



Chairman's update

Hi all,

The start of 2013 has been a mixed bag climatically for many farmers with many areas dry and a number of areas struggling to harvest supplementary feed and crops in wet conditions. For those of us in dry areas we are living proof of the need for accelerating the Government's water and irrigation agenda to allow opportunities for more viable farming systems and better managed catchments at the same time.

The correction in sheepmeat and wool pricing has been significant, and will have a big impact on farm profits for sheep farmers even though this is on the back of two very good years. While the drop in returns will be difficult for many, if I look back over the last 3 years, and assume our forecasts for this season of \$85 for an all grades all season average lamb, this will mean a 3 year average lamb price of \$105. This is a long way ahead of the 3 year average from 2005 to 2008 of \$55, but still not enough for a viable sheep industry.

On the positive side there are a number of new initiatives that will help improve the trust, transparency and performance of our sector.

We are very pleased to see the meat industry adopting a common trim standard for both beef and sheepmeat to ensure that there is consistency between plants and companies in the amount of trim allowed before weighing and the assessment of payment to farmers. The Red Meat Sector Strategy focussed a lot on trust and transparency and Beef + Lamb New Zealand strongly supports this move. We commend the meat industry through their representative body the Meat Industry Association on implementing the MIA Carcass Trim Standard. Participating plants and companies can be found by accessing the MIA website at:
http://www.mia.co.nz/industry_information/trim_standards/

You will also have seen in recent weeks the announcement of an exciting new initiative called *Collaboration for Sustainable Growth*, the red meat sector Primary Growth Partnership proposal aimed at addressing the 50% of on-farm gains identified in the Red Meat Sector Strategy. The Collaboration programme involves industry participants AFFCO, Alliance Group, ANZCO Foods, ANZ Bank, Beef + Lamb New Zealand, Blue Sky Meats, Deloitte, Progressive Meats Ltd, Rabobank and Silver Fern Farms. With the Government commitment to fund up to \$32.4 million from the Primary Growth Partnership Fund (PGP) of the proposed \$65 million, seven year, Collaboration for Sustainable Growth programme, farmers will now be asked to vote to support the farmer contribution through a combination of NZ Meat Board and Beef + Lamb New Zealand levies and reserves. This will total up to \$2.8 million per annum over the seven years,

or a total of \$19.7 million, and importantly no levy increase is required to fund the programme. This annual investment is no greater than some current research activities already conducted by B+LNZ.

The farmer contribution is approximately 30% of the total programme investment, representing \$2.33 of partner support for every \$1 invested by B+LNZ on behalf of farmers. With the other 70% coming from Government and industry participants, the vote by farmers to be undertaken alongside the Beef + Lamb New Zealand Annual Meeting on the 8th March will enable the programme to progress.

I have had a number of calls from farmers supporting the programme but questioning why farmers seem to be always asked to do more with regards to productivity in the absence of good news and progress from the wider industry. The focus of this programme is to improve profitability. There is no doubt that farmers have continued to make real progress in productivity or efficiency gains, but as in any business, there is always opportunity for ongoing gain. What is not often appreciated by farmers is the incredibly complex nature of our meat processing sector, with the reliance on biological and weather dependent supply, alongside the need to market all cuts profitably in the disassembly business which is the meat industry. Overlay that with our distance from markets and currency challenges and we are talking about a tough business.

It is not our role to tell you what your processing companies are doing, however this week we have met with meat companies and encouraged them to talk about the many good things that companies are doing aligned with the Red Meat Sector Strategy to advance the post farm gate part of our industry.

Other calls from farmers have asked what will be different and what will be the opportunities for farmers at the end of the *Collaboration for Sustainable Growth* programme.

In my language, following completion of the programme I think we will achieve the following.

- The ‘social science’ part of the programme will provide valuable insights into how farmers learn and want to receive new information. This means we can better tailor all extension programmes so they can be more effective in supporting you and your farm.
- As farmers you will have access to real time benchmarking to evaluate how your business is performing relative to others in your area, on your class of land and across New Zealand.
- This benchmarking will use common language that is agreed across the industry to allow meaningful evaluation of on farm performance and ensure we can make ‘apples for apples’ comparisons.
- The ability to analyse farm business management and performance will be greatly enhanced and this will also flow on to a greater

understanding about how the wider industry operates and performs.

- The same tools and services will be available through and supported by a much wider group including advisors, meat company representatives, banks and other service providers and professionals. This means the same clear and accurate message will be available from more places, with less confusion and ensuring we have the best and most up to date information.
- We will future proof the industry, with the enhancement of our image and reputation as environmentally friendly, ethical and safe food producers. This will be supported by baseline quality assurance standards that are agreed across the industry, making the QA process simpler and more efficient.

Voting materials to support farmer investment in this collaboration programme have been mailed and the decision is now in your hands. If you haven't received these, call 0508 666 003 and we can get a pack out to you straight away.

Voting closes at the Beef + Lamb New Zealand Annual Meeting on 8th March, and if you have any queries please do not hesitate to contact me on the numbers below.

As always feedback welcomed and encouraged.

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