



Client newsletter  
August 2016

# Wairere

## Going for gold



Marcus & Mike

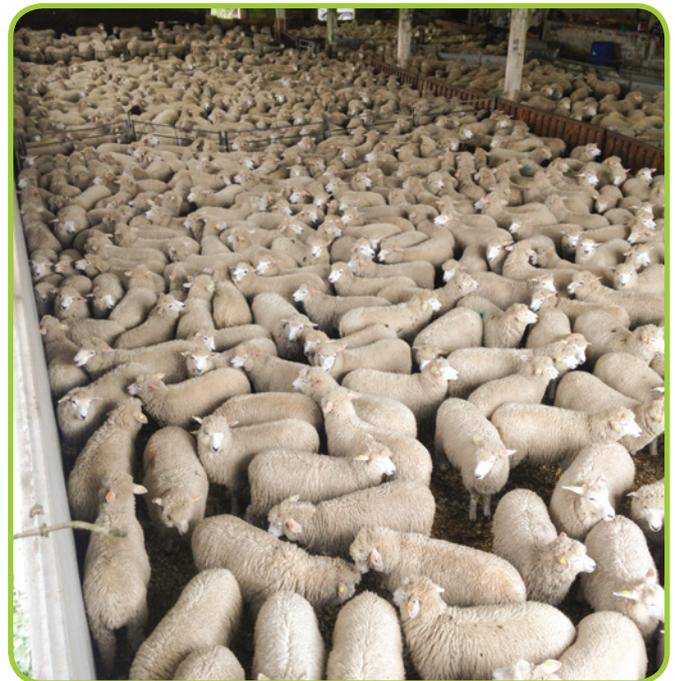
Chris and I have just returned from Rio, where we watched son Marcus play tennis doubles. Marcus and Mike Venus had two match points margin over the seventh seeds from Canada, but missed a volley on a shot which was actually going out! The Canadians won the

next two matches easily, and played in the final four for the medals.

We also commiserated with Clarke Johnstone and his parents Rob and Jean (see story on p.4), long term Wairere clients, on the night of the final day of the eventing... the highs and lows of sport: on the podium, or lost to obscurity.

Sport is a microcosm of life, a brief but intense encounter which raises adrenalin, emotions, and excitement. The highs and lows are just as apparent in our game of farming. The past fifty years have been a roller coaster, with peaks and troughs of product prices and land prices. Since 1993 the surge in the price of land has multiplied the wealth of land owners, giving them an even better ride than property owners in Auckland. That increase in wealth has given farmers options: sell for a profit, borrow against equity for other investments, or simply carry on farming.

By contrast, there has been the odd bonanza year of high product prices, but those good years seem to feed the momentum of the ever present cost/price squeeze. The past couple of years have been on the tight side for sheep farmers, particularly so for those hit by drought. We have been impressed with how well Wairere clients have handled extreme climatic conditions, finding a way to sidestep low feed covers with a combination of reducing stock numbers, grazing stock off farm, and supplementary feeding (fodder beet and palm kernel have both been valuable additions to the traditional supplements).....and still bouncing back with normal season pregnancy scanning results. That's top farming skills in action. But big droughts bring big costs. Going for gold seems a joke in years like this, but tenacity and perseverance are traits common to top athletes and top farmers.



Our joint venture Wairere UK lambs, ready for shearing. Two of the three finalists in the UK Sheep Farmer of the Year 2016 use Wairere rams.

### Supply, demand, competitors, substitutes

I'd like to predict that a shortage of export lamb from New Zealand next season could result in another bonanza year like 2011-12. But increased export tonnage out of Australia, changes in exchange rates, and relative hard times in our biggest market, the EU, will combine to subdue returns.

Brexit has had an impact already. The drop in value of the pound has increased the volume of British lamb sold to Europe. In mid July the farm gate price was 4.15 pounds/kg in the UK, fifteen percent higher than the same week last year. Sheep farming looks a good option in the UK currently, against a backdrop of arable crop prices at 1990 levels.

Conversely, New Zealand lamb is more expensive to buy in the UK.

Five years ago, Australian exporters were struggling with a dollar worth \$US1.08. The drop to \$US.76 is a 30 percent

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drop, compared to the Kiwi dollar dropping only 16-17 percent. That gives Australian lamb a stronger competitive position in its highest paying offshore market. Meantime, the sound domestic market underpins demand. For example, we sold 450 lambs from our small farm in Victoria in June this year. At 25.2kg, they made \$A157.92, or \$A6.27/kg. Mutton was making \$A3.40 and higher in the early winter too, 25 percent above farm gate returns here.

