



**FEDERATED
FARMERS**
OF NEW ZEALAND

MANAWATU | RANGITIKEI

FEDERATED FARMERS MANAWATU/RANGITIKEI

MIDWINTER UPDATE

Keeping you informed

JUNE 2010

Reports from the AGM held Monday, 3 May 2010

PRESIDENT'S REPORT

GORDON MCKELLAR - PRESIDENT

WEATHER

We've finally had some rainfall in Manawatu/Rangitikei and this has helped relieve the drought like conditions. If it hadn't been for the good growing conditions we experienced during summer, we could've been considered as a drought area so we're now hoping the mild winter that NIWA has predicted will allow for some good winter pasture growth. If you are finding it hard to feed stock Federated Farmers has a feed list available, this can be accessed through our website (www.fedfarm.org.nz) or through calling 0800 DROUGHT (0800 376 844). Otherwise you can contact the local rural support trust on 0508 376 844.



ONE PLAN

Hopefully most of you would have read my article on Horizon's One Plan that was published in the NZ Farmers Weekly at the end of March as well as April's Countrywide paper, we've also had some good coverage from other rural based media that you may have seen.

On 17 February 2010 we presented our case before the Horizon's One Plan independent hearing panel. I would like to thank all the members that came along on the day, we had a great amount of support.

While we won't hear the outcome from the hearing panel till July this year, we're seeing signs that Horizons wish that many farmers will require a "consent to farm", may not be fulfilled. If we get a win it will help prevent some farmers being driven out of business. We must give credit to the independent hearing panel who, unlike Horizons, have at least been prepared to listen and acknowledge some of the issues we have raised.

I would like to thank Federated Farmers Manawatu/Rangitikei elected members who, along with myself, have worked hard to tackle the challenges of Horizons proposed One Plan and other issues. Particularly vice-president, Andrew Hoggard, who has put in considerable amounts of work on the One Plan issue as well as on wider dairy issues.

I'd also like to thank elected members from neighbouring provinces, Tim Matthews from Federated Farmers Wanganui and John Barrow from Federated Farmers Tararua as well as the local provincial presidents. Our condolences go to Tim and his family after Tim's wife Margaret Matthews has passed away.

I'd also like to thank local farmers, Grant and Katrina Barber, Hew Dalrymple, Bernard Hughes, Mary Craw and Mike Webster who presented their farms to the hearing panel as case studies for the water section of the One Plan. Their presentations were excellent and had a considerable input for our submission.

Working together with other like minded submitters such as Fonterra has been a rewarding experience. I'd further like to thank Massey University for their valuable input and CPG New Zealand, who helped prepare some of the farms for the case study at no extra cost.

Some members are also reassessing their support for a local law firm that almost fanatically supports Horizons "consent to farm". If Horizons gets this consent passed into law and a farmer is prosecuted by this law firm, they will be required to seek legal representation elsewhere anyway. While it is for you to make your own decisions when choosing what firm to do business with, it does go to show that collectively through Federated Farmers we can achieve much more than an individual, when working in the similar direction.

RATES INCREASES

Councils are continuing to live beyond the ability of the majority of their ratepayers to pay for massive rates increases, yet rates are still going up more than the rate of inflation (which has been around 1.8% to 2% for the past year). Federated Farmers submits on annual plans, asking councils to focus on core business and more equitable funding mechanisms. We also ask they address wasteful spending and instead look for productivity gains in their operations (like we constantly have to do in our businesses)



rather than simply adding costs onto struggling ratepayers as councils do with their massive rates increases.

The Palmerston North City Council has an equitable and fairer way of rating their farmers and Horowhenua District Council is slowly making progress in this area, the others have an overdue need for improvement.

A reminder it is local government election year this spring and if you would like rates increases to be brought under control you need to look within your community for leaders prepared to stand and bring these rates increases under control.

FARM DAY 2010

Farm Day this year was held at Brian and Stu Waters sheep and beef farm just ten minutes from the centre of Palmerston North. It was a great success, with visitors numbers more than double that of last year, when we first held Farm Day at Robert Ervine's dairy farm. It was great for the visitors, mainly from urban centres, to experience life on a real working farm. Since the day we've had some great feedback from members of the public who came along.



