

*A weekly
summary of
all that's news
in the
primary
industries*

AgBRIEF

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AGRIBUSINESS

Capital Restructure Within Fortnight?

Fonterra is expected to unveil its second proposal for capital structure reform within days as the threat to its world-beating exporter status gathers pace in rival dairying countries. With the moribund US dairy industry considering fundamental reform that could result in a drive to export, a new competitive focus by Irish dairy farmers, and EU approval of a merger of Netherlands-based dairy heavyweights Campina and Friesland Foods, the clock is ticking against Fonterra's strategy to be a global food power. Farmer reaction to the second attempt by directors to muscle up Fonterra's balance sheet will determine if it stays a smallish co-operative mainly exporting commodities, or follows directors' long-held strategy to add value to milk by becoming a serious world player in the highly lucrative ingredients and brands markets. Details have been kept secret within the Fonterra boardroom for more than a year as directors and the Fonterra Shareholder Council negotiated its terms. Recognising the need for a "softly softly" approach this time, Fonterra chairman Sir Henry van der Heyden has said the proposed restructure would be in stages, taking up to four years to achieve.. (NZ Herald)

Directors Resign As WEL Morphs

Wool Equities Ltd directors have resigned en masse and its general manager has taken redundancy after the company bought back a chunk of its shares to reinvent itself. The company has sold off its high-profile keratin technology, by selling Keratec Ltd to

its US partner Keraplast Technologies Inc, and directors, David Brian Henry, and Andrew Philip Kelly, both of Auckland, Alistair Polson, of Wanganui, Andy Pearce, of Christchurch, and Joachim von Roy, of Auckland, all resigned. Group general manager, James West took redundancy as the company switched from a biotech focus to one of wool development. After buying back 8.23 million shares at 17.4c each, the company expects to have cut its shares on issue from 23.9m to 16.68m, and the number of shareholders from 9250 to 7944. The farmer-owned company has \$2.5 million cash left over. On August 31, Wool Equities announced continuing losses of \$3.53m, on revenue of only \$178,000, down 68%. (Southland Times)

Farmers Urged To Use Lowest Predictions

Farmers are being advised to work out budgets using the lowest predictions from MWNZ. Federated Farmers' Don Nicolson said it cost some Southland farmers between \$50 to \$60 to produce a lamb, so they would not be making a lot this season if the average price paid for a lamb were only \$73. The demand for NZ farm products on the overseas market had picked up, he said, however, the exchange rate was hampering farmers' ability to achieve good returns. There were other additional costs looming on the horizon for farmers, including the introduction of the Emissions Trading Scheme, which had the potential to push up energy costs. Local body rates had also soared in some areas including southern Southland. "Let's hope Meat & Wool is undershooting the targets," he said. (Otago Daily Times)

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Payout Forecast More Certain

The milk payout forecast is now a lot more certain than it was a month ago, according to Lincoln's Prof Keith Woodford, given the latest Fonterra auction prices. He says the auction price can give farmers more confidence that their payout will not fall below the forecast of \$4.55 per kg for this season – \$5 per kg is now achievable. He also says the price is particularly good news for smaller companies like Westland and Open Country Dairy, which will flow straight through to their bottom lines. (RNZ News)

Wool Fight In Wrong Place

Wool marketers must take the fight for market share 'up there' to the northern hemisphere, says The Escorial Company's Peter Radford. Good prospects beckon wool marketers in sophisticated markets – developed or developing – in Europe, US, India and Japan. "But while the possibilities for profit internationally from wool are better, the politics in NZ have got worse. The fight needs fighting up there, not down here. And it demands a focused marketing effort beginning with the customer. The problem is NZ's coarser wools are poorly marketed, or are not marketed at all." He acknowledges the real difficulty facing NZ is because "Lots of the people who knew how the industry works have literally gone". (Rural News)

International Plans Abandoned

Fonterra has abandoned plans for an international launch of its branded products, opting instead to focus on selling ingredients and services to food companies which otherwise would have been its competitors. A change in the company's executive appears to be behind the new strategy – one of using its intellectual property and science clout to expand its range of dairy ingredients and working with Kraft, Nestlé and Abbott, rather than competing with them. Andrei Mikhalevsky said the new direction would require fresh capital. "We will need finance to support this business plan, but in the US the sky is the limit with opportunity. We just have to pick and choose the businesses we can support, what is close to our strategy and best serves the NZ farmer." No details of the amount of capital or where it would come from have been released. (Otago Daily Times)

