



Client newsletter
May 2016

Wairere

Turnaround time



Jim and Brendan Varty's ewe hoggets on the 7th April Field day. See story on page 4

The big picture

Sheep meat exporting companies have changed their forecasts from negative to positive. That positive vibe covers pelts and other co-products as well as lamb meat and mutton. Across the Tasman lambs are fetching \$NZ6.20 plus skins in mid May, which adds up to around \$6.62/kg for an 18kg lamb. Ewes are making \$NZ3.75/kg plus skins, or better than \$4/kg. There has been a shortage of pork in China over the past two months, and the retail price has risen fifty percent. And the promised entry of chilled lamb and beef into China is a new move which should gradually increase returns per kilo in that market.

But a reality check is required for the near future, with reference to supply and demand, competitors and substitutes.....global feed prices have been low for two years. That has resulted in excellent producer margins for chicken, pork, and farmed fish. In the USA the volume of chicken available to consumers has lifted 11 percent from 2014, 8 percent for pork, and 0 percent for beef. With no sign of feed costs declining in the short to medium term,

chicken supplies are predicted to steadily increase.

Much of New Zealand needs a brighter future on the weather front too. Ongoing drought in some areas continues to drain financial reserves, and facial eczema has been the worst since 1999 in other parts of New Zealand. It has been a difficult twelve months, and diabolical in areas like North Canterbury, in a second year of drought. The weather forecasters promise a change from El Niño to La Niña this winter, so here's looking forward to dams filling up, and ground water reserves being recharged.

Having "the lowest interest rates in 5,000 years" is a help through difficult times. But the trillions of extra printed dollars around the world seem to have found their way into inflated property, shares, and other asset prices....and not into higher wages and salaries, which would translate into stronger demand for goods and services. Where is the world economy headed?

QUANTUM LEAP REQUIRED

It is frustrating to observe quantum leaps in the productivity of other agricultural sectors, such as Kiwifruit and goat milking, and to be missing out. Our biggest limiting factor is the quantity and quality of forage grown in an uncontrolled environment, the weather/ climate. The recent AgInnovation day at Massey university highlighted the snail like progress towards breeding deep rooting clovers which thrive with low to moderate available phosphate. Farmers with strong Lucerne stands demonstrate the ability to finish lambs much faster, and to grow ewe hoggets rearing twins to high weights. AgResearch plant breeders have some great genetic material, but it will take 15-20 years to breed up enough seed for commercial use! To shortcut this, plant breeders need one of two gates to open: for MPI to allow greater quantities of seed to be imported from the Mediterranean. Or, for some part of GM to be permitted. There is a technique now, called gene editing, which changes the genome with no sign of interference. The worry is that New Zealand pastoral farming will be left behind, all because of a rearguard reaction of some European consumers against the bogey of GM.

Our pasture plants are already 15-20 years behind cotton, soya beans, and maize. How much of the debate is scaremongering, and how much is based on science?

What can you do? Agitate for a fully informed debate on GM in pasture plants. Be heard!

0800 Wairere (0800 924 7373)

The little picture

Two years ago Landcorp engaged in a major strategy review. What emerged were five key words, against which any aspect of company practice could be measured:

- Volume
- Value
- Efficiency
- People
- Environment

This scorecard can be applied to any of your farming businesses. And for Wairere too, to pose the ongoing question about the value which we are adding to your business.

Volume

There have been several major trends over recent years:

Stocking rate has reduced, compensated for by an increase in per head productivity. But the kilos of meat and wool output per hectare has remained static, or reduced.

That reduction has been largely a function of lower fertiliser input. NZ farmers are quick to respond to improved terms of trade. The period 2001-06 saw a big upswing in fertiliser and lime application, but poorer prices and harsher climatic conditions have combined to reduce inputs over the past ten years.

There has been a counter trend on finishing country, where new pasture species, improved management systems, and sometimes irrigation, have combined to enhance the growth rate of lambs, and the numbers finished per hectare.

Wairere: Volume is the area where Wairere has most effect on your bottom line. We continue to hear numerous stories of enhanced lambing percentage, growth rate, and the added benefit of having more wool to sell. We focus on kilos per hectare at Wairere, because higher gross income per hectare usually delivers higher net income too. Hill country that produces only 150kg of carcass weight and wool equivalent per hectare is locked into a gross income of \$750/ha or less. Take that to 250kg/ha, and the gross rises to around \$1,250; 300kg and \$1,500, etc. At Wairere we have pushed a high stocking rate over the years, which puts

pressure on sheep performance, but favours the strong and resilient individuals that can perform well despite the pressure.

Value

How come the crayfish industry is receiving \$120/kg off the boats right now, including all the waste shell and innards? Why is Manuka/Kanuka honey receiving \$20-90/kg in 200 litre drums? Having spent nine months of my life personally cutting "scrub", it was a major turnaround to get involved in the Manuka honey industry in 2004, becoming one of two shareholders in Deloitte's Fastest Growing Company in NZ in 2008, and start planting Manuka!