As an example of the confidence in the Australian industry, Tom Bull, the largest seller of "prime lamb maternals" in Australia, sold 681 ram lambs at auction last November, averaging \$A1,805. These weighed an average of 56kg, born June/July, so just 4.5-6 months old. A further 1,300 plus ram lambs, including terminals, were sold privately. The maternals are predominantly New Zealand bred composites over a White Suffolk base. The Australian industry will enjoy some quick and easy gains in productivity on the back of fifty years of ram breeding in New Zealand. There is a steady switch happening, from Merinos and a focus on wool, to crossbreds and a focus on lamb.

## Revolution required

- Our pastures need a massive overhaul. Virtually no improvement has happened in our permanent pastures over the past fifty years. Meanwhile, there have been huge increase in crop yields. These crops feed the animals which compete with our sheep, cattle and deer....chickens, pigs, farmed fish. For those industries the cost of feed has hardly changed, despite inflation. For us the cost of feed has multiplied with the cost of land... 600 percent over the past 25 years.

### Some facts:

a) The rhizobium used with our clovers is sixty years old! Newly discovered varieties are 40 percent more efficient at converting nitrogen to a plant available form.

b) AgResearch is struggling. The exciting years of hill country pasture development are 30-60 years behind us. The status of scientists has diminished with the much reduced output of useful new knowledge.

c) GE agriculture is happening on a massive and growing scale around the world, with 18 million farmers working over 100 million hectares in 28 countries. They make 69 percent higher profits than those farmers who don't take up the option, according to a recent major report. The main GE crops are soybean, cotton, maize, sugar beet and alfalfa, but a vast range of other crops and animal stock have been, or are being genetically modified. A 263 page EU report evaluated 25 years of scientific research by 500 independent groups in Europe. This report by a European endorsed group okays the safety of GE products. What are we waiting for??

Our scientists are eagerly waiting for an opportunity to try and catch the rest of the world. They would appreciate you lobbying for change.

- The Shanghai Maling injection of \$261 million into Silver Fern will allow a huge acceleration of consumer packs with much higher margins than currently obtained for meat in the counter. SFF used to have one sales person in Germany. Now there are six, because of the better margins available. Shanghai Maling wants Silver Fern to be the best known meat brand in the world. If Silver Fern starts a revolution of value add, other processors will

have to follow, or pull out of the race.

- The Alliance Meat Coop has engaged in 127 projects to accelerate a massive improvement in the company's performance. Some of these are simply a catchup with competing processors. But there are a couple of unique projects. These involve trial work to breed lambs with higher Omega 3 content, defined as over 3 percent, and greater IMF, intramuscular fat to guarantee tenderness. The Omega 3 content will substantiate a claim to have red meat "as healthy as fish". Animals that go onto a feedlot end up converting most of their Omega 3 to Omega 6, an undesirable fat for longevity and ultimate health.
- Al Brown, a famous Wairarapa native, spoke at the Alliance conference in Queenstown. He serves only secondary meat cuts at his restaurants in Auckland, because the margins are better. He thinks that all parts of the carcass may have equal value in the future. And that "the volume of flavour" is



British and New Zealand lamb cutlets in different UK shops. The domestic lamb at £20.63/kg and the NZ lamb at £11.67/kg.

the standout attribute of New Zealand lamb and beef.

- Ideas on nutrition are changing. Margarine is out, butter is in. Nutritionist Ben Warren, based in Hawkes Bay, spoke at the Allflex inspired Australasian Platinum Primary Producers conference in Wellington this year. Ben is a huge fan of eating fat. His philosophy is: "Eat whole natural foods which make you feel full for the longest time." Sugar is out, fat is in. Ben did his PhD on the Maori people of Mahia Peninsula, who enjoyed excellent health on a seafood diet high in fat and protein. We sheep farmers are growing tomorrow's medicine today! The tide is turning....
- New ways of measuring taste and tenderness, so that our customer experience is guaranteed GREAT, will allow premiums to be passed back to producers. We farmers will respond quickly to any significant price signal in this area. Taste panels are supplanting yield testing, with a recognition that too high a red meat yield has a negative correlation with eating quality. As farmers we need to study how to lift our game from the current 70 percent highly favourable taste panel response to lamb, and 27 percent to New Zealand beef, if expecting our produce to shift to universally accepted gourmet status. That will require an attitude change, especially in adverse climatic conditions, from "I've got to get rid of these lambs," to "How can I tap into the future farm gate premium for IMF by supplementary feeding, selling store, or share farming with finishers who still have quality feed?"
- There is a great opportunity available with the rapidly growing number of tourists visiting this country. Dan Steele, a Nuffield scholar farming in the King Country,