OCC Won't Be Bullied

Open Country will not to be "bullied or intimidated into economic suicide" as 40 union workers threaten an eight-day strike later this month, says general manager Tim Slade. The NZ Dairy Workers Union's original demands would push labour costs up 46%, and that expense could not be met. The union only entered the Waharoa site, near Matamata, eight weeks ago. "With up to 2000 Kiwis losing their jobs every week and the dairy industry facing the worst recession in living memory, the union's claims are seen as totally unrealistic and lack credibility. We would rather weather a strike than pay ridiculously high, unjustified and uneconomic pay increases." (Waikato Times)

Wool Equities Reborn

Wool Equities has been reborn following a lacklustre uptake of a pro-rata share buyback. The buyback offer at 17.4c per share was completed last week with just 14% of shareholders taking part. As a result, Wool Equities expected to have \$2.5 million cash remaining in its coffers. Earlier, the board agreed that if more than \$1.9 million remained following the buyback, the company would continue, rather than liquidate and return the funds to investors. The company will acquire 8.2 million shares and the total number on issue will reduce to 15.6 million with shareholder numbers dropping from 9250 to 7944. Wool Advancement Group chairman Cliff Heath will head the new board until it holds an annual meeting between now and December. Then it will ask shareholders to confirm the board and a future strategy. (NBR)

CPI Still Climbing

New Zealand commodity prices rose for a sixth straight month, posting the largest gain since November 2007. Among the leaders were pelts, lumber, wool and dairy. The ANZ CPI rose 4.3% in August and has gained 12% from its low in February. Lumber gained 8%, wool rose 7%, dairy gained 5% and logs rose 4%. Among the declines, kiwifruit fell 3% and apples 1%. Beef fell 0.3% and lamb prices by 0.5%. Wood pulp and venison were unchanged. (NZ Herald)

Auction Price Jumps Again

The latest Fonterra auction was boosted by robust bidding, pushing the average price up 24.2% to \$US2858 a tonne. The rise means the price has jumped 50% in two months. Industry executives have said that if the commodity price rises are sustained, they will counter the effects of the high NZ dollar exchange rate on this season's projected payout. Milkpowder from Fonterra's Australian operations was included in this auction, fetching prices slightly lower than powder shipping from NZ ports. In the first contract period, for November delivery, the per-tonne prices set for regular powder were \$US2865 (NZ) and \$US2765 (AUST), while instant powder rose to \$US2915 (NZ) and \$US2800, and UHT powder hit \$US2940 (NZ). At the height of summer, December-February 2010, prices lifted 23.4% to \$US2847/tonne, and for March to May, it rose 24.9% again to \$US2861. (Dominion Post)

Shake-up At Matura Milk

Southland businessman Ian Tulloch will become the largest shareholder in Matura Valley Milk with board level support, meaning that his interests will be in a significant majority position. CEO Chris Shelley of Singapore and executive director James Williams, of Rangiora, are no longer involved and companies controlled by them will not be shareholders. Tulloch said he had taken a larger stake in the company to ensure all creditors, particularly local ones, were paid and because of his belief in the project. "I still have a desire to build a locally controlled state-of-the-art dairy factory in Southland." Tulloch Trans-

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port's former financial controller, Paul Johnstone, has been appointed interim CEO and is also a shareholder. It was hoped to progress the project as soon as possible but he said he would not make promises that could not be kept, like the previous administration. □ (Southland Times)

Olam Buying Again

Olam International is buying 14.3% of NZ Farming Systems Uruguay, according to a substantial shareholder notice. It bought about 35 million shares on market for 41 cents a share from Australian-based Hunter Hall Investment Management, with about \$2 billion of funds under management. Singapore-based Olam is a large world player in supply chain management of agricultural products and food ingredients. Last year Olam bought 25% of Dairy Trust. (Dominion Post)

Fonterra Bins Share Listing

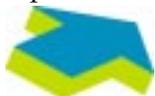
Fonterra has ruled out a public listing of its shares as part of its proposed capital restructure. The announcement will disappoint the sharemarket but delight farmers who feared loss of control and ownership as Fonterra leaders seek to protect the balance sheet from share redemption risk and raise more equity to advance a global growth strategy. Chairman Sir Henry Van der Heyden said details of a three-stage capital reform proposal would be made public on September 18. The proposal, which will require a 75% vote of support from farmers at each stage, would address Fonterra's capital issues for the foreseeable future, he said. With a public share listing off the table, Fonterra could propose raising equity by offering farmers the opportunity to buy 'dry' shares in addition to the 'wet' share they must buy for every kilogram of milksolids supplied. (NZ Herald)