Generation Wai. In the background is part of 70 hectares of QE2 preserved bush at Wairere, helping the Environment.

Wairere: Faster growing lambs are sold earlier, and more likely to be sold when price premiums are available. We have clients involved in Coastal Spring Lamb, Kumanu, and Silere. Beyond the farm gate, Wairere has substantially supported value initiatives such as Lean Meats, Primary Wool Co-op, Wools of NZ, and leadership programs such as Nuffield and the John Daniell Memorial Trust.

Efficiency

The Beef and Lamb Economic Service monitors around 500 farms. Analysis of finances shows that the most profitable farms are running 5-6,000 stock units with one man, or 10-12,000 with two. Running at that level, or aiming

higher, requires ruthless prioritisation of work, and animals which require minimal input.

Efficient sheep will deliver higher output per kilo of feed consumed. Where is the sweet spot between adult ewe size and aspects of production such as stocking rate, hogget lambing, weaning weight, survival and rearing of well grown triplets?

Wairere: Achieving "more with less" is an ongoing target. We are looking to breed sheep which are easy care in every way.



*The Wairere team at AgInnovation day. **Back row:** Hannah Meulenbroek (office manager), Simon Buckley (CEO), Rob Meulenbroek (fencer/general), Nick Butler, Dayenne Almeida (R and D manager), Beatriz de Smet d'Olbecke (from Chile) **Front row:** Darren Jackson (remote farm manager), Matt Watson (head shepherd), Andrew Puddy (sales manager) Jacques Reinhardt (Wairere manager), Tom Gordon.*

We start with requiring ewe hoggets to get in lamb. And we wean big numbers of ram lambs so that we can cull hard on structure as well as on performance. Less than one in four Romney ram lambs at tailing were sold as rams in recent years.

People

The biggest buzz in our game of ram breeding is making a difference to people's lives. Wairere genetics have transformed flocks and lifestyles for many clients.

And Wairere has always employed keen, young people starting off in farming. It gives us great pleasure to watch shepherds progress through their careers. This year Tom Gordon, our Wairere Scholarship winner in 2014, took out the Wairarapa Shepherd of the Year. Another Taratahi graduate, Darren Jackson (brought up in Auckland), won the New Zealand Maiden Handy Dog crown in March, having won the North Island title a month earlier, with a higher score than the Open winner! It's a big year for Wairere dogs, with Jacques Reinhardt and Matt Watson both qualifying huntaways for the NZ Dog Trial Champs.

Environment

The pressure is on farmers throughout the world, from media, city dwellers, international consumers, and climate change activists. Over half the world's population depends on food grown with irrigation water from Himalayan snow melt. Water wars loom. Our sector needs to be more proactive in this space. The Ballance Farm Environment Awards provide a very well managed showcase to its New Zealand and international audience.

Wairere was awarded the Greater Wellington Ballance Environment Award in 2012. We continue to assess how we can farm more sustainably, and add to the stewardship of previous generations.

The competition never sleeps

In April the CEO of New Zealand King Salmon, Grant Rosewarne, addressed the biennial Nuffield conference. Grant told us about the huge advantages of fish farming: feed conversion efficiency is 1:1, because fish are cold blooded and don't have to fight gravity. That explains the rapid growth of fish farming around the world. Furthermore, NZKS is grossing \$24 million per hectare! Which puts Kiwifruit at \$100,000/ha into the shade, let alone any form of pastoral farming.

But revenue wasn't at that level when Grant came to NZKS in 2008. Their product was then sold in perfect competition with other salmon produced around the world. Grant soon realised that NZKS had a potential advantage...98 percent of farmed salmon is Atlantic salmon, yet King salmon (also known as Chinook) always had the reputation of being the number one wild species for taste, texture, colour and omega-3 content. So Grant employed a bigger sales team; they visited the best restaurants around the globe, telling the story of King salmon, and of the pristine farming environment in the Marlborough Sounds. Several years later Grant added a brand, Ora King, around the story. The best customers pay three times the price of commodity salmon.

A year ago, Tom Sturgess, chairman of NZKS and also owner of Lonestar Farms, remarked that NZKS had 34 in its sales



A flock house in China, built with solar panels.

team for \$100 million of sales, similar in number to the NZ red meat industry with \$6 billion in sales.

What can we do to capture premium VALUE for NZ sheep meat and beef? And what do we need to CHANGE to DESERVE that? One big gap is the lack of international experience on farmer owned company boards, including Fonterra. International experience might be described as "at least a decade of living abroad, speaking three or more languages, and years of experience in sales and marketing for international food companies."

