

Transport costs on the rise

I am Merv Solly and our company is involved in many business' relating to farming in the Top Western area of the South Island.

This includes:

1. Road Transport
2. Transportation of livestock
3. Civil contracting
4. Stockfeed harvesting and supply
5. The production of lime and dolomite fertilisers
6. The spreading of these products and all other fertilisers.
7. Supply of energy in Canterbury and Nelson
8. Coastal shipping.



All of these activities relate directly to farming production. Being involved in these industries for over 45 years I have never seen a more difficult situation than the one we are currently facing. Fuel prices are increasing at a rate that is frightening. Our purchase price for today is \$1.11 per litre at Port Nelson, this is purchased under the Singapore platts system (that is, fixed for one month). From the 1st May the price went to be \$1.29 per litre, purchased under the Singapore platts system (fixed for one week only).

The increase of 18 cents per litre is astronomical, to say the least, equating to \$108,000.00 per month. This will add an average 10 cents per kilometre for every kilometre travelled, based on 1.8 kilometres for every litre used.

Some would say our fuel consumption is too high at 1.8 kilometre per litre, but our lovely mountain (the Takaka Hill) will always result in high consumption.

Where to from here? The change from monthly platts to weekly platts pricing, is going to be very hard to manage. This means up to 48 price changes per year instead of 12 currently. Our very intelligent politicians are going to charge Carbon Tax as of the 1st January 2009, but they do not know how much per tonne of CO² (it might be \$10 per tonne or it could be \$60 per tonne). Currently our industry doesn't know what to plan for.

Also from the 1st January 2009, only Euro IV emission specked trucks will be available, using the Ad Blue product to eliminate emissions from the exhaust. These vehicles will, in fact, be purifying the air with cleaner air coming from the exhaust than what is going into the engine system. You wonder why, with such technology, we are going to be fined every minute of operation for polluting the air!

The whole Kyoto plan will cost us all dearly and fix very little. Maybe the price of fuel will help. It is interesting to know that Ad Blue is a mixture of urea and water, how much will urea cost?

To conclude:

Dairy prices are good and will need to remain at high levels and lamb prices are up 10 cents per kilogram this week. Both are good news.

The bad news is that all input costs are going to increase due to the "fuel crisis" and Carbon Tax. We need to think about how we continue in our respective operations and remain profitable. There are lots of ways this can be achieved, but changing habits is always difficult. Maybe a new government with a little bit of "common sense" will increase the gross weight carried on vehicles and allow five tonne extra to be carried per trip.

It would have been nice to be positive about the immediate future but realism is realism.

**Merv Solly - Speech to Golden Bay AGM
30 April 2008**

Farmers not creaming it

A report commissioned by Federated Farmers shows that while food prices in New Zealand may be rising, the producers of some food items are not the main beneficiaries of this.

The report, prepared by the New Zealand Institute of Economic Research (NZIER) shows that food producers received an average of about a quarter of the price that selected items sold for in retail outlets. The individual farmers share was: for bread -16.37 percent; lamb chops - 30.97 percent; blade steak - 18.86 percent; milk - 35.46 percent; honey - 40.12 percent; and cheese - between 15 and 35 percent.

The president of Federated Farmers, Charlie Pedersen says the report shows that in the case of bread, a food producer gets the equivalent of three slices of a 20 slice loaf, a dry-stock farmer one of four pieces of steak and in the case of a dairy farmer, a small slice of cheese.

"The cause of high food prices is complex and outside the control of the food producer. Transport, processing, energy and marketing, plus normal margins are some of the factors which have pushed prices up. There is a link to export prices, but this has never changed since New Zealand began exporting meat back in 1882. There is a misconception that because dairy farmers are receiving good payouts from Fonterra, this is driving up prices, Mr Pedersen said.

"In fact, fertiliser and the cost of compliance have risen. Food producers have had to cope with a severe drought and pay high prices for supplementary feed for their stock. Many sheep and beef farmers will suffer losses this year adding to the losses of previous years.

"This report clearly shows that food producers are certainly not 'creaming it'. Let's not forget that food producers also have to buy food for their families," said Mr Pedersen.

For more information contact Peter Burke or Kara Tait, phone 0800 327 646.

GOLDEN BAY

MAY 2008

The power to change

As the farming season comes to a close we can be thankful for the flush of grass that we have had over the late summer to help buffer the lack of supplement that was unable to be made in the November dry. A good result compared with some other parts of the country.