Merino Will Lead

New Zealand Merino is willing to take a lead role to unite the fragmented strong wool industry with CEO John Brakenridge saying collaboration in certain areas was now needed for the good of the wider wool industry. That included shearer training and trade representation in areas such as market access. "There are many collaborative efforts in on-farm areas and global political areas that need to be continued as much as possible - a representative voice of industry, rather than a whole lot of fractured voices." NZM was prepared to take a lead to initiate harmony within the strong wool sector and would be proactive in looking for areas where it would be sensible to have collaboration, he said. He supported strong wool's move to a free market model, saying it had served the fine wool sector well, but the challenge was to determine when the sector competed and when it collaborated. (Otago Daily Times)

Kaimai Buys Te Mata

Kaimai Cheese has bought Te Mata Cheese factory in Hawke's Bay for an undisclosed sum. Sheryn Cook said it would be pretty much business as usual at Te Mata for at least the next three months until it was seen how it might work. While Te Mata produced



AgBRIEF PRICE TRENDS

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AVERAGE EXPORT MEAT SCHEDULE PRICES

This week, ending September 11, 2009 (last week's in brackets)

LAMB(\$)	North Is.	South Is.	Southl'd
(Incl 1kg pelt)			
13.0kg YL	64.90 (64.60)	57.10 (57.35)	57.10 (57.35)
15.0kg YM	88.15 (87.85)	90.20 (90.50)	90.20 (90.50)
17.5kg YX	102.85 (102.45)	104.80 (105.20)	104.80 (105.20)
19.0kg YX	111.30 (110.95)	111.35 (111.75)	111.35 (111.75)
21.0kg YX	122.65 (122.25)	121.95 (122.40)	121.95 (122.40)
PELT 1.0kg Shorn	0.75 (0.75)	2.30 (2.30)	2.30 (2.30)
MUTTON (0.5kg pelt)			
21kg MX1 (\$)	48.27 (48.27)	50.87 (50.87)	50.87 (50.87)
BEEF (c/kg)			
P2 Steer(296-320kg)	364 (361)	349 (344)	349 (344)
Bull (296-320kg)	343 (346)	315 (319)	315 (319)
VENISON			
AP 60kg \$/kg(gross)	8.55 (8.55)	8.94 (9.00)	8.94 (9.00)

Based on announced schedules with levies & charges deducted, and premiums included. For a valid comparison between the Islands, take off \$1.50 in Lamb and 8c/kg in Beef & 20c/kg in deer from the South, because North Island companies pay all freight.

AVERAGE EXPORT DAIRY PRODUCT PRICES

	Last week, ending September 4, 2009	4 weeks ago	3 months ago
Fonterra predicted payout			
\$/kg Milksolids	4.55	4.55	5.20
Butter (NZ\$/Tonne)	3470	2940	2880
Skim milk Powder	3540	3050	3030
Wholemilk Powder	4280	3270	3110
Cheddar	4280	3970	3930
Casein	9230	8100	8550

Prices above are indicative only. They are compiled from a range of sales made on a one-off or "spot" basis in US\$. (Many sales are made at prices outside the range). Quota market sales and contracts are excluded. The prices are converted to NZ\$/Tonne FOB using current exchange rates.

MAIN OVERSEAS MARKETS AND CURRENCY

	Last week, ending September 4, 2009	4 weeks ago	3 months ago
UK PM Lamb (pence/lb)	106.5	106.5	106.5
US Bull Beef (US c/lb)	140.0	137.0	139.0
US Dollar (for NZ\$1)	0.677	0.679	0.643
Aust Dollar (for NZ\$1)	0.807	0.806	0.785
UK Pound (for NZ\$1)	0.415	0.410	0.388
Euro (for NZ\$1)	0.475	0.475	0.456
INTEREST			
90 Day Bill Rate (%)	2.8	2.8	2.8
Rural Term Loan (%)	6.7	6.6	6.6
Overdraft Cost (%)	8.5	8.4	8.3

NEW ZEALAND WOOL PRICES

WOOL PRO Wool Prices			
Fine (21 microns)	1011	872	852
Medium (29 microns)	535	530	503
Coarse (35 microns)	300	310	317
2nd Shear(37 microns)	288	292	301
Lamb (31 micron-75mm)	335	365	362
W H E A T			
ASW NZ\$/tonne	363	341	425

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slightly more volume than Kaimai, it was located on a much smaller site with a staff of around 30 people. She said Kaimai, which exports its award-winning cheeses to the Pacific Islands, New Caledonia and Asia, would remain the company's only registered export site. (NBR)

TRADE

NZ Consul For Mumbai

New Zealand is to open a consulate-general in Mumbai, and Trade Minister Tim Groser says India is a market that has the potential to be of huge long-term importance for New Zealand — it is expected to be one of the world's three largest economies by 2050. (NBR)

