

SPRING 2020

Hazlett News

A quarterly newsletter for clients and mates of Hazlett Limited

Hazlett eyes opportunity to build its livestock funding business

Hazlett Ltd is building its funding business, eyeing a gap in the rural market driven by a drop in the main banks' appetite for lending to the farming sector.

The company has recruited rural banking veteran Richard Hegan to head the operation. He is clearly excited by the prospect of farmers being funded by a farming-friendly enterprise.

Richard says a raft of new opportunities have arisen in farm lending due to a cautious withdrawal from the sector by the major trading banks.

The banks' experience of the ups and downs in the dairy sector over the past few years are probably a factor in their caution. Also in their thinking is the impact of additional capital they will be required to carry as a result of regulatory changes driven by the Reserve Bank which will probably double the level of capital they must hold to support their rural lending books.



Richard Hegan

For a bank, Richard says, that would take a relatively low-returning portfolio and make it a whole lot worse.

With money harder to access Richard believes farmers will need to be more efficient with their working capital.

In response, Hazlett has built a suite of livestock funding options designed to unlock early season cashflow, improving the efficiency of their working capital.

In the case of lambs, Hazlett would purchase up to 80% of a tailed lamb drop with a down-payment of \$50/lamb. The farmers finish the lambs as they see fit and retain control of decisions as to when and to whom they are sold. When the animals are sold or processed the proceeds go to Hazlett (the owner) who in turn forwards those to the farmer minus the down-payment and the associated funding cost.

The funding of trading stock has long been a core offering of Hazlett. The company partners with proven stock finishers providing access to simple, flexible and easy funding lines that allow clients to maximise trading opportunities in front of them without the need to go through a hefty bank approval process.

Access to these funding products is easy. In most cases a simple one-page application form is completed and approval occurs within 12-24 hours.

Other tailored arrangements are being finalised for newborn beef and dairy calves, plus a scheme to smooth out the high early-season costs of dairy shed supplies.

Apart from its natural affinity with what goes on inside farm gates, Richard says Hazlett has a particular asset in growing a rural funding business: its existing network

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Welcome Andrew



Andrew Sellick commenced with Hazlett on October 1st as Chief Operating/Financial Officer

He has 20 years' experience as a finance professional across a number of industries, the last 12 years in agribusiness. He and wife Louise have two school-age children, James and Elanor. Andrew lists his interests as including the outdoors, walking and fishing, spending time with family and friends, and following sport.

Hazlett

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of livestock blokes who already know their clients well and who can represent the offerings competently.

Richard is looking to a future where Hazlett could operate a deposit book whereby the funding for the clients could in part come from other farmers who would benefit from an investment that's supporting farmers to get ahead and generating better interest rates than the banks are providing for term deposits.

So a change to farm funding is underway - where the leading players are much closer to the industry and have a far greater understanding of how a farm business's cashflow can genuinely be optimised.

Check out the [Hazlett website](#) for further details.



James Richards

Broker, Hazlett Insurance

The Quarterly Yarn

OMG we've had some curveballs thrown at us this year!
And I reckon we can all be bloody proud of how we've handled it.

I feel it's very important, too, that we take our hats off to all those in the agricultural servicing businesses that threw their own lives at risk when they continued to process our produce, be it milk, animals or anything else that we produce from the land.

Let's not forget how well and how quickly these people adapted to the covid-19 restrictions so we producers could continue churning out economic viability from our soils.

We want them to understand that we do not take them for granted. We appreciate what they've done.

Without their courage, energy and passion to get out there and get their jobs done we could have been caught with our pants down quite badly.

So, on behalf of farming people and Hazlett people: THANK YOU.

Once again everybody, volatility is our friend, not our enemy. This season may not be doing what it should just now but hold hard and, as we say at Hazlett, honk if you're hurting.



David Hazlett

Rural Bloke

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James joined the Hazlett whanau in July as an insurance broker after two years at another broking firm.

Having grown up in Christchurch, gaining an education at Christchurch Boys' High School and graduating from Lincoln University on a cricket scholarship, he initially took up a role as an account manager in the fuel industry. He says he is pleased he moved into the insurance industry as "... I enjoy the diversity and challenge that comes from working with a range of clients, providing insurance solutions to individuals and across all business lines. I am looking forward to continuing this with the Hazlett Insurance team."

An avid sports fan, James has played rugby and cricket for most of his life, including a stint playing cricket in England.