I wish to thank the members of our executive who volunteered to help out to make the day such a success, as well as Brian and Stu for hosting the event and any other people and organisations that contributed (such as FMG for providing lunch for the helpers).

AGM, 3 MAY 2010

At this year's Annual General Meeting (AGM), I was elected again as president for my final year. Tony Gray stepped down as Meat & Fibre Chairperson, a role he has held for seven years and we thank Tony for his involvement. We would like to welcome Fraser Gordon as new Meat & Fibre chairperson, Fraser farms in the east of Taihape. We would also like to welcome William Morrison from Hunterville as a new member on the Meat & Fibre executive.

Allan Emerson, guest speakers at our AGM gave an informative talk, prior to his harassment by the police for not talking favourably about cluster flies. He covered the need for the entire rural sector including Federated Farmers to group together and form a green table of rural interests so that we can all work together on the common issues.

GREEN HOUSE GAS

At the end of last month I attended the summit conference of "Understanding climate change and green house gas emissions" held over two days in Palmerston North. It was a good conference that looked at various case studies from around the country. However, it seemed to suggest that other than getting rid of the animals, there was in general very little farmers could do to reduce GHG coming from animals for the production of food and fibre. It was interesting to visit the research facilities that your levy and tax money contributes towards, but it looks unlikely that there'll be a silver bullet to solve farm produced methane any time soon.

Federated Farmers magazine, the National Farming Review includes a good article on the Emissions Trading Scheme (ETS). Be prepared for big price rises for our farm inputs and nearly everything from 1 July, even more concerning is that in five years our farm animals will be taxed for their farts and burps like no country on earth.

The net long term result is our animals based industries will move to off-shore producers that will most likely create more green house gases per kilogram of cheese, or leg of free range lamb. So on a global scale our politicians have made a big backward step, producing more greenhouse gas for the same amount and kind of food. More dairy cows in the Saudi desert for example, which will come as result of the Government slowly but surely taxing our New Zealand farmers out of existence, it only creates more GHG and will costs New Zealand jobs. We hope politicians will listen before then.

For those with erosion prone land or forests there are rules and some incentives available, more details can be obtained from the regional council or from MAF.

Gordon McKellar

DAIRY REPORT

ROBERT ERVINE - CHAIRPERSON

What a comeback from a sobering last season of \$4.70 to the recent increase in payout to \$6.10 milk price. That's brilliant. The outlook, while turbulent, also looks positive. With the Fonterra Board's very optimistic announcement for 2010-11 and the \$4.30 advance rate which will certainly help spring cash flows.

Since February there has been a wide variation in the region with some suffering with drier than normal conditions, but we are not in the difficult position of the upper North Island, where the drought has left farms going into the winter with lower than optimum pasture covers .

Locally we have the usual issues with both Fonterra and Horizons Regional Council. They are big organisations however I believe Fonterra listens to its shareholders (some times at least).

Fonterra shareholders will have their say on Stage 3 of the Capital review on the 30 June with the seven centre meeting being run from Palmerston North and linked by TV satellite broadcast , shareholders need to vote to have their say.

The Dairy Industry Restructuring Act (DIRA) review continues but the announcement and implementation of the Fonterra milk price plus 10cents/kgms is a step in the right direction for the industry as a whole. This keeps competition alive but removes the cross-subsidisation between companies.

The last few years have been dominated by Horizons One Plan, particularly the last year as the regional council gets set to implement their regulatory approach. Final hearings on the water chapters were held in the last week of April and an outcome is expected by July. It was notable that after all the presentations and evidence offered by submitters from far and wide, that Horizons staff in their final summing up to the Commissioners have chosen to continue almost unchanged with the same ideas and tone as they originally presented. This, I believe, shows that the organisation needs a huge shake up at a senior level because they talk consultation but then head off as they initially intended to do anyway. The final version of the overall One Plan will be very different from what was first proposed (I hope) due to the hard work of past and present Federated Farmers present policy advisors and members of the local committees. Hopefully the expensive option of the Environment Court can be avoided but that will be the next chapter in this long drawn out affair, if the result is untenable for farmers.