New Deal on Border Control

Cost-sharing and decision-making agreements with primary industries are included in new biosecurity measures, which Biosecurity Minister David Carter says aim at a more effective post-border system for dealing with introduced pests and diseases. The Government has struck a \$25 million deal with AsureQuality to cover biosecurity response field operations for 10 years. It's also proposing to keep funding bovine tuberculosis management by \$30 million per year up to 2015. (RNZ News)

Ag Students Big Business

Chilean agricultural students learning about dairying in Christchurch could lead to a \$6.8 million a year business for NZ if a pilot visa scheme is extended by Immigration NZ. A group of 20 Chilean students have begun studying at the National Trade Academy and will follow six weeks of English lessons with agricultural studies for 12 weeks and practical work on a dairy farm for 24 weeks. Overseas students spend \$400 a week over a 44-week education programme and as many as 500 students could enrol if the scheme is endorsed by immigration authorities. Immigration NZ will review the pilot scheme at the end of the year and follow the progress of graduates in their homeland. NTA's Craig Musson said the academy could attract students from Columbia, Brazil, Uruguay and possibly Argentina if visas were available. (The Press)

WTO Fines USA \$295m

American goods will face around \$295 million in annual sanctions as a result of the US' failure to eliminate illegal subsidies to US cotton growers, the WTO has ruled. The result was disappointing for Brazil, which has won a series of rulings against the US over the last seven years and sought to target American goods and drug patents for \$2.5 billion worth of economic retaliation. The WTO ruled the sanctions should vary depending on US payments each year. Arbitrators used 2006 as a base year for the ruling. "Few WTO disputes have been as difficult - or as politicised - as the fight over US cotton subsidies," says lawyer Brendan McGivern. "The subsidies paid by the US to its 25,000 cotton farmers exceed the entire gross national income of virtually every cotton-exporting country in West and Central Africa,"

McGivern said. The US has consistently argued that cotton should be dealt with as part of a world trade deal among the WTO's 153 members. Those talks have been going on since 2001 and are far from completion. (NZ Herald)

LIVESTOCK

Bobby Calves Swamp Pet Market

Bobby calves will probably dominate Marlborough pet shows this year as people come to the aid of dairy farmers faced with the prospect of killing calves on-farm. Cheryl Alderlieste said she was saddened to hear bobby calves would be put down this year so she decided to get four for her three sons to look after. "It's a great experience for the boys... they need to actively get their hands dirty and be responsible for animals." The calves would be halter-trained before appearing at next month's Fairhall School pets day. Dairy farmer Tony Sorensen, who was faced with slaughtering about 100 bobby calves at his Havelock farm, said his phone had not stopped ringing since an article published in *The Marlborough Express*. About 80 of his calves had found new homes and no calves had been slaughtered on-farm. Owners of vineyards and lifestyle blocks had been the most common callers. He was only giving away jersey calves and was charging people for cross-bred animals because he did not want to jeopardise the Friesian market. (Marlborough Express)

Step Closer To Figuring Colony Collapse

Scientists are a step closer to identifying what's causing the phenomenon known as colony collapse disorder that is continuing to wipe out millions of bee colonies in Europe and the US. Researchers have found a possible connection by studying ribosomes in bees, the internal 'factories' that produce proteins. Plant & Food Institute's Dr Mark Goodwin says it's another piece of the puzzle that lends support to the theory that a virus is behind the colony collapses. However, he says a virus will be much harder to deal with than some other cause. (RNZ News)

HORTICULTURE

Industry Not Impressed At Border Moves

Biosecurity Minister David Carter's continued attempts to make the industry pay to clean up pest incursions are a "significant disappointment". Horticulture NZ's Ken Robertson said the "joint resourcing" call for cash from industry came only two weeks after the Government decided to stop screening some baggage of trans-Tasman air travellers for plants, meat and other material that could carry pests and disease. The cost-sharing policy offered growers more involvement in the decision-making around the response to a pest incursion, but he said MAF would not accept their advice anyway.