The Bloke's Diary

Upcoming Sales

Coalgate Weekly Sale Each Thursday

Temuka Prime Cattle & Sheep Sales Each Monday

Temuka Store Cattle Sales Each Thursday

For all sale dates, please visit www.hazlett.nz/whats-on

Weekly North Island bidr® Auction Wednesdays from 7pm

Weekly South Island bidr® Auction Thursdays from 7pm

For all bidr® sale dates please visit www.bidr.co.nz

Special Sales

October 30 BS Hunt Clearing Sale, Darfield

November 16 Highfield Lamb Sale

November 17 Glenmark Lamb Sale

November 18 Banks Peninsula Lamb Sale

December 1 Mt Nessing Lamb Sale

December 2 Beautiful Valley Lamb Sales

December 4 Red Oak Ram Sale

December 10 Glenloe Ram Sale

December 11 Courtenay and Stoneylea Ram Sale

Clients looking for more support

Was that winter? It was certainly a milder and drier one than average, which was especially welcomed in the drought-affected regions who were facing feed deficits going into winter.

As I write this in mid-September it looks like spring is well under way in the North Island with many summer crops in the ground already, just waiting for the spring rains. The South Island is also reporting the season to be at least two weeks earlier than normal.

As our business continues to grow at pace, one of the typical reasons farmers are switching to Hazlett Agri-Supplies from their traditional suppliers is the lack of technical advice and support they were receiving. I feel this is becoming an industry-wide issue especially as farming becomes more complex in terms of the pending "Fresh Water" rules and compulsory farm plans etc.

We have spent significant time over the winter months upskilling our Agri-Supplies blokes on how we can help as these changes will impact the way you operate. Developing a plan is critical and with one of our supplier partners H&T we have now have leading options for innovative winter grazing strategies and forages to meet your bottom lines and tick the compliance boxes.

Thank you for all your support and business, and welcome to the new farmers who have recently come on board.



Tom Mowat
GM, Hazlett Agri-Supplies
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A year to forget?

The events of this year make 2019 seem like the halcyon days of yore. How quickly – and radically – things can change on us.

It's easy to think that this year has been disaster. But has it? When you look at the state the world is in, with many of developed society's eateries (one of our prime red meat market segments) either shuttered or under heavy trading restriction, freight routes under pressure from border closures and the general unease and caution that covid-19 has engendered, it would not be surprising if we were on our knees.

But we're not – not due to coronavirus anyway.

When looking at our returns today we have to resist the temptation to compare them with last year, which gave us record highs. But right now, we are still looking at sheep meat, beef and dairy returns that are very good by the standards of the last decade or so. It's one of those times when we have to take our hats off to the marketing companies for staying the pace in the face of what must be extremely trying conditions.

And while the virus affected our social lives along with everyone else's, we have been able to keep farming as usual, more or less.

I imagine most of our people are more concerned about what the new season will throw at us weather-wise. We had a reasonable autumn and early winter but August was a very dry month, cancelling out to a large extent the benefit of those earlier rains. The prospect of a dry spring looms large, especially with all the extreme weather that's been hitting the regions to the north and south of us.

North and Central Otago are getting dry already and last year's drought is still on the minds of our North Canterbury people. What we need right now, all down the east coast from Hawkes Bay to Otago, is a few days-long spells of lovely wetting easterly rain. Let's hope we get some of that.



Ed Marfell GM, Hazlett Livestock
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Beware under-insuring dwellings

Readers will recall that most insurers have moved from full replacement dwelling insurance to a fixed sum cover as a result of the unquantifiable exposures they faced following the Canterbury and Kaikoura earthquakes.

This, combined with the resultant increase in insurance cover costs, created a dilemma that has left many people underinsured.

There has been a reluctance to increase the value of dwelling insurance to avoid the double effect of this and increasing base rates.

One of our insurers recently shared six cases from the last 12 months of full house replacement claims that were all undervalued – by an average of 35%. With hindsight the cost of increasing the houses' cover to the right value would have been very cheap.

When considering your cover it is important to bear in mind that the cost of demolition, site preparation, new plans and landscape features etc can be well in excess of \$100,000, and this is before the new home is started.

Our advice is to assess in detail the non-building costs and to use the tools on a website such as **CoreLogic** to assess the build cost; then get a price from your broker if you think you require increased cover. Then, you will be making a very informed decision.

It is important that you make your own independent assessment but we can certainly help you through this process if it would assist. People are often surprised that it is not a high cost to add, say, \$