has accommodation for 145 visitors at or near Blue Duck Station. Dan reckons that there should be a more dramatic immersion into the New Zealand experience at Auckland airport, so it feels like the last frontier of the world. Dan used the word “uniquity” in his Nuffield presentation, defined as “a blend of unique experience and innovation” (He reckons that every good speech should contain a newly invented word!) Visitors can participate in pig hunting with dogs, and shooting goats, and take home Blue Duck Manuka honey. It’s quite surprising how city kids from Germany can take to the bush with a gun in their hands...

- The transformation of wool to powder will allow much higher value uses than the fibre market. Even cotton, grown under irrigation, mechanically harvested, and producing 6,000kg per hectare, has steadily lost ground to synthetics. The wool transformation process will be scaled up to commercial factory size within six to nine months, and expanded capacity will be added within two years. This process promises to use millions of kilos, and may take over many current uses of wool. Aspects of wool such as micron, length and colour will cease to be important (even black spots?).
- There will be no let up in competition in other sectors of the economy either. Who would want to be a ship owner right now? Just a few years ago the supermarket chain Tesco was top dog in the UK, and expanding rapidly around the world. CEO Terry Leahy was knighted, and wrote an excellent book outlining the philosophies which led to that success. But just a few years after his retirement, Tesco was losing market share and announcing huge financial losses. As farmers we tend to think that supermarkets have it all their own way, but competition in that sector is creating rapid change, just as in farming.

## Controlling the controllables

Most of the potential improvements mentioned above are out of our direct control, though we can contribute via shares or collaboration. Behind the farm gate there is always room for improvement. Our vision at Wairere is “To enrich sheep farmers’ lives”, and wives of course. It has given us a big buzz to have Wairere genetics play a significant part in the success of six out of the eight recent winners of the Wairarapa Farm Business of the Year. Going back to the start of the competition in 1983, Wairere has contributed to the success of over half the winners.

There have been some great stories behind individual winners. Robbie Joblin, winner in 2003, was a shearer in the Nelson area in his younger days. One smoko an old shearer advised him to buy a piece of land. “You don’t want to be shearing at my age, lad.” Robbie followed that

WAIRARAPA HILL COUNTRY FARMER OF THE YEAR RECIPIENTS OF THE JOHN DANIELL MEMORIAL TRUST AWARD			
1983	JIM & ANDREW POTTINGER	ANERLEY	Tinui
1984	HUGH & JOHANNA BLUNDELL	WAMEA	Alfredton
1985	GARRY & GAIL RAVENHOGG	NGAITIPU	Thurau
1986	NO AWARD MADE		
1987	DON & JOCE KINSELL	WAMMI	Whararua
1988	ROB & FAYE MONSON	MIRANUI	Mauriceville
1989	BRIAN & CAROL ECCLES	ROSEBANK	Bideford
1990	JOHN & SUE DALZIELL	GRASSDALE	Tinui
1991	CRICK & JANET MORRISON	KAIRANGI	Te Wairere
1992	JOHN & GLENYS LANGDON	LARCHBANK	Tinui
1993	JOHN & HELEN MCFADZEAN	GLENBRAE	Carterton
1994	LEN & CHRISTINE FRENCH	BEAULEY	Tinui
1995	NO COMPETITION HELD		
1996	JOHN & DI LE GROVE	MOTUANA	Honeywood
1997	JOHN & KRISTEN CANNON	THE CLIFFS	Taratahi
1998	DEREK & ELSIE NEAL	TAKI TAKI	Whangapehu
1999	NO COMPETITION HELD		
2000	NO COMPETITION HELD		
2001	NO COMPETITION HELD		
2002	MIKE & DONNA FALLOON	THISTLETOP	Bideford
2003	ANDY & JAN TATHAM	KAIWHATA FARM	Wairere
2004	ROBBIE & DEBBIE JOBLIN	TE ANA	Bideford
2005	MATT & WYVY WYETH	SPRING VALLEY	Wairere
2006	RODGER & SINA WINCHESTER	RAMU	Tinui
2007	BRUCE & SUE MCKENZIE	WIREA	Wairere
2008	JIM & ZILDS & PAUL MCGILL	TIRATAHI	Rongomai
2009	ROYDEN & KATE COOPER	MATAKIHI	Honeywood
2010	GEORGE & SARAH TATHAM	MAHOOE	Tinui
2011	VAUGHAN & JENNY MARFELL	CASTLEPOINT STATION	Te Kōwhiri
2012	EMILY & ANDERS CROFOOT & TEAM	TE KŌWHIRI	Kaumatua
2013	ED & MEL HANDSIDE	PENINSULA	Hirakura
2014	DONALD MCCREARY & ANNA JOHNSTON	BIDMORE	Trauarua
2015	ROB & LUCY THORNEYCROFT	BIDMORE	Trauarua