“Why do we have to pay to get them to listen to us?” The industry could not support a plan that required it to guarantee payment for pest incursion clean-ups, which could run into millions of dollars. Federated Farmers also criticised passing biosecurity costs on to farmers, saying forcing farmers to share the cost of a biosecurity incursion doesn’t bode well for the agricultural sector. “Stinging farmers with any additional costs for the management of biosecurity is totally unacceptable considering we already pay a tax to ensure New Zealand is adequately protected,” he said. (Southland Times)

Wine Tourism Affected

Wine tourism has been hit hard by the recession, with domestic visitors delivering the biggest punch, according to the Tourism Ministry. Visits to wineries dropped from 600,300 in 2007 to 475,200. While international tourists fell 15,300 to 177,700 in 2008, domestic winery visits were cut back a whopping 109,700, from 407,200 to 297,500. However, senior researcher Mike Chan said low sample sizes created a sample error of around 35% to 40%, skewing the figures. He said the overall domestic trend remained flat, although the industry was starting to see a decrease in 2009. The likelihood of kiwis visiting wineries while on holiday remained low at just 1%, compared to 8% of international visitors in 2008. (NBR)

SOIL, WATER, LAND, ARABLE

Crop Energy Conference In NZ

The International Energy Agency (IEA) Bioenergy Task 30 organisation will be in Taupo in December to examine the potential of short-rotation crops SRCs) as a source of future energy supplies. The climate and soils of NZ provide many opportunities for producing biomass for energy. While forest residues play a significant part of current energy production, there are many other potential sources of dedicated energy crops. Opportunities include willow, eucalypts, switch grass and other woody and lignocellulosic species that have the added benefit of not competing with food crops. Along with providing a background to current and emerging SRCs, the primary conference theme will explore the technologies essential to creating a viable system. These include processes for converting SRCs into energy for heat or biofuels, efficient harvesting systems and tools for land use optimisation. Another key aspect to be covered is establishing pathways to market. (Rural News)

Funds For Retiring Peat Lake Land

Funding grants to help retire land around two peat lakes will encourage other landowners to consider doing the same, the Waikato Regional Council hopes. It has been given almost \$100,000 to help with replanting and fencing off areas around the Maratoto and Mangahia Lakes, near Hamilton. The funds have come from two grants from the Waikato Catchment Ecological Enhancement Trust and the Department of Conservation. There are over 30 peat lakes in the region, some of which are privately owned. (RNZ News)

N₂O killing Ozone Layer

Nitrous oxide, which makes up one-sixth of NZ’s greenhouse emissions, has become the most potent destroyer of the ozone layer. New research shows that the gas generated by livestock and farm fertilisers has overtaken CFCs as the biggest ozone-depleting substance. Researchers at the US National Oceanic and Atmospheric Administration have warned that the gas will remain the biggest weakener of ozone for the rest of the 21st century if nothing is done - thanks in part to the success of global efforts to cut CFCs. Unlike CFCs, N₂O was not covered by the 1987 Montreal Protocol to combat ozone depletion, because most of it is not produced by human activities. N₂O is produced naturally when bacteria in the soil break down nitrogen-containing compounds. However, the present growth is clearly being driven by humans. Trials led by the Pastoral Greenhouse Gas Consortium have shown that a type of fertiliser known as DCD could cut N₂O emissions by up to 70%. The Government has put DCD forward to count towards New Zealand’s official emissions cuts under the Kyoto Protocol in 2015. □ (NZ Herald)

17% Rates Increase

The Tiroa E Maori Trust, running three farms on 7500ha at Waitomo, will need to kill an extra 433 lambs this year to pay its 17% rates increase. The \$28,000 from the lamb sales will cover the increase that takes the trust’s rates to \$114,000. It is one of two farmers facing rates of more than \$100,000 to have responded to a Federated Farmers survey that has found a further six farms paying more than \$50,000. Weo Maag said the trust would comfortably cover the increase from the income from the 20,000 lambs it produced each year but it would come at a time when it was still rebuilding stock numbers after drought. Asked what benefits the trust received for its rates bill, he replied: “Not a hell of a lot.” He said the Government should be looking for solutions to the rating problem. Amalgamations would be one he would favour. The federation’s survey conducted in late August had 520 responses. It discovered rural property rates had increased by an average of 12.5% in 2009-10 much higher than the inflation rate of about 2%. Feds’ President Don Nicolson said the survey “vigorously reinforces” the federation’s call for local government funding reform. (Dominion Post)

INDUSTRY

Raw Milk Cheese Soon

Cheesemakers will be able to use a range of raw and unpasteurised milk products in their manufacturing processes under new standards being introduced next month. Minister for Food Safety Kate Wilkinson said some NZ cheesemakers had the ability to produce raw milk cheeses to rival the best in Europe. “The changes mean a greater variety of cheeses will be available for food lovers here, while also opening up business opportunities for the dairy industry. It makes sense that our own industry should be able to make the products that we allow to be imported.” All



raw milk products, made here or brought in, would need to meet required food safety standards before sale. The level of bacteria in cheeses made from raw milk meant they would remain unsuitable for at-risk people including pregnant women, young children and the elderly. (NZPA)