On a different front, communication with Horizons has been established with the formation of the Dairy Liaison Forum group and the new Dairy Link committee. Both



groups have achieved a measure of open dialogue with the regional council, enabling politics to be left at the door and discussion to be focused and positive. However, I was disappointed at our last meeting when Horizons announced that the negotiated two week notification of inspection had been dropped. No discussion, just dropped, so obviously old habits die hard on the listening and compromising front. The goal of these groups is to work through effluent and nutrient issues and find workable solutions for all concerned.

The Emissions Trading Scheme (ETS) has been a rollercoaster ride and it continues. Australia recently changed its position and is halting implementation until possibly 2013 because of the high cost to their economy; this highlights the folly of our own Government's position. What are they trying to achieve? They certainly will slow down the economy, increase costs to businesses and consumers alike and to what avail? I think this issue is another example of central Government talking about helping business to grow and expand while with the other hand creating policy that does the opposite. We need a few Greek or French protesters over here to sort out this one. Are we off to Wellington on this one or is it too late? It's never too late. Perhaps come the 1 July when the increases in fuel and electricity start to take effect, the man in the street will start to ask what this is all about. By then we have inflation, then the interest rates rise to control inflation, is this achieving anything, or is it just another tax?

The debate on the Crafer farms and their fate is both topical and important, if we allow the very fabric of our industry to slip into overseas hands then it may be lost forever. The debate needs to be had now as the area of land we are discussing will only increase and with it the importance of the issue.

Robert Ervine

MEAT & FIBRE REPORT

TONY GRAY - CHAIRPERSON

As I sit down to write this report, there is flooding in the South Island, drought in the Waikato and further north and dry in many parts of the country. The weather is something that we do not have control over and this year mother nature has thrown us a few curve balls. The other factor outside of our control is the exchange rate, but more about that later.

There have been a number of issues that have affected our industry over the last twelve months.

The first being Meat & Wool New Zealand's (MWNZ) failure to get a positive outcome in the three areas voted on under the Commodities Levies Act. The results, as we all know, were positive for beef and lamb and negative for wool. I got the feeling, despite the many meetings held around the country that MWNZ has lost contact with their levy payers and if there is no change, I don't believe that MWNZ will survive the next referendum. We had better hope that the two new members on the MWNZ Board are able to provide a fresh look at the functions of MWNZ and communicate better with the levy payers.

The meat industry continues to frustrate me. This includes farmers and the meat processing companies. For there to be profitability for both farmers and meat companies, there needs to be some changes in mindset. In my view farmers must choose which company they will supply and not rely on the Sunday night phone call to see who is paying the best money – short term gain for long term pain. If meat companies know what stock is being supplied and when, then they can better manage the through-put in their plants and better market the product.



Two years ago there was a strong belief that there needed to be restructuring/consolidation within the meat industry. With good prices for lamb last year that desire for change disappeared. Despite the fact that we are about \$20 per lamb down on last year, everyone seems to be happy with their lot as the initial forecast for this year was well below market price – demand and supply and weather all contributed.

The Meat & Wool economic service put the cost of production for lamb at about \$80 last year and said it would be more this year. We are achieving this currently for a 17.5kg lamb, but this is the break even point with no profit to spend on things like extra fertilizer or maintenance. The aerial top dressers have had a pretty lean year, which in turn leads to reduced pasture growth and quality will reduce without fertilizer applications. So, as a result we need to ensure our beef and lamb are more profitable.

Currently the meat companies are competing at the procurement level and also in the marketplace. This is not going to ensure the best returns for farmers. Soft selling or undercutting (call it what you will) is still happening in the marketplace and not by small margins. We need more rationalisation of the industry (because the sheep numbers are in decline), consolidation (to reduce the numbers of players in the market place) and co-operation in the market place where necessary (new markets for example).

The exchange rate has had a major impact on the returns to farmers for beef and lamb.

CURRENTLY

UK leg lamb GBP/lb	\$1.75	2009	\$1.70
EU leg lamb \$NZ/kg	\$9.06		\$10.46
US 95 CL bull \$US/lb	\$1.80		\$1.28
US 95 CL bull \$NZ/kg	\$5.58		\$5.08

Unfortunately, when commodity prices are high then the Kiwi dollar (a commodity?) is also high. Therefore, I don't see too much change in the value of the \$NZ in the near future.

