from NZ as a scientific control against testing for BSE. Dr Stuart MacDiarmid says it is unlikely the condition would have been found if European scientists had not been testing thousands of brains for it. He says it is thought to appear spontaneously in some types of older sheep. The Food Safety Authority does not think there are likely to be any major trade repercussions from the discovery. (RNZ News)

### Tb Found in 'Foreign' Pig

Routine surveying in the Tararua district has picked up a strain of bovine tuberculosis in a pig that had not been found before in the North Island. The survey, carried out to confirm whether the East coast region was free of the disease, looked at the wild animal population in the Akitio and Herbertville areas. AHB's Terry Hynes says DNA testing has shown that the strain of TB the boar was infected with is similar to that found on the South Island's West Coast. He says as that particular type had not been seen in the North Island before, it's likely the animal was brought in from elsewhere and illegally released in the area. He is urging hunters not to move wild pigs between regions, which he says is common practice in some areas, but can carry fines of up to \$5000. The annual bovine Tb testing requirements may still be scaled back, but further surveys may be needed before that can happen. (RNZ News)

## HORTICULTURE

### Supermarket Competition Soft

Speirs Group said it is difficult to make a profit supplying supermarkets since the industry reduced to two main players. Speirs has a significant share of the market for supplying fresh salad and vegetable products to supermarkets nationally. "Over the past two years or so, we have found the going to be tough, particularly since the supermarket operators were reduced from three to two consequent upon the Woolworths purchase of Progressive Enterprises," said chairman Nelson Speirs. The supermarket groups



kept their suppliers in “constant competitive mode”, he said. “We have found it difficult to break even during this time.” (NZ Herald)

### **Kiwifruit Payment Review**

NZ Kiwifruit Growers Inc is to review how its \$500,000 annual funding is sourced, a sign that Turners & Growers’ bid to destabilise dominant exporter Zespri’s hold on the \$1 billion industry may be hitting home. The country’s 2700 growers received \$520,000 last financial year from Zespri for running costs. In reality, the money comes from fruit sales and Zespri is the payment vehicle. But for some growers such as Te Puke’s Tod Rutter, the system is not a good look for a group created and paid to represent growers’ interests. He is uncomfortable with the “cosy relationship” between NZKGI and Zespri and wants the grower group’s funding system restructured so it is “fully independent”. Failing this, he wants a new growers’ organisation started. (NZ Herald)

### **Hail Hits Hawkes Bay Fruit**

Hawke’s Bay fruit growers are assessing the hail-storm damage to pip and stonefruit crops after a series of storms swept through the region late last week. Fruitgrowers president Leon Stallard says according to early estimates, up to 10% of the region’s export apple crop may have been damaged. He believes between 500,000 to 1 million cartons of export fruit may have been lost and not all growers will have hail insurance. (RNZ News)

### **Pipfruit Levy Increases**

Pipfruit growers will pay 25% more under a commodity levy that came into force on 1 November. Pipfruit NZ’s Peter Beaven says the levy has remained at 1 cent per kg of fruit since its introduction in 2001, apart from 2004 when it was cut to 0.75 of a cent due to large financial surpluses. If Pipfruit NZ is to continue offering research services to support the industry at current levels, then the levy had to increase. About a third of the money raised from the levy goes to research for new varieties, with more than half the balance spent on other forms of research, he says. (RNZ News)

### **Avocados Virus-free**

The avocado industry has been declared free from the Sunblotch Viroid, after years of confusion over whether it was present in orchards in the first place. The Avocado Industry Council says the disease was detected when tests were first carried out nine years ago at 70-80 orchards. 33 tested positive at the time. Chair John Schnackenberg says these sites have now been retested by Biosecurity New Zealand using advanced DNA sampling, which has confirmed its absence. (RNZ News)

### **Olive Industry At Crossroads**

The NZ olive industry is at a crossroads in deciding which direction to take in marketing its oil. As relatively young industry, it’s been selling the oil as a boutique product, but as production increases, growers are faced with the need to find new outlets for sales on the domestic market. Olive NZ says there will be a need for a consolidation of brands as the industry grows. John Arthur says perhaps a co-op-

erative system of supply for branded products is needed. Domestic oil won’t be able to compete on price with low-cost, bulk-produced imported oils, as the production costs are higher. (RNZ News)