Financial Fears Explained

Farmers fear that tighter rules around bad debts might lead to more hard times in the rural sector, Federated Farmers' Phil York, told a parliamentary inquiry. The overdraft interest rates charged to farmers had fallen from 11.18 to 8.50% from last December to May, representing a cut of 2.86 percentage points, whereas the Official Cash Rate had fallen by 4 percentage points. It appeared that cuts in wholesale interest rates had been passed on, but that the OCR cuts had not passed through to wholesale rates. Agricultural debt stood at \$49 billion in June 2009, which meant even a 1 percentage point change in interest rates would be worth \$460 million dollars to farmers. Banks had told farmers they would continue lending to them during times of financial stress. "However, those farmers that are heavily indebted and likely be making on-going losses will inevitably come under closer scrutiny," he said. Another concern was proposals by the Reserve Bank to force banks to more aggressively enforce international financial standards reporting on risk. Federated Farmers supported a strengthened financial system, but the Reserve Bank had been asked to delay implementation to allow banks to adjust in an "orderly manner" and reduce the impact on farming. (Otago Daily Times)

Recovery Uncertainty Plagues Prediction

Uncertainty in the global economy and the timing and strength of NZ's economic recovery made it extremely difficult to forecast where the NZ dollar would go during the next year and how farm-gate returns would be affected, says MWNZ Economic Service's Rob Davison. The NZ dollar was also being supported by higher commodity prices and equity markets as a lead economic indicator of a recovery in NZ's trading partners' economies. This should provide support for more positive in-market pricing for meat and wool products, he said. Based on an optimistic exchange rate mid-point for the year of 63c/US dollar, up 8% on last year, the forecast price per head of lamb of \$80 was down 10% on 2008/9's seven-year high of \$89. Beef prices would be expected to be down 11.7% based on the mid-point exchange rate, he said. A higher exchange rate for 2009/10 centred around 67c/US dollar and its associated cross rates would see beef prices, compared with last year, drop 17.1% and lamb prices drop to \$73 per head – down 18%. (Otago Daily Times)

US Dairying Not For Fainthearted

Shifting to the US is not for the fainthearted or for farmers with limited pockets, because of significant startup costs, says Grasslands Consultants LLC's Gary Townshend. Land was selling for NZ\$2200 to NZ\$2640 an acre and then there are cows, assets, staff, consultants, immigration specialists, and lawyers. "We have come over here on a largish scale; we did not come over here to play around," he said. After four years in the US, he will soon bring on board his first sharemilkers and contract milk-

ers using the same business model available in dairying in NZ. Milk produced is supplied to Dairy Farmers America for domestic markets and won't be exported. He is aggressively pursuing a low-cost agribusiness model for the farm in southwest Missouri, running 6500 cows with 5000ha in grass. Size also counts, because some US dairy farmers run as few as 80 to 100 cows, whereas NZ farmers go big to make a profit. At least three Kiwi entities are operating in Missouri, with "another couple of Kiwi outfits" starting in Georgia. As for back home, it is unlikely Grasslands would pursue more investment in Southland. (Southland Times)

Dairy Has Something for Everyone

Dairy is poised for a comeback as consumers demand wholesome and nutritious food in the future, says Mintel's Lynn Dornblaser who has been tracking new product trends globally for more than 23 years. There was no doubt the recession had had an impact on consumer spending and that was reflected with fewer people dining out and more people cooking at home, she said. Performance in selected food categories tipped to grow include home cooking or baking preparations: eggs, butter, spreads, fats and oils and cheese. She expects more businesses will launch new post-recession products when consumers are ready to buy. Consumers wanted less processed food, were more aware of diabetes and obesity and demanding wholesome food, she said. Consumers were also becoming educated on protein and functional nutrition, with a focus on bars and drinks that had high protein in them, she said. Proteins slowed hunger, which could be dairy's 'sweet spot'. "The best news for dairy is that it offers something for every consumer trend or interest." (Southland Times)

Farm Skills Recognition

Aspiring farm workers will be able to gain a new, nationally recognised and standardised qualification in core skills from early next year, due to a joint venture between Agriculture ITO, Taratahi Agriculture Training Centre and Telford Rural Polytechnic. "This qualification will give employers the certainty that the learning has been done to a national standard, and covers industry best practice," says AgITO's Kevin Bryant. The one-year, full-time course is currently before NZQA for approval. It is made up of a range of options, or electives, so people can tune the course content to their interests and/or the farming strengths of their area. It's anticipated the qualification will be a National Certificate in Farm Skills (Work Ready) and will appeal most to school leavers. Learning covers areas such as livestock handling, personal wellbeing, using farm machinery and vehicles, fencing, pasture management and general farming skills. Training will have a strong practical focus, using Taratahi's and Telford's on-farm facilities. (Rural News)