There are some positive markets for beef. The McAngus burgers have been a huge success and my pick is that Angus bulls will be at a premium this bull sale season.

In the United States the price for grinding beef is nearly 50 percent higher than last year, a lot of this increase is due to a shortage of supply created by the harsh winter in the US and drought in other beef producing counties.

The wool industry is at a crossroad. Many parts of the industry ran their stocks low during the recession, but demand and prices to replenish these stocks have improved this year. Better, but still a long way to go.

The Wool Industry Taskforce set up by the Minister of Agriculture came to the conclusion that the wool industry needs to work more closely together. However, I gather it was a pretty disparate group and the chance of the various entities working together appears remote.

There is a possibility that we may see some consolidation in the wool industry. The leaders of the two co-operatives Primary Wool and Wool Grower Holdings have had a number of discussions that may, sometime in the future, result in only one co-operative. The politics that are at play at the next level (Elders Primary Wool and Wool Partners International) may scuttle any deals being made. If we did not have egos and empires in our meat and wool industries we would be far better off.

The promotions world wide for wool as a natural fibre that has some unique properties will hopefully improve the demand for woollen products.

The contract that Elders Primary has with carpet manufacturers in the US has taken time to come to fruition, but it is \$1.30/kg clean higher than the market price at the time. I am hopeful that this will be a success and that larger volumes will follow. Just recently, Silver Fern Farms, PGG Wrightson and Livestock Improvement Corporation have joined forces to source from the Primary Growth Partnership for a 'major development project for the New Zealand red meat industry'. This will hopefully see up to \$100million invested over a seven year period.



This is my last Meat & Fibre annual report as I am standing down this year. At times it has been a demanding but rewarding opportunity to represent the Meat & Fibre members of our province. I hope the new chairperson will find it just as rewarding.

Tony Gray

GRAIN & SEED REPORT

DAVID LEE-JONES - CHAIRPERSON

This year has really been confounding for grain growers. Most operators are still recovering from the disastrous turn of events in early 2009, when grain prices plummeted to reach lows that were catastrophic for any growers that hadn't locked all their produce in on contract. That said most growers had some free grain and that was difficult to sell at anything near a break-even price. Some contracts, verbal or otherwise, were broken by purchasers that were over keen to purchase grain at lower prices. It was heartening to see one particular purchaser tested in court and forced to honour a contract.

World grain markets did recover in the second half of 2009, but since February have been sliding backwards again. World grain supplies (wheat, corn and soy) are comfortable now and traders don't foresee any problems in the next six to 12 months. The US corn harvest in late 2009 was a bumper while Argentina and parts of Brazil that were in drought in 2009 have recovered and have a good harvest as a result. Eastern Europe has become a powerhouse for wheat and barley production and is now setting world prices.

The 2009 spring for growers was very difficult and most spring crops were planted late as a result. Area planted is down, especially for maize. Yields for wheat and barley have been variable with more poor crops than usual. Weed control was difficult with the wet, cold planting season.



On the market front Federated Farmers grains & seed is very concerned about the influence and market power that Viterra (formerly ABB) has accumulated. They control a



big proportion of the compounding business and are most likely the biggest importers of grain and feed (including PKE and Soy meal). They own PCL feeds, NRM and TAG and therefore control the feed inputs for a big proportion of the chicken/poultry sector and most likely pig, dairy and calf feed as well. Federated Farmers have raised issues around predatory pricing and have requested the Commerce Commission look into the grain sector.

The markets are starting to gradually move toward equilibrium with the oversupply from last year starting to be consumed and put behind us. Now that the big users of grain: stock feed compounders and flour millers are dominated by Australian owners we have a problem persuading the buyers that New Zealand grain is of equal or better quality than imports. These companies are tending to import rather than source locally even if imports are more expensive.

On a positive note the Foundation for Arable Research and Federated Farmers have initiated a project to study and analyse grain marketing in New Zealand. The focus is to try to come up with some strategies, first to get New Zealand grain firmly back as the grain of choice for end-users and second to try to achieve some better pricing.