The leaderboard for Wairarapa farm business of the year competition.

advice, then traded up to a bigger block, running bulls in his spare time. In 1993 he spotted the opportunity to buy a 920 hectare sheep farm in the Wairarapa. He’d never mustered sheep before, but found someone to teach him. In the 1998 drought he took up the lease of a block planted in pine trees, and was able to buy a lot of sheep very cheaply. Then a neighbour’s block came up for sale. It was at the end of a gravel road, and the area had a reputation for fierce winds and reversion to Manuka (it was close to Wairere).

The good farming years at the beginning of the 21st century allowed rapid development with lime, fertiliser and fencing. The net outcome was a 19,000 stock unit property, and enough surplus to buy a big boat!

Robbie has since sold the farm in two blocks, and “gone fishing.” Some Robbie Joblin philosophies:

- From adversity comes strength
- Surround yourself with excellent people
- Invest heavily in the basics: lime, fertiliser, fencing, genetics

I come across some impressive stories among our clients. Farming isn’t guaranteed smooth sailing, but winning teams “have great defence, and turn to attack fast.”

## A new approach to educating the farmers of the future

The Wairarapa is home to Taratahi Agricultural Training Centre. Taratahi runs several sheep and beef properties, with a total of around 50,000 stock units. The arrival of Paul Crick as farm manager of Glenburn Station in 2006 heralded a new level of performance. Over the next three years Paul achieved two lambings over 150 percent from the 9,000 ewes, and 6,000 lambs POM one season, figures only dreamed of on Wairarapa coastal stations.

Over the past several years, Paul has led his farming team into Farm IQ, with various trials on four farms.

Taratahi lost the Glenburn lease when the property was sold, but now has a long term lease on Tautane Station, on the coast in southern Hawkes Bay. Last summer all 18,000 ewes were tipped over on a conveyor belt, and checked for feet, udders and teeth. 8.5 percent were drafted off with feet issues, 1.5% for other reasons. Most of these were relegated to the terminal sire mob, as “their productivity was affected in only a very minor way, but we don’t want to breed from them,” said station manager Matt Smith.

Wairere had a vested interest in this process, having been the sole ram supplier to Tautane for the past seven years, and supplying half the Romney Rams before that. Matt Smith is into his fourth year at the helm. Sheep performance has climbed from 128 percent lambing at takeover to 138 and 142 in the second and third years, despite difficult seasons. This year’s scan is 9 percent higher than previous best. And the small area of finishing contour land has been planted in Plantain/clover and other finishing feed, allowing a big proportion of the lambs to be finished.

Hoggets are being mated too, 2,500 this year. Results are improving year on year, as Matt gets a better grip on the property, and young stock are better grown. There are still 180 hectare paddocks on Tautane’s 3,500 hectares, but 900 breeding cows and big ewe mobs allow good pasture control on the steeper and erodible country.