### **Tariff Abolition Will Suit Kiwifruit**

New Zealand’s new FTA with Malaysia should be a flavour-booster for kiwifruit marketer Zespri’s 10-year efforts to develop Malaysians’ taste for the fruit. Zespri said the abolition of a 15% tariff on kiwifruit from next year would increase its investment confidence in a market that has no kiwifruit crops of its own, but which has developed an increasing taste for the fruit in the past three years. Zespri will export 820,000 trays of predominantly green fruit to Malaysia this financial year, with projected sales of around one million trays next year. Zespri had been marketing in Malaysia for 10 years and sales have grown more than 80% in the past two years. (NZ Herald)

## **SOIL, WATER, LAND, ARABLE**

### **GE Corn Withdrawn**

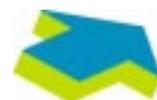
Genetically engineered corn authorised as safe for New Zealanders to eat has been withdrawn from commercial development in Europe because of safety concerns there. Monsanto’s high-lysine LY038 corn – intended as feed for animals – was approved as safe for human consumption in NZ in December 2007 after a six-month government delay. Food Standards Australia NZ maintains there is no safety issue with the corn and that it was withdrawn from Europe purely for commercial reasons. (The Press)

### **Farmers Shocked At Effluent Results**

Farmers in the Lake Rotorua catchment can’t believe results showing the worst dairy effluent discharge audit in six seasons. Half of the 32 sites inspected had serious compliance issues over the disposal of dairy waste. Bay of Plenty Regional Council says at least 10 notices have already been served to farmers about unacceptable levels of nutrients leaching from farmland into waterways. Federated Farmers can’t understand how farmers achieved about a 90% compliance rate last season only to fail dismally this year. It wants an urgent meeting with the regional council. (RNZ News)

### **Wallace Appeals**

Wallace Corporation has launched a vigorous appeal against its 2007 convictions and record-breaking fines for burying highly toxic material at its Waitoa rendering plant. Last November, Wallace Corp and two department managers were collectively fined \$120,000 for burying up to 13 capacitors containing PCBs (polychlorinated biphenyls) under the concrete floor of its waste water processing building in 1998. The company must also remove the contaminated material, which is likely to cost at least as much again. The company said the court findings were not supported by the evidence “and certainly not to the standard required for criminal proof”. It is also seeking to have the convictions declared invalid on the grounds that



Environment Waikato had proceeded against Wallace Corp in an irregular manner. It maintains any offence at Waitoa was essentially "an infringement". (Waikato Times)

### Interim Approval For CPW

A revamped Central Plains Water irrigation scheme has received interim approval with commissioners satisfied the \$135 million project would be sustainable after "substantial" modifications were made. A final decision will be made next year. The new plan was submitted without the dam and upper-intake proposal and a reduced Waimakariri River water take from a maximum of 40 to 25 cumecs. The scheme proposes to take 40 cumecs from the Rakaia River. CPW chairman Pat Morrison said that while the decision could still be appealed to the Environment Court, they have worked hard to reach consensus with groups that did not originally support the scheme. Malvern Hills Protection Society's Rosalie Snoyink said the group was shocked, especially for landowners affected by the extensive headrace canal network. "We were hoping for the notice of requirement to be lifted off their properties, and those members of our society affected are pretty angry," she said. "We wanted CPW to negotiate with willing landowners, not take the land from those who don't want a bar of the scheme." A decision on the water-take regime for the Waimakariri and Rakaia rivers is expected by November 16. (The Press)

### 60 Submissions on Pylon Route

About 60 affected landowners have made submissions on Transpower's Wairakei to Whakamaru line. A spokeswoman said the route options would be assessed early next year, including feedback from affected parties, with the preferred route outlined by mid 2010 and final route and centreline by mid to late 2010. Around 30% of the route needs negotiation with affected landowners. (NBR)