David Lee-Jones

TB REPORT

ROBERT ERVINE

Recently a Tb milestone was achieved. We now have less than 100 Tb infected herds nationwide and only five locally. This is a far cry from the state in 1994, when there were 300 herds affected in the Manawatu/Wanganui region alone and it shows the success of the control programmes of the last 16 years.

These programmes have been made possible through funding from regional council, farmers and central Government. The threat of Tb now comes from complacency and through farmers and others not being vigilant over movement control, due to a lack of understanding.



The Animal Health Board's current strategy is slowly but steadily combating this disease. However, increased funding would greatly expedite the goal of Tb eradication. Some older members perhaps might remember a time when this goal was almost achieved but spending was cut and controls relaxed too soon with disastrous results. Possum numbers soared and Tb became rampant again taking any gains straight back to square one.

Horizons Regional Council recently called for submissions in regard to their funding contribution to the Animal Health Board. Hopefully many of us had a say, as weight of numbers can be the difference between no contribution and Council realising that this is a very important issue. A loss of regional council funding has the knock-on effect of central Government and farming sector funding losses of \$9 for every \$1 funded by the regional council. Submissions to the regional council closed on Friday, 7 May 2010.

The Animal Health Board exists to control Tb. If this disease was eradicated the board would become redundant and associated costs would be greatly reduced. However eradication should be achieved first and foremost before any funding or other controls are relaxed or ceased.

Robert Ervine

POLICY UPDATE

TESSA MILLS - FEDERATED FARMERS OF NEW ZEALAND, POLICY ADVISOR

ONE PLAN UPDATE

The One Plan was initially envisaged to be the one-stop-shop for all environmental policy that guides resource use in the Horizons Region. To combine a number of regional policy documents into one has been a massive undertaking and the process is by no means over yet.



This time last year, the land portions of the One Plan were being heard by the panel of independent commissioners and council members. The land portions of the plan address issues of erosion control and vegetation clearance, biodiversity and natural heritage and provisional determinations published in June last year. The coastal chapters have also been heard and provisional determinations released.

The publishing of provisional determinations gives the public an opportunity to evaluate the current thinking of the panel with regard to the chapters that have been heard.

For submitters this is one of the first opportunities we get to understand what effect our submissions may have had on the views of the panel who will ultimately decide what the new regional policy statement and plan for our region will look like.

The last part of the One Plan which was heard in February 2010 addressed issues of water quality and quantity.

Federated Farmers have invested significant efforts in both understanding the One Plan and preparing evidence to submit to the hearing panel for all of the chapters. We now await the determinations for the water chapters and hope that our concerns have been well conveyed and will be considered along with the significant number of concerns raised by other submitters to the water chapters of the plan.

Our task between now and the release of the water chapter determinations which is likely to be in August 2010 is to thoroughly evaluate the determinations so far so that we are in a strong position to enter the mediation phase. During mediation it is hoped that in the areas still without an agreement between key stakeholders, some resolution can be found before issues are taken to the Environment Court. Federated Farmers staff and elected representatives will be very active in this process.

ANNUAL PLANS

During April and May Federated Farmers staff and elected representatives have submitted on many annual plans throughout the country. In Manawatu/Rangitikei the key issues we submitted on, were in regards to the regional share contribution to Tb vector control as collected by the regional council, considerations for the remission of Uniform Annual General Charges (UAGC) for land contiguously farmed, justification for rates increases, a maximisation of the use of UAGCs and more consideration given to the use of rates based on land value.

BIOSECURITY LIAISON COMMITTEE

This is an initiative coming out of Horizons biosecurity team and is designed to encourage more coordination between the efforts made by landowners to control pest plants and animals and the regional council. There have been a few people identified throughout the region that are willing to be involved but these initiatives are always more effective with more people involved. What is required? Essentially a willingness to attend a couple of meeting per year and spread the word among farmers in your districts with regard to the strategies and techniques most suitable to address key pest issues in parts of our region. If anyone reading this has an interest in being involved please contact Tessa Mills on 06 3535 104, 027 265 1648 or email tmills@fedfarm.org.nz.

Tessa Mills