US Interest in Diabetes Pigs

US businessman Paul Manning, who has two children with type 1 diabetes, has expressed an interest in Invercargill's Living Cell Technologies. The founder of PBM Products with an annual turnover of \$468



million, has a keen interest in diabetes research, setting up the Islet Replacement Research Foundation in the US. CEO Paul Tan said Living Cell “would love to meet him. We would love to have him as a partner working with us”. (Southland Times)

Organic Factory Ready

Waikato’s new organic cheese factory should be up and running in a couple of weeks. Organic Dairy Ltd has hired and is training 31 staff, and has 25 suppliers, enough milk to be at full capacity. In the first year the company will make cheese, and sell surplus cream. The following year the plant will be expanded and produce butter. (Taranaki Daily News) □

Interest In Ballance Elections

There is strong interest in three seats on the board of the Ballance Agri-nutrients. Four candidates are contesting the South Island ward to replace Peter McDougal, who is not standing again. In the North Island, Ballance’s deputy chairman, David Hurst and fellow director Richard Jolly are each being challenged by two other candidates. The company thinks the volatility in the international fertiliser market that caused prices to soar and then fall again has heightened farmer interest in the elections this year. (RNZ News)

Funding Needed In Wool Sector

Rejection of a wool levy by sheep and beef farmers has brought a call to fine-wool growers to consider setting up their own levy system. But Federated Farmers’ Donald Aubrey thinks it’s important to keep that sort of industry-good funding going in the fine wool sector. Under the current system, the farmer body, Merino NZ Inc, commissions research and other industry-good work using levy money provided by MWNZ. He says that’s worked well and he’s confident there would be strong support among fine wool growers to continue a levy system to help lift their returns. (RNZ News)

MWZ Begins Reinvention

MWZ has begun the task of restructuring itself after farmers voted not to renew its wool and goat meat levies. From April next year, the organisation will have to survive on levies raised just from sheepmeat and beef production and that will require a name change among other things. Chairman Mike Petersen says adjusting to the loss of the wool and goat meat income won’t be simple. He finds it ironic that some people who campaigned against a wool levy are now calling for a levy to continue supporting industry-good functions such as farm research, training and helping to fund the Meat & Wool Economic Service. □ (RNZ News)

Fonterra Nominations Called

Nominations have been called for three places on Fonterra’s board and 14 positions on the farmer shareholders’ council. Three farmer directors, Colin Armer, Stuart Nattrass and John Wilson, will retire by rotation this year and will have to stand again if they want a further three-year term on the board. On the shareholders’ council, representatives in 12 wards are retiring by rotation and elections will also be held to fill vacancies in two other wards. The elections will be held during October and November. (RNZ News)

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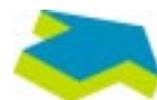


Past Decisions Haunt Co-ops

As some of our biggest agricultural co-operatives review their capital structure, the common cry from farmer shareholders has been to retain farmer ownership. But columnist Neal Wallace says this may not be realistic, given the effects of earlier decisions. Past decisions are coming back to haunt shareholders in Fonterra and Silver Fern Farms, meaning farmers may have to give up some ownership of the dairy and meat co-operatives. The companies are in the process of capital restructuring which, in the case of SFF and potentially for Fonterra, may mean shareholders’ giving up some ownership to attract outside capital. This stems from historical investment decisions and unwillingness - or an inability - among shareholders to invest in their co-operative. Despite directors continually warning shareholders that bank funding was drying up, many farmers believed they must retain ownership, that outside capital was not needed and that non-farmer ownership was evil. Lincoln’s Prof Woodford said SFF had dug a hole from which it could not extract itself and last month’s vote to allow outside investment while farmer shareholders retained control, was the financial consequence of those earlier decisions. While describing SFF’s solution as “well crafted”, he said allowing outside capital in what was a hybrid model would eventually lead to demutualisation. “In the long run, hybrids tend to be a journey to somewhere else, an interim measure as tension grows between farmer-suppliers and investors.” But that tension would not be as great in the competitive meat industry as the dairy industry, where Fonterra’s dominance meant it set the milk price. He said a pure co-operative was still a realistic business model, so long as shareholders were happy to reinvest in the company. (Otago Daily Times)