## INDUSTRY

### Lightweight Woollen Sheets

Lightweight woollen sheets are being produced in NZ after 25 years of scientific research. The sheets can be used throughout the year and feel good as opposed to prickly against the skin, according to AgResearch. Surinder Tandon says a mix of 85% wool and 15% polyester has been developed by spinning fine yarn. The sheets are unique to NZ because woollen sheets produced elsewhere have had a wool content of only 30%, he says. The NZ sheets are machine washable, can be tumble dried and are expected to be sold here by next year. (RNZ News)

### Scam Artist On The Run

A New Zealander at the centre of an international fraud that allegedly scammed Kiwi farmers of millions of dollars is facing 20 years in prison if he is caught. Wayne Leslie Davidson is on the run with US authorities tracking him from Nigeria to Dubai. He is believed to be the NZ link in the four-man \$5.7 million scam that ensnared 400 Kiwi victims, mostly

sheep farmers, and 75 in Australia and North America. Two American men have been jailed for 24 and 22 years for their roles in the scam, which ran from 1998 to 2003. US prosecutors alleged Davidson used his sheep-farming contacts to sell the dodgy deals, tricking victims into believing 19th-century US railroad bonds and 100-year-old pre-revolution Chinese government bonds were worth hundreds of millions of dollars. (The Press)

### Shareholders Council Poses Conditions

Fonterra needs a formal profits distribution policy so farmers being asked to invest cash know what payoff they are likely to reap, says the Shareholders' Council. The call in the watchdog's annual report can be interpreted as a condition of the council's continuing agreement to a rejig of the capital-starved co-operative's financial structure. The first stage of the Fonterra board's three-step capital restructure proposal is to offer farmer-shareholders the opportunity to buy 20% more shares and has the potential to inject up to \$900 million new capital. The council's annual report said development of a formal retention policy, accompanied by clear economic signals to farmers, would bring major benefits to the business and the sector. The council had asked the board to consider the development of a retention policy in its capital planning. The report also pressed directors to set financial performance target-measuring more than one year out. Blue Read said the council was not asking for guarantees of a minimum or maximum payout. It sought an indication each year of: at what earnings point retentions might kick in; and in a highly profitable year, the point where a farmer could expect a "certain level" to be paid out. He said the council wanted some progress on policy by the end of December, when farmer-owners would have to decide whether to buy the "dry" shares. Stage two of the capital restructure proposal is to revalue existing Fonterra shares to recognise they are not freely tradeable (currently they are market valued). Step three is to introduce share trading between farmers. (NZ Herald)

### Cheese And Biogas

Fonterra and Hoko mix their products and supply the McDonald's chain with cheese in Japan, attracting no tariff barrier, Prime Minister John Key discovered during a recent visit to Nishinomiya City. Of the 200,000 tonnes of cheese imported into Japan, Fonterra's market share is about 30%. Earlier, he was shown around the Kobe sewage treatment plant, which converts the methane from sewage into biogas for vehicles. It makes enough at present to run 40 city buses a day travelling 50km and 700 cars travelling 30km. The refining technology to make the biogas is from Flotech, which is based at Mangere Bridge in Auckland. (NZ Herald)

### MWNZ Losing Staff

MWNZ will shed about a third of its head office positions as a result of restructuring forced on it by the end of the wool levy. Chairman Mike Petersen says the cuts will mainly affect the Wellington office,



but it will boost its presence in the regions to connect more closely with farmers. The loss of the wool levy will also mean cuts to sheep research projects and these will be announced next week. The future of the shearing and wool handler training programmes funded by that levy is unclear as MWNZ is still talking to commercial organisations about alternative funding. No decision has been made yet about a name change for the organisation once it ends its wool functions by April next year, when the current levies expire. (RNZ News)

### Honey Co Fastest-growing

Dunedin's NZ Honey Company has been named the country's fastest-growing company in the Deloitte Fast 50 awards. Deloitte's Mike Horne said the push for success had been a key ingredient to growing through the recent economic turmoil. "Rather than believing in 'build it and they will come', all these companies believed that in tough times they needed to establish their market and tell their story." NZ Honey is now selling through 500 supermarkets in the UK as well as through health stores. Also, the company had expanded into Hong Kong and China, with the United States and Malaysian markets showing "significant" potential, he said. To make the Fast 50 this year, companies needed revenue growth of 145% or higher between 2007 and 2009, slightly below last year's threshold of 149%. The Fast 50 companies grew the NZ economy by \$426 million collectively between 2007 and 2009 and created 784 jobs. (Otago Daily Times)