China

Geneticist Dorian Garrick visited Xinjiang Province last year. He took photographs of flock houses being built out of solar panels, each one designed to hold 1,000 ewes. This site is planned to have 1,000 houses, holding a million ewes. The Chinese government is subsidising developments like this, because of a recent ban on the burning of crop residues, which adds to pollution...another solution needs to be found. These are small ewes of the Hu breed, averaging 45kg, yet have the potential to lamb twice per year, rearing an



Sheep of the Hu breed, China, averaging 2.6 lambs conceived "in season", and 2.2 lambs "out of season".

average three lambs per year. There are also moves to take young lambs from the extensive range country onto finishing platforms. That will allow the graziers on the rangelands to run more ewes.

The Chinese government is subsidising the building of four large abattoirs in Inner Mongolia, to do away with ninety small plants, and to establish higher standards of hygiene and food safety. Alliance's partner, Grand Farm, has been granted land, rent free, for a new plant, and can borrow money at one percent interest rate.

All the above highlights some challenges to our complacency. The old, self congratulatory saying of "Kiwis are the best farmers in the world" has bred an arrogance which must be discarded. The Japanese attitude of Kaizen, "continuous improvement", is the appropriate approach.

KISS Success

Father and son team, Jim and Brendan Varty, were worthy winners of the Wairarapa Farm Business of the Year in 2016. Jim was a shepherd, then a manager, who aspired to farm ownership. He achieved this through purchase and sale of stepping stone blocks near Masterton. In 2005 came the chance to create an equity partnership on the 620 effective hectares Waiiti. It took several years of trial and tribulation for Jim to find his feet in a new farming area, including the 2008 drought and one of the equity partners dropping out. Then the Varty team settled into a regime of consistent high sheep performance, linked to the Wairere Romney breeding program. The past four years show 147 percent survival to sale, and a hogget lambing which has crept up to 96 percent to hoggets in lamb. Average weaning weight is a solid 31kg at 90 days. Wool at 6.3kg/ssu helps the bottom line. The Vartys have debated the sowing of plantain, but elected for a Keep It Simple Stupid policy. Some nitrogen with the annual P and S fertiliser in August, pre lamb, gives a turbo boost to the early spring, in an area noted for cold, windy and wet at that time of year.



Jim and Brendan Varty with Derek.

There is a lot of focus on growing out the replacement ewe lambs, which are usually 47-49kg at mating in early May. That sets the platform for consistent flock performance, regardless of season. And reminds me of my father's parting advice to a group of young farmers four decades ago..."Grow your young stock well." Some things change, but some stay the same.

Wairere is proud to be associated with the stockmanship and achievements of Jim and Brendan Varty.

High volume equals high dollars

There are many ways to skin a cat, which makes farming a fascinating game. Derek Neal, farming fifteen minutes drive from Wairere, is the ultimate analyst of profitability. Derek started with a B. Ag. Science Honours from Massey, competing in the same class as well known farm consultant Chris Garland. He shot deer to pay his way, and is still a keen hunter.

Derek and Elsje have chosen a high stocking rate policy, set stocking ewes at 10/hectare to weaning, on broken Wairarapa hill country. Paddocks are small, averaging 7 hectares. The cattle policy is dairy bulls only. Over a thirty year period, Derek has grown the business from leasing the original family property to purchasing land adjacent, then two other farms, one being near Eketahuna, in a better summer rainfall zone. The finishing land component has grown from zero to 24 percent of area over that time. That component now allows



Daughter Bronwyn Neal with the second cut of ram lambs at weaning, averaging 32kg.

finishing of all lambs to 18-19kg, and 900 bulls to 270kg, two hundred being carried through a second winter. It all adds up to 329kg product/ha this season, and an EFS of \$825/ha, slightly below the previous year.

Derek and Elsje won the Wairarapa Farmer of the Year in 1997. Derek credits Wairere Border/Romney rams with having a major impact on sheep performance in that era. More recently he has had significant benefit from crossing Wairere Romney Rams back over composites.

Notable features of Derek's system include:

- Heavy use of lime and fertiliser.
- Use of Nitrogen twice over all country, in the autumn and the late winter.
- Use of Ovastim to guarantee a 140 percent lambing at 12 stock units/ha.

Around a quarter of the finishing land is renewed every year in the spring, with a mix of plantain, chicory and clover. Short term ryegrass is direct drilled into that mix in the autumn, to increase the quantity of winter feed.

A loyal team, with little turnover.

Despite this intensive system, Derek has found time to make major contributions to Taratahi Agricultural Training College, a local school board, as director of several local farming businesses, as facilitator of a discussion group (I'm lucky to be a member), and enthuse three daughters about diving and hunting....one shot eight deer with her first seven bullets!

Relativity

A recent documentary focused on the problems caused by rising sea levels in Bangladesh. One of the interviewees was a blind fisherman. The less predictable water level makes walking into the sea to set a net a risky affair. His daily struggle does put our first world problems into a different category.

But each one of us has to tackle those problems of climate and farm gate prices, and win through. Here's hoping for a kind winter, and a turnaround season in 2016-17.

Derek and the Wairere team.

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