We are still working through a process to assess farms for significant natural areas and biodiversity. Information on this will be rolled out in the coming months.

With some sitting meat industry directors being voted out in recent elections, it proves that the power is in farmers' hands. If farmers' unite they can change the 'Industry Thinking', and it must change for its survival.

I have read with interest the Carbon-Loss conundrum (Rural News March 18), which reviewed Land Care Research measuring sites that were last measured in the 1970-80's. They report that there has been a loss of up to 21 tonnes of carbon and up to 1.8 tonnes of nitrogen per hectare. It leaves no doubt in my mind that we have had a lack

of good soil science in this country for a very long time. Science needs to come up with the answers as to why this is. Soils may need to be monitored to find out which fertilisation practices are losing carbon and which are gaining. With Government finally recognising the need for more research funding with its \$700 million research fund, it will be important that we attract quality soil scientists to evaluate our soils. Carbon rich soils could be a bankable commodity for the future.

I was recently invited to attend a forum on "Successful Farming in a Nitrogen Constrained World". The day was sponsored by Donaghys. Don Ross facilitated the day and speakers gave their views on the said topic.....all were very thought provoking. Underpinning the day was the release of Donaghys new product Less N. Broadly speaking 40kgs urea dissolved in water with 3 litres of Less N will give you 97 percent pasture response compared with 80kgs Urea alone.

For those farmers' who use Nitrogen this is a way of cutting your Nitrogen use. Golden Bay Farmers', this is worth considering, given the increasing potential of aquaculture in our Bay.

**Graham Ball - Golden Bay
President**



Sharemilker Report

The past year has seen the release of a completely updated and revised 50/50 Sharemilking Agreement. It was developed with full input from the Sharemilker and the Sharemilker Employers sections and is a major improvement on the past agreement. We recommend that all parties use this new contract as soon as their current agreements run out (or before).

The Variable Order Sharemilking Agreement is also being reviewed; however there are questions as to the need for this and why a review was called for without any consultation with the Sharemilkers section.

Sharemilkers have been watching Fonterra's call for changes to capital structure closely, as any changes as to the price of milk will/ could impact dramatically on sharemilkers

incomes and viability.

Sharemilkers are also urged to get involved with the review of DairyNZ levies as we all pay them and hopefully benefit from them. Being informed and having our say we will maximize our chances of getting a good result.

As always if anyone wants to contact me please call (03) 525-7399 or email pophouse@xtra.co.nz.

Mark Manson - Golden Bay Sharemilker



A very successful AGM

Those of our members who were able to attend the AGM were both entertained and informed by an impressive array of guest speakers, including Neil Sixtus, Tony Reilly (Ravensdown), Richard Kempthorne (Mayor of Tasman District Council), Chas Perry (MAF), and Charlie Pedersen (President of Federated Farmers of NZ).

Reports from Michelle Riley (Dairy), Nigel Harwood (Meat & Fibre) and Graham Ball (President) all touched on the challenges for agricultural industries to work through with restructuring, as well as the continuing pressures of ever increasing fuel prices and the issue of climate change. It made for an interesting day with lots of food for thought.

Celia Sowman - Golden Bay Secretary

Employment Seminars

Mark your diary now!!

28 October 2008, 2pm
RSA, Alfred Street, Blenheim

29 October 2008, 9:30am
Maitai Club, 1 Kinzett Tce, Nelson

29 October 2008, 2:30pm
Community Centre,
88 Commercial Street, Takaka

30 October 2008, 10am
RSA - Rear Entrance, Russell Street,
Westport

30 October 2008, 6:30pm
WestREAP, 72 Tudor Street, Hokitika

31 October 2008, 10:30am
or 1:30pm (optional)
Federated Farmers of NZ,
Unit 8, Sir William Pickering Drive,
Christchurch

**For more information or to register phone:
0800 327 646**

Golden Bay Federated Farmers

publishes regular newsletters to keep our members informed

Provincial President: Graham Ball, 03 525 9473

DFNZ Chairman: Michelle Riley, 03 524 8218

Meat & Fibre Chairman: Nigel Harwood, 03 525 7003

Secretary: Celia Sowman, 03 525 8085

Sharemilkers Chairman: Mark Manson, 03 525 7399

Board Members:

Grant Wyllie, 03 524 8364

Jan MacLean, 03 525 9764

Peter Miller, 03 524 8361

Jane Petterson, 03 252 9346

For comments on this newsletter or if you wish to join Federated Farmers please contact

Beef and lamb quality

Beef and Lamb quality products "commoditized"

During the last few months we have seen some major changes in our industry. The dumping of the two co-operatives chairmen has sent an exceedingly strong message to the meat industry that suppliers are disgruntled with current management practices. Our industry has been crowing for many years about the advances we have made, from frozen carcasses to value-added cuts, 13kg lambs to 17kg etc. The fact remains that we still load our value-added cuts into a container and sell to traders on the spot market.

