



farming people

# HRL news

Hazlett Rural Limited



## Stern challenge for meat companies

**With lamb prices well back, it's time to revisit our front-page remark of a year ago that after last year's dramatic correction, things would return to normal.**

**Well, they have and they haven't.**

What is normal about the current situation is that the sheepmeat industry has always been cyclical and the pricing trough we're currently in is certainly not unprecedented.

What is abnormal is the steepness of the fall last year and the tricky situation it has left the meat companies in. We now know that because of their apparent market miscalculations, and their determination to compete with each other, last year's losses topped \$100m. A large chunk of that figure landed in farmers' bank accounts, but the companies will in time really need to rebuild their balance sheets somehow.

In dealing with their current situations, the companies have two major problems: their hard work in selling at those high prices meant their import customers in the UK, especially, Europe and, to a lesser extent, the USA, also took some of the hit. The significant effect on global markets of extra lamb production from Australia had an impact, too. The combination of these factors is affecting those customers' confidence in lamb product. This is particularly noticeable in frozen lamb and mutton. Chilled lamb has also been affected but, as it is now

well established, it has at least continued to move through the market.

Then there is the wider economic environment in which these companies, both the ones at home and their customers offshore, must operate. Demand in the UK and Europe is weakened by the general economic malaise in that part of the world. Our contacts tell us the European families who regularly enjoyed high-end lamb cuts on their dinner tables are now looking to cheaper product, as they divert disposable income into debt reduction.

One has only to look at what's happened to Solid Energy to see what happens when international prices fall. Demand for coal fell away, but the company had to keep digging it out of the ground.

For the meat companies, the position is the same. They have to keep killing lambs at the rate of 360,000+ a week (that's in the South Island; the North Island tally is tracking some 50,000-70,000 fewer) because there isn't enough feed to grow them on. But this is the time of year when demand is traditionally at its lowest and the reality, we are told, is most of this product will be frozen down, and some items such as middle cuts will be joining left-over stocks

from last year, both here and overseas. These stock items are still of very high quality, though, and will at some stage find their way back onto menus and into end-users; there will be a return to equilibrium in due course.

This means that non-traditional markets can afford to take more than just the basic commodity products such as lamb flaps, China being the obvious example. While this is helpful to the meat companies in the short term, we are told that the total answer to the future of New Zealand lamb cannot lie in China alone because it simply will not, for a very long time anyway, be prepared to pay the premiums that the UK and Europe have been.

New Zealand needs high-value European markets like Germany and other industrialised importing countries if it is to sustain farm-gate lamb values here of over \$100, especially given the high dollar. However, the positives in China taking a wider range of items due to the current slower demand from traditional markets are firstly they are taking volume, and secondly it is exposing our meat across that market. But we still need those US/ UK/European premiums, combined with our quota access, in the medium term for a viable future.

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So these are some of the challenges for the meat companies. It is unlikely that we will be seeing them re-examining their "big picture" long-term directions and strategies in the near term; they have their heads down trying to figure out how to manage their own businesses through the current situation.

Restructuring and other matters are well and truly on the back-burner.

For us as their suppliers? One source commented that at least the companies are still functioning — they are still taking the lambs, and they are still paying for them, a fact that we need to recognise.

## Accounts by email?

**At HRL we share the rural community's concern about NZ Post's proposal to cut mail deliveries from six to three days a week. With telecommunications services often of a lower quality than townspeople enjoy, rural families are generally more reliant on postal services than their townie cousins.**

Besides, it's hard not to see such a move as heralding further cuts in the future.

However, a growing number now have an internet service in some form or other, and HRL is responding to this by moving towards offering the sending of accounts and other paperwork by email.

Clients who wish to access this and other planned services as they become available are invited to contact us at [admin@hazletrural.co.nz](mailto:admin@hazletrural.co.nz) as follows:

If you wish to register to receive accounts by email, please put "Emailed accounts preferred" in the subject line.

If you wish to simply advise us of your email address, which we would appreciate, please put "Our email address" in the subject line.

## On the subject of mail ...

We noted some debate in the farming papers over Christmas about the number of calendars farmers are receiving in the mail. While we know that the HRL calendar is welcomed in most farming households, we appreciate there will be some who could do without it. If you are in the latter category, please don't hesitate to tell us so, and we'll take you off the calendar mailing list. We will not be offended at all.