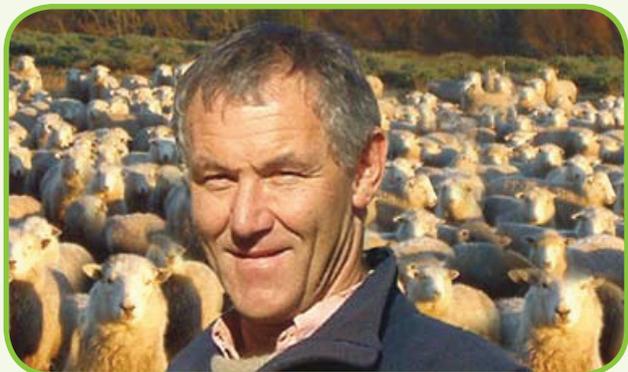
This story has two highlights:

1. *It demonstrates the value of whole farm research or benchmarking.*
2. *It shows the quality of management to which Taratahi students are being exposed.*

Wairere is fortunate to be involved with such a progressive education provider. Paul Crick gives us valuable feedback, which helps steer our breeding programs. Taratahi's favoured approach currently, apart from Tautane which has stayed straight Romney, is to continue overlaying composite ewes and Romney/composites with Romney Rams. To date, the Romney cross and second cross ewe hoggets on the other three properties have retained a scanning percentage in the 130-150 percent band, to hoggets mated.

## Big changes to SIL

New Zealand's national flock recording scheme has been subjected to a major overhaul during the past eighteen months. One change that has really pleased us at Wairere has been the reevaluation of the breeding values of screeners in ewes. The old SIL had relegated screeners to the baseline productivity of the average New Zealand ewe in 1995! That



*Rob and Jean Johnstone, farming near Dunedin, started buying Wairere Rams in 1990. Prior to that, Jean's father John Clarke (one time chairman of the Wool Board and the Otago Harbour Board), was John Daniell's first Wairere client in Otago/Southland, in 1977.*

*Rob runs a successful Limousin stud, and describes his sheep as "Limousins in sheep's clothing." The conformation shows up in a 95 percent hit rate for Waitrose, with average weights of around 17.8kg. "Our flock consistently lambs 140 percent through thick and thin seasons. We've won the Otago/Southland Romney Ewe Hogget competition, and I get a lot of enjoyment from our Waireres."*

has been very detrimental to Wairere's ranking in SILAce, the scientists' attempt at a national across flock evaluation and ranking. The Wairere flock was specifically analysed to check out the productivity difference between daughters of fully recorded ewes versus daughters of screeners, and no significant difference was found.

SIL is also intending to introduce breeding values around condition score and longevity. The relative economic value of NLB (number of lambs born) will be reduced, and not increased past "an economic optimum of 185 percent

scanned." Meat yield will be tempered by the concept of trying to get a measurement for IMF (intramuscular fat), which is strongly linked to eating quality. Fat will not be penalised in the way it used to be. Both NLB and fat percentage are "Goldilocks" traits, sweet spots where we don't want too little or too much.

These changes vindicate the overall approach taken at Wairere during the past 30 years:

- De-emphasising NLB by allocating a REV (relative economic value) of \$10.80 rather than the normal \$24.30, thus reducing the influence of triplets.
- Never adopting the Lean Growth Index, popular in the 1990s.
- Moving away from wool weight as a major reason for keeping/culling a replacement two tooth, back around 1987-90 when wool was more important than meat.
- Never penalising fat, when we made up our own dollar value formula for eye muscle area around fifteen years ago. That has helped our BCS, and reputation for hardiness and constitution... the ability to bounce back after a hard time.
- Staying with screening in, which allows us to cull our recorded ewe flock harder. The recorded and commercial flocks cycle into one another every year anyway.

## "Significant contribution"

It was a pleasure to receive an award in July, on behalf of Wairere, for "Making a significant contribution to the New Zealand sheep industry." As in most awards, there has been a whole team behind the scenes. I want to make particular mention of Simon Buckley, now in his 30th year at Wairere. Simon's conscientious management and unfailing work ethic has allowed me time to focus on the bigger picture. Andrew Puddy has also played a significant role, not just in sales, but in liaising with share farmers, and offering wise advice. And now that we three are the "oldies", it is proving most enjoyable to work with Generation Wai, the young team at Wairere, headed by Jacques Reinhardt. The young team is pushing the Wairere business forwards.

Another person deserving of special mention is farm consultant David Baker of BakerAg. David started with the Wairarapa Farm Improvement Club in 1969, and has known four generations of the Daniell family. In particular, David has tailored many share farming and joint venture agreements for Wairere, and acted as referee to the various parties over the past 25 years.

And most credit should go to my father John, who developed a third rate farm from 1951 to 1983, and started performance recording on the Wairere hills in 1967.

## Communications

We have decided to expand the part time Office Manager position at Wairere to a full time role. The Wairere team is delighted to welcome back Lynette Towler.

Here's wishing you a successful lambing and a better than average season.

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