Wool Steady

The latest wool sale attracted 15,600 bales, of which 80% was sold. A small offering of new-season Merino wool saw wool 18 micron and finer firm slightly in price compared with Australian sales last week, while 19 to 19.5 micron wool fell in price by up to 3% and 21 to 22.5 micron rose 1.5%. Full-length fine crossbred fleeces were steady in price, while the finer end eased 1% to 3% and 34 to 35 micron was up to 1.5% cheaper. Better-style coarse carpet fleece firmed in price, while a limited offering of poorer-style fleece wool was sought-after, rising 2%, coarser types rose 1% to 2%, but very short wool fell by 5% to 7%. Combing oddments were in demand, rising 2% to 3%, while demand for clothing oddments was mixed, some types rising by up to 9% but shorter types falling by up to 2.5%. (Otago Daily Times)



Dairy Payout System Needs rethink

Former Feds president Charlie Pedersen said although he applauded directors for their "gutsy" move in abandoning a market listing, Fonterra shareholders needed to rethink the way they paid themselves. Fonterra is capital-starved and has a gearing problem because it has to pay out most of its earnings to farmers in a pooled averaged milk price each year. Retentions have been low and in some years zero. Its debt gearing rose to 61.5% at the start of this year, but is understood to have eased nearer to 50%. Its annual result is expected this month. "The system isn't broken but it's breaking down. The record payout of \$7.90/kg milksolids (\$9.1 billion) last year had done the industry considerable harm by pushing up the price of everything, including land. (NZ Herald)

New Thinking Need On Investment

SFF Chairman Eoin Garden likens farmers' investing of capital in their co-operative to the way they invest in their farms. Unfortunately, farmers had not always seen the need to invest in their meat co-operatives, usually because they were able to get their stock killed when needed and because debt funding was readily available from banks. Times have changed, and he said SFF needed a new capital structure to fund a new marketing model driven by consumer needs, new processing technology, and to reduce debt and lessen its share-redemption risk. The debate about SFF's capital structure revealed some confusion. "There was a lot of confusion between ownership and the need to recapitalise to make it profitable. The two are not necessarily the same. You could have the smartest ownership structure to protect farm ownership, but if the farm was not well capitalised the next generation with access to ownership would not thank you for it." (Otago Daily Times)

US Farm Profits Plunge

Profits for US farmers will plunge 38% from 2008 as the recession erodes demand for crops, livestock and dairy products, the USDA says. Net farm income would sink to a seven-year low of US\$54 billion, down from a February forecast of US\$71.2 billion and last year's estimated US\$87.2 billion. Farm-product sales were dropping faster than costs for energy and feed, it said. Milk futures have plunged almost 50% from their June 2007 peak as record production and competition from imports flooded the market with inexpensive supply. Farms with at least 1000 cows are losing US\$30,000 to US\$40,000 (\$44,000-\$58,000) a month. Among farm expenses, the cost of fertiliser would decline about 25% from last year to US\$16.9 billion, while pesticides would increase 2.6% to US\$12 billion, according to the USDA. Government subsidies would rise 3% in the first full year of a new farm bill, to US\$12.6 billion. (NZ Herald)

Horse Meat Sold For Food

Market vendors and a pet food abattoir in Auckland are under investigation by the Food Safety Authority after being filmed illegally selling horsemeat for human consumption. The abattoir was approved to process pet food only, but was filmed by TVNZ selling horsemeat directly to be eaten by people, and to vendors at the Otahuhu and Mangere markets. (NZ Herald)

Honey Standards Close

A group set up to resolve arguments over labelling and testing standards in the manuka honey industry plans to have a proposal ready within two or three months. Convenor Stephen Franks says it is working on an agreement for enforceable standards to cover claims and descriptions for manuka honey exports, to make sure that cheats don't prosper. The standards could be applied readily by the New Zealand Food Standards Authority, and its equivalent in other countries, and could be tested in accredited laboratories overseas if necessary. (RNZ News)

SFF Tracking Trial

Silver Fern Farms has launched a pilot programme to track lamb through the supply chain, starting at the farm. Being run with the help of LIC, the trial will initially involve about 150 farmers and 150,000 lambs destined for export. SFF plans to run a pilot programme early next year for beef and venison. (RNZ News)

FORESTRY

Luggate Back In Business

Luggate Sawmill directors Gerard Haggart and Skip Johnston have trimmed operations at the former Central Otago Lumber site, and are determined to keep a supply of timber available for the district's landscaping and construction industries. Twelve people lost their jobs when the owners of the Luggate sawmill, the Skeggs family of Dunedin, closed the previous business in May. This scaled-back business will employ six people, and will also allow the leased mill site and plant to remain operational. Gerard Haggart managed the Luggate sawmill for the past 11 years and has also operated sawmills at Ranfurly, Tapanui and Pukerau during a 35-year career in the industry, while Skip Johnston formerly had a logging operation based at Haast, and farmed in Southland. He also runs a firewood supply com-