### Top Salary Drops

Fonterra's highest-paid employee appears to have taken a pay cut of up to \$360,000. The dairy co-operative's 2009 annual report reveals its highest-paid NZ employee received between \$3.62 million and \$3.63 million in the year to July 2009. That was down on the \$3.98 million likely to have been paid last year but remains higher than the \$3.37 million paid to the top earner in 2007. Fonterra announced a pay freeze for CEO Andrew Ferrier and eight other executives in June in a bid to cut costs in the face of the tougher economic environment. The freeze was set to last until October 2010. HR boss Jennifer Kerr said a significant amount of remuneration was based on achieving performance targets, so the total would vary from year to year. (NZ Herald)

### New Food Scholarship

Massey's Riddet Institute has established a \$1 million scholarship fund to support post-graduate students working on research programmes that cover food materials and structures, gastrointestinal biology, modelling, engineering and food solutions. The students can attend any university in NZ provided they are supervised by one of the principal investigators of the Riddet Institute. The fund is known as the Earle Food Research Fund in honour of the contribution to the field made by Massey professors emeriti, Dick and Mary Earle, who will advise and assist in attracting and mentoring students. (Manawatu Standard)

### Foot & Mouth Claims Baseless

There is no basis to claims foot and mouth disease could enter NZ through PKE imports due to strin-

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gent import standards for countries where the disease is present, says MAF. The ministry has conducted audits at PKE processing plants in both Malaysia and Indonesia recently. "No pests, birds or vermin were observed in the three facilities visited," said a spokesman. "The product is always covered to ensure it does not get wet or blown away, storage facilities are weatherproof and fully concreted and PKE is moved by a fully enclosed conveyor system. No vessels are loaded if it rains so the product does not get wet." Despite these procedures, MAF acknowledges that pests have been intercepted in PKE shipments from Malaysia. However, the heat treatment during processing is sufficient to 'inactivate any FMD virus'. The audits were not in direct response to the PKE furore, rather it was part of 'a wider MAF visit'. (Rural)

### Salaries Level A Business Reality

Farming leaders concede Fonterra shareholders may be unhappy at the level of senior management salaries in the co-operative, but say the co-operative is competing internationally for talent. Lachlan McKenzie said farmer shareholders would ask questions of company directors as they should when costs were rising, but he said Fonterra had sizeable offshore businesses and they had to compete for staff. Fonterra's 2008-09 annual report revealed that 2547 of its executives received salaries greater than \$100,000, an increase of 825 on the previous year, with 1207 of those in NZ, 1237 overseas and another 103 who left the company. But within the 2008-09 figure were six NZ and nine overseas-based staff who earned more than \$1 million and another six who resigned with seven-figure payouts. The highest-paid executive, believed to be chief executive Andrew Ferrier, earned between \$3.62 and \$3.63 million. All this has occurred in the year the milk price to farmers fell from \$7.66 a kg of milk solids (kg/ms) to \$5.20 kg/ms. (Otago Daily Times)

### A2 Into Yoghurt

A2 Corporation's joint venture in Australia is going into the yoghurt business. It has entered into a licence and supply agreement to enable Jalna Dairy Foods to manufacture, market and sell a range of A2-branded yoghurts in Australia. A2 Corporation owns and licenses technology to identify milk with the A2 beta casein protein it claims has health benefits. Its A2DPA subsidiary has traded profitably since December last year, while A2 Corporation posted an after-tax loss of \$3.5 million for the 15-month period to June 30, 2009. Executive director David Mair said the company's ultimate goal was to expand beyond fresh milk supply and be included in a range of dairy products. The



licence agreement with Jalna will enable it to produce co-branded A2 yoghurt using A2DPA's intellectual property exclusively. It is intended an initial range of Jalna A2 yoghurts will be launched in supermarkets during the first half of next year. (NBR)

### Varroa Becoming Resistant

The \$3 billion pollination industry is under renewed threat from the varroa mite with reports of resistance to treatment. The National Beekeepers Association says bees tested from a hive near Auckland have shown resistance to synthetic pyrethroid treatments. Daniel Paul says it's a wake-up call to the beekeeping, agricultural and horticulture industries, although it had been feared resistance would develop. Beekeepers should continue alternating their treatments for the varroa mite, because it's likely resistance will spread to hives in other areas. There's concern that resistance to treatment could lead to what's known as colony collapse disorder. (RNZ News)

### Icecream Alleviates Chemo Effects

An ice cream developed by Fonterra and the University of Auckland has shown promise in combating some of the unpleasant side effects of chemotherapy. Fonterra's Dr Jeremy Hill says the ice cream, known as ReCharge, combines two naturally occurring milk ingredients, a milk fat and milk protein in a concentrated form. Laboratory tests have shown it has the potential to alleviate the unwanted effects of cancer drug treatment from chemotherapy and also associated anemia and weight loss. Oncology centres around the country are taking part in clinical trials with 200 patients to test the ice cream's effectiveness. (RNZ News)

### Merino Prices Ease

Merino wool prices eased at sales on both sides of the Tasman last week, while a lower exchange rate saw crossbred wool prices rise at the South Island sale. Fine crossbred fleece was 2% to 4% dearer; longer shears rose 3% to 6%; and shorter shears rose 1.5% to 2.5%. Coarse crossbred fleece and shears rose 2% to 4%, and oddments were firm. But merino wool prices fell at the Christchurch sale, in line with the Australian market, with prices for a nominal offering of fleece falling 3% to 5%. The sale was quite strong, with 89% of the 10,500 bales on offer selling. Hogget wool was hit the hardest, with 14 micron to 15 micron wool falling up to \$3 a kg. Oddments and skirtings continued to sell well. A fifth of the offering was passed in for failing to reach growers' reserves, and the average price for all NZ wool sold slipped from \$10.07 a kg last week to \$9.35 due to the weak market for the high priced superfine offering. (Otago Daily Times)

### GE Objection Being Considered

GE-Free NZ has challenged a decision by ERMA to grant approval for a new application by AgResearch to create genetically-modified organisms. It is proposing to develop small viruses, or vectors, to move DNA into animal cells as part of its investigations into treatment for a number of diseases. ERMA says the research will look at animal health and the prevention and treatment of gastrointestinal, kidney and muscle diseases and infections. It says the application was approved last month and as it was to be carried out inside a secure laboratory, the Authority considered it to be low-risk. ERMA will look at GE-Free New Zealand's objection and decide whether there are grounds for reassessment. (RNZ News)

## FORESTRY

### Blue Mountain Closes

Blue Mountain Lumber has closed its doors with 45 staff out of work and fears dozens of other jobs linked to the plant could also go. The soaring value of the New Zealand dollar and a dramatic fall-off in domestic timber orders were to blame, mill management said. Mill managers and others in the district predict other jobs, such as logging crews, transport operators and associated services, are now also on the line. The closure will be a body-blow to the Gore and Clutha economies, which were hit hard last March when the company shed 65 staff in a major restructuring process managers hoped would keep the company afloat. The sawmill, once the biggest South Island producer of Douglas fir timber, recently refocused its energies into its new Blue Mountain Oregon brand. Orders had fallen by more than one-third and targets set as part of the new-look plant were not met in August, prompting crisis talks. (Otago Daily Times)

### Log Demand Strong

Demand for NZ logs has remained strong in the past month. In China, reports of an inventory build have contributed to a flattening of in-market pricing. Meanwhile Korea and Japan are showing signs of economic recovery and this is being reflected in small demand increases from these destinations. These factors have assisted in-market prices to hold up in the past month with a KS log stabilising around the US\$109/JASm3 and a KI log sitting at US\$103/JASm3. Persistent volatility in ocean freight rates and foreign exchange have continued to remove the ability to guarantee returns to the forest owner. The Baltic Dry