We also have far too many New Zealand companies selling in the international market. This has meant that overseas supermarkets can play one company off against another and drive the purchase price down. Incidentally, the overseas consumer has not benefited from low prices, but the supermarkets and traders have increased their profit margins. For example, in the last two years, UK consumers have seen a 12 percent increase in prices. UK supermarkets have increased their margins by 35 percent and over the same period, New Zealand farmers have seen 25-30 percent decline in returns.



We are now at a stage where we must support radical change in our industry; failure to do so is a vote for the status quo.

The future for us is to become suppliers to a mega-processor in which we have significant ownership. Some of you may cringe at this; however, the new mega-cooperative must have low debt levels in order to be a strong player in the market. History has shown us that a weak company in the industry affects us all.

The mega-concept is an opportunity 30 years coming, but there is still a serious risk of derailment. The mega-concept will not, in itself, cure our industry overnight, but it will improve some of the major weaknesses

quickly, (e.g. overcapacity, procurement inefficiencies, in-market issues and industry debt). These improvements are needed desperately. We need a jump of \$15 per lamb (post-Christmas) immediately to offset rising costs.

Longer term, the trends in the world protein market are in our favour, however, we need a structure that will capture increasing returns for the suppliers. History shows us that a cooperative is the best vehicle; the present shows us size does count (Fonterra).

Levies

We are about to enter the next round of the Commodity Levy Act (CLA). We as farmers must demand better use of our levy monies and we should not rubber-stamp the next round of the CLA. We have spent tens of millions ineffectively funding marketing around the world, yet we are the proud owner of a boom/bust industry, that suffers the same fluctuations that we expect from commodities. This is unacceptable given the product is not a commodity and the current in-market levy spend.

Nigel Harwood Golden Bay - Meat & Fibre Representative

The more things change the more they stay the same!

As I read the report I wrote this time last year for inspiration I see that the more things change the more they stay the same!



Still on the radar are the Fonterra capital structure, sustainable land management, climate change and the dairy good levy, now under the umbrella of DairyNZ.

The \$7.30 milk payout announcement has been hot news and very welcome. Media hype that describes money sloshing out of the dairy bucket has been disappointing, creating an image that is far from reality. As we know, the recent poor financial returns that many dairy businesses have sustained will take some time to balance. Generally farmers are catching up on much needed maintenance and capital replacements as well as pegging back short term debt. Dairy beef prices are still hugely challenged; we do know the state of the meat industry and are influenced by those prices also.

If you are confused about the Fonterra Structure proposals you are not alone. Excellent meeting turnouts indicate the intelligent interest in this hugely important issue we face at present. Just because the Board has 'parked' their preferred option, does not mean we should not continue to analyse that and other options available. There have been some high profile opinions (many against the Board's proposal), which have been very stimulating in leading discussion around our dining tables and

across the fence. These discussions will continue with Federated Farmers continuing to facilitate information flow as has been happening to date.

For those of you not presently receiving the information and articles that I have been forwarding, please email mbriley@farmside.co.nz and I will add you to my list. So many of you have indicated that you are reading these emails! It is good to get that feedback.

The milk pricing proposal, tactical milk pricing, particularly in Canterbury, and Fonterra's recent announcement on internet auctioning 10 percent of milk powders have also sparked discussion as we endeavour to understand their implications.

DairyNZ

After amalgamation of Dairy Insight and Dexcel the formation of DairyNZ has happened with only 19 percent farmer voter turnout. Later this year we will be asked to vote again on the future of the industry good levy.

When Australian farmers voted on the continuation of the Dairy Australia industry good levy last year, there were three choices on the ballot paper:

1. A continuation of the levy at the same level
2. A continuation of the levy with increased level
3. A discontinuation of the levy.

It is the belief of Federated Farmers Dairy that, as farmers, we must vote for a continuation of the levy to ensure that the management of the levy monies remains under the direction of farmers, via a farmer

elected board. It became clear during discussions at the Federation's Dairy Conference in February, that government would require investment from farmers in research and development, particularly for Tb and climate change/ greenhouse gas consortium for research to continue, even if the levy vote outcome was to discontinue our dairy levy system. Logically that money would then be levied directly from our dairy processors, giving them the say in how that money would be spent. Is that what we want?