## FROM THE GM

Those thoughts about the lamb industry on the front page are sobering and we share the concerns that all HRL client-families have about their returns this year. In contrast the beef sector has been trucking along nicely... or so we thought. Now we've got a blip there as well, quite contrary to what we've been hearing over the past few months about beef prospects. It was not too hard to understand when the dollar hit 85 US cents but now it's back around 83 the schedule hasn't moved accordingly. I often wonder at the inconsistency with which the exchange rate is blamed for the level of the schedule ...

So it's not easy out there at the moment, but we have to keep reminding ourselves that we wouldn't want to be working in any other sector. This farming business is in our blood and we wouldn't have it any other way.

Since David started this business in late 2008, there have been a lot of strategic decisions made and we're now at the point where we think it's time to involve clients in our consideration of where the business is headed. In late April we will be holding two smallish client forums as a means of receiving quality feedback as to how HRL can improve or extend its client service. Unfortunately we are unable to involve all our valued clients in these and appreciate your understanding of this — but I'm sure

everyone will share the benefits of whatever arises from these discussions.

Meanwhile things are ticking along as well as they could be. The Rural Supplies boys are not sitting on their hands during this relatively quiet period for them — they are working on clients' year-round requirements to ensure timely and cost-effective deliveries when the action starts happening later this autumn and in the spring.

**Ed Marfell**  
General Manager



## A NOTE FROM DH

**Drought is now giving everyone a hard time and depressing product prices. Our friends in the North Island are really suffering and even the West Coast is not unscathed. And now some Canterbury irrigators face the very real possibility of reduced or nil water availability.**

But we'll get through it, as we must, because our industry has a brilliant future.

The US economy is on the rebound (the country eclipsed Saudi Arabia as the world's largest petrochemical producer in November); the Eurozone is starting to sort its mess out; and for us, as you may have read on the front page, our chilled lamb continued to move in volume in the UK and Europe over Christmas.

That Christmas chilled market is always a bit of a test for us, and our marketers came through it successfully yet again. And meanwhile new markets are opening up for us as well — China, Brazil ...

So the stars are lining up for lucrative times ahead, which is just as well. We've got a whole world to feed, and we have the minerals to do it: soil and water. If the Middle East can salt away multibillions on the basis of its one mineral (oil), and Australia can do the same with its iron ore, surely we can do similar with our fertile soils and (usually) abundant water. We need to get serious and put the days of average returns behind us.

But in the immediate future, our best wishes go out to everyone in their dealings with the drought. And if anyone out there has a hot-line to Huey, could you give him a decent nudge, please.

**David Hazlett**  
Rural Bloke

# HRL client profile

## Peter, Mary, Paul and Kerry Harmer, Castle Ridge Station



Paul and Kerry Harmer on the hill above their house; the view up the valley behind them looks towards Lake Heron with the Arrowsmith range in the distance.

## Unusually intensive operation in the high country

HRL was one of two agencies conducting Castle Ridge Station's on-farm lamb sale at the beginning of February. The light rain that started at the beginning of the sale didn't depress buyers, with the 9700 head all cleared at an average of \$90.70, with the tops making \$114.

The run is owned by the Harmer family – Peter, wife Mary, son Paul and his wife Kerry.

Peter and Mary bought the top half of the present farm, 2700 hectares, in 1992. It was the Maori Lakes outstation block of Barrosa Station and it was at that point that it was renamed Castle Ridge Station. In 2003, the neighbouring Clent Hills was sold, with DoC, Mt Arrowsmith, Lake Heron and the Harmers taking a piece each, adding 700 hectares to Castle Ridge. In 2011 the family bought the remainder of Barrosa Station, 2460 ha, after it had been through tenure review, bringing Castle Ridge up to its present acreage. This last development also put some of the original Clent Hills (first taken up in 1857) back together.

You travel along the Barrosa block for nearly 20 km to reach the Castle Ridge homestead.

Castle Ridge's 5862 hectares, of which 700 are pastoral lease, comprise 3382 ha in paddocks, including 97 ha of lucerne for baleage, 1300 ha of oversown hills and 1180 ha of hills still in native.

The run carries 16,500 sheep at present; some 4000 are Halfbreds with the balance Merino. The sheep operation is atypically intense for a high country place. Poll Dorset rams are used over all the Halfbred ewes and a good number of the Merinos.

"We only put the two-tooth ewes back to the Merino and we top up our Merino ewe lambs at the Merino fairs in Central," says Paul.

They bought about 1900 from down there a couple of weeks after the sale.

It's the Poll Dorset-cross lambs that are sold upon weaning at the on-farm sale, which has been held now for eight years; Merino lambs are kept until early spring, when they are shorn and the culls and wethers sold.

The extensive use of the terminal sires is unusual: "Because we're fairly high in altitude\* we can be subject to storms and so on. We lamb out on the flats and we find the Poll Dorset lambs can get up and going pretty quickly whereas the wee Merino lambs need a bit of shelter. We're limited as to where we can lamb the Merinos."

The intensity of lambing (starting October 5th) is unusual in the high country, too, with mothering-on and all the other work associated with that, but it yields 95% survival to sale.

"Our lambs are worth a lot of money to us and that three intensive weeks of effort is well worth it."

The addition of the Barrosa block, as well as going fairly close to doubling the size of Castle Ridge, brought a considerable degree of security and flexibility to the Harmers' operation.

**Cows and calves with Mount Barrosa in the background.**





**Right: Merino hoggets with Mount Arrowsmith in the background.**

**Below: Castle Ridge casual staff Emma Mackenzie and Ailie Jaine sorting lambs for the big sale.**



“It’s given us more summer-safe country. It’s more what you would call foothills country.”

While Castle Ridge’s annual rainfall is 680mm, on the Barrosa block it’s more like 1000. When we spoke to Paul, cattle and deer were down there, but with the fast-drying conditions, it offered the flexibility to put other stock on it as well.

Paul says buying that block was almost the equivalent of putting irrigation on.

Also carried are 820 Angus cattle and 620 deer, the former comprising 650 cows and 150 heifers that are mated to Cleardale sires, the heifers at 15 months of age.

Calves have previously been sold at the Methven Calf Sale in Ashburton in April but this year these too, some 400, will be offered by HRL in conjunction at an on-farm sale on Monday April 8th, six days

after the annual on-farm Wapiti-cross weaner deer sale where around 300 will be yarded.

HRL became involved (in conjunction with PGG Wrightson) with Castle Ridge relatively recently as, following the Barrosa purchase and its attendant growth in their business, the Harmers looked for wider coverage. “We went to other sales where HRL were selling in conjunction and we felt that was the best way for our business to go.”

The Harmers grow a considerable amount of winter feed; the farm has its own Cross-Slot drill which, as the following numbers show, does a heck of a lot of work. This year 440 hectares are in swedes and turnips. The pasture renewal programme sees a further 150-odd hectares cropped as well. Old paddocks

are double sprayed, and go through two years of brassica (turnips or swedes) before being sown down again. The base pasture mix on the Barrosa block is AR1 ryegrass, red & white clover, timothy and chicory while the Castle Ridge mix is cocksfoot and white clover- based. In some cases the paddock renewal

**This photo was taken at Blowing Point looking up the Ashburton River towards the Maori Lakes. All the country to the right of the river is part of the new piece of Barrosa purchased in 2011.**



process is started with ryecorn:

“In the really old rough paddocks that have a lot of browntop in them, we put ryecorn in deep under the browntop thatch and it will come up through it. It’s about the only thing that will, because if that thatch is an inch thick and you drill a brassica or a grass straight into it, it’s like putting it into a dry sponge and nothing will grow. We do that in the first year to break down that thatch.”

There are currently two full time employees, Steve Blakemore and Olivia Willocks, who run the Barrosa block, and local casual staff are employed when needed.

Presently three generations live on Castle Ridge. Paul and Kerry have three children: Ben (12) who’s just started at Christchurch Boys High, Samantha (11) and Annabel (7). Like most farming parents, Paul and Kerry are hoping that one or more of them may one day take the reins: “... if they want to. You can’t force them into doing something they don’t want to do. Hopefully they will be able to carry on farming it when they’re ready to take it on ... the rules and regulations are getting tighter and tighter. We are in a Sensitive Lakes Zone up here and there’s more limits coming in all the time.”

\*Castle Ridge runs from 650 metres asl to 1082m; the Barrosa piece is 500–1000m.



The HRL Insurance team from left: Debbie Hansen, Sean Lysaght, Rebecca Stoop and Brad Mackenzie

## Insurance change will affect everyone

The insurance fallout from the Canterbury earthquakes is about to hit: so-called 'open-ended' insurance is being withdrawn from the New Zealand market.

When renewing your policies from midway through the year, you will be asked to nominate the insured sums for all of the buildings on the farm. The days of just supplying the measurements and leaving it up to the insurer to cover a rebuild, if that ever becomes necessary, are coming to an end.

HRL Insurance's Sean Lysaght says offshore reinsurers are looking for more certainty in their exposure.

"With the current open-ended covers, the reinsurers cannot quantify their exposure, so they're withdrawing them. All New Zealand insurers are dependent on those reinsurers, so the change will affect the entire building insurance market in this country."

The earthquakes have no doubt sharpened the reinsurers' focus on the issue, he says.

HRL Insurance is well-gearred to handle the change with systems in place to manage capped-value insurance.

Importantly, this change means that all clients now have to decide how to value their buildings:

"We will be very happy to assist clients through the change — and we will be speaking to all insurance clients personally about this — but we are not valuers. Clients who cannot confidently assess the replacement value of their own buildings may well have to consider the services of a professional valuer."

Sean says the change increases the importance of having a broker who is on the ball.

"The values arrived at for buildings this year will not accommodate future rises in building costs, so it will be important

for clients to review these numbers every year, and if necessary increase them regularly to ensure they will always be able to replace buildings in the event they are lost.

"HRL Insurance already reviews all clients' insurances every year so looking at those values at renewal time will become part of that routine.

"This is an extremely important development and we will be discussing it thoroughly with all our clients."

Meanwhile, Debbie Hansen has joined the HRL Insurance team and Sean says the back office is humming.

"Having Rebecca and Debbie there supporting us has freed Brad and myself to spend more time out with clients."

Brad McKenzie is focusing on the Malvern Darfield area, while Sean is also serving an increasing number of Christchurch commercial enterprises that are finding the HRL Insurance style of close personal service far preferable to that of other providers in the market.

## The Blokes' Diary ...

- Apr 3** Coalgate
- Apr 4** Cheviot Southern Calf Sale
- Apr 5** Cheviot Northern Calf Sale
- Apr 8** Castle Ridge Calf Sale
- Apr 11** Coalgate All Sheep & Calf Only Sale  
High Peak/Quartz Hill  
Weaner Deer Sale
- Apr 12** Culverden 2nd Calf Sale
- Apr 18** Coalgate All Sheep & Calf Only Sale
- Apr 19** Culverden 3rd Calf Sale
- Apr 24** Coalgate
- Apr 26** Culverden 4th Calf Sale
- May 1** Coalgate - All Sheep & High Country Calf Sale
- May 9** Coalgate
- May 16** Coalgate
- May 23** Coalgate
- May 30** Coalgate
- June 6** Coalgate
- June 13** Coalgate
- June 20** Coalgate
- June 27** Coalgate

Jack Engel (son of HRL Finance GM Peter Engel) and Hannah Wright (daughter of Mid-Canterbury agent Geoff Wright) acquitted themselves very well in the annual OzKiwi waterski tournament last month on the Molongo River near Canberra. Hannah came third in the Individual Jump and fourth overall in the Under-17 comp. More recently Angus Hazlett was on the Gold Coast playing for the Junior Black Sticks. We congratulate these guys on their achievements. Photographer Peter Engel has nominated the Christchurch City Mission to receive the quarterly \$250 donation.



## STAFF PROFILE:

# Ben Lill

Livestock agent ...

**Ben joined HRL in January last year after an education that seems a most unlikely grounding for a livestock agent.**

From the 360-ha family farm at Sandy Knolls he was educated at Kirwee Model School and Darfield High School. While at Darfield High School he did work experience with Brian Brice.

That connection led to Ben later on working on Wednesday afternoons at the Coalgate Saleyards, helping prepare for Thursday sales. He did that for about a year before joining HRL - it was Brian who drew his attention to a junior's position the company was about to advertise.

Meanwhile at DHS, Ben concurrently headed in an entirely different direction: he was bitten by the music bug and joined the school's new jazz band as a saxophonist. The band excelled and in its second year won the opportunity to play



in the Sydney Opera house and in Darling Harbour.

Ben went on to study for two years at the Christchurch Jazz School, majoring in saxophone.

That was long enough to give him "cabin fever..." and, anyway he says, he was always going to head back to the land. But he still plays in a wedding band and "... an originals band that I potter around with." It's a good diversion when things go quiet in the winter, he says.

After a spell working back at home he did a harvest in NSW and upon return worked on the family farm again as well as doing a bit of casual work for harvest and swinging a handpiece when needed.

Then there is his stud activity. He has had a Texel stud since 2002 when Ken and Helen Shipley sold him seven ewes and lent him a ram. He kept the ewe lambs in the early years and built it up to the present 45-ewe stud. The same clients buy his flock rams every year so he figures he's doing something right.

"I should enter some more shows and I wouldn't mind getting into the judging side of things in the future..."

With HRL he is tending to specialise in the dairy sector in the Malvern and Ellesmere districts. "I'm loving it - a very, very good group of guys. It's quite funny: when I was growing up most of the agents were doing business with my Dad so I knew most of them, and now I'm working with them.

And if all that's not enough to keep him busy, he also plays rugby for Kirwee.

# HRL

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