While many would argue against an increase in the levy it is still unclear if DairyNZ will recommend that we have only two choices at our vote:

1. A continuation of the levy with an increase OR
2. A discontinuation of the levy.

Discussion at our local Dairy NZ meeting and at others around the country was for DairyNZ to adopt the three option vote that Australia put to their members. The result in Australia was to accept Option 1 and to continue the levy at the same level.

Also of importance as we bed in the new DairyNZ entity will be the farmer vote for directors of the organisation later this year. Again our participation in promotion and selection of candidates is paramount to ensure that we get a team of directors who have the best interests of the farmers they represent at heart.

Federated Farmers needs your involvement to ensure we maintain a farmer voice locally, nationally and internationally.

Michelle Riley - Golden Bay Dairy Chair

NZ Landcare Trust Report to Federated Farmers AGM

Many farmers in the Nelson region have a pro-active approach to the ever increasing focus on water quality in their local streams and rivers.

Because of this attitude, these farmers are well underway in their efforts to improve water quality. Some farmers have spent a considerable amount on improvements and are working alongside Council to assist with monitoring. The support of Tasman District Council, NZ Landcare Trust and the Motueka Integrated Management project involvement has brought a team approach with positive outcomes.

The Sherry River Catchment Group, has core funding from the Sustainable Farming Fund to 'Improve water quality through whole



Catchment planning.' As part of this project a Farm Environmental Planning Workshop was held in October 2007. A template was introduced to local farmers, foresters and lifestylers that can be used to develop their own farm environmental plans. The Group has also employed Andrew Burton to assist them individually to prepare their farm plans over the winter. Water quality results over the summer have shown good results above the Matariki Bridge which has pleased farmers. Poor results from three tributaries in the catchment have identified where foresters and land owners can make a difference.

The Aorere Catchment Group in Golden Bay (another Sustainable Farming Funded Project) held a well attended workshop at Bainham on the 18 March 2008. 'Handling the Wet' covered best practice effluent management in high rainfall areas, and included storage requirements, weeping wall, low effluent rate, irrigation and strategies to reduce runoff. The group has also employed Jan Derks from Harihari, West Coast to assist interested farmers with farm environmental planning over the coming winter.

The Motupipi Catchment Group has funding from Envirolink to provide advice to farmers on nutrient management this autumn in an effort to assist them to improve water quality

in their area. Hilary Fenemor and Simon Gaul are currently meeting with willing landowners. The Golden Bay Streamcare Group and landowners in Aorere and Motupipi are also planting stream banks where they are invited to filter out sediments, nutrients and E.coli in a win: win situation that will improve water quality, whitebait habitat and biodiversity values.

Clover Root Weevil update

Agresearch scientist Dr Craig Phillips reports that he will be conducting a survey of the Clover Root Weevil (CRW) parasitoid that was released over the spring and autumn of 2006/07. The survey will establish the effectiveness of the release including establishment and spread. He also hopes to capture some parasitoid to release in Canterbury where there is another small population of CRW. There has been no further known outbreaks of CRW in the South Island.

Thank you to all the people I work with. It's been another tremendously rewarding year working with the rural community in the region on some of the really tough issues facing farming in New Zealand.

Barbara Stuart - Regional Coordinator.



Recruit members and be paid

Earn commission, work in your local area.

You choose the hours, when and how you work.

Federated Farmers is looking for contractors to recruit new members.

For more information contact:
Di Wyllie 0800 327 646
dwylie@fedfarm.org.nz

blimmin' hard working
A rate just for Federated Farmers.

8.25%
at call rate

Get things growing with our great Business Interest Account rate, exclusive to Federated Farmers' members. Or if you're looking to sow your money in a short-term investment, talk to us about our competitive term deposit rates.



To find out more call our Agribusiness team on 0800 177 155.



This special interest rate is only available on Business Interest Accounts opened by Federated Farmers' members. Terms and conditions apply. Interest is calculated daily, and paid on the last business day of each month (less resident withholding tax). Transactions and service fees apply. The interest rate shown is current at 28 February 2008 and is subject to change at Westpac's discretion. You can get a copy of Westpac's general terms and conditions, a copy of the current disclosure statement for Westpac New Zealand Limited and a copy of the investment statement for any securities for which an investment statement is required from any Westpac branch in New Zealand free of charge. Westpac New Zealand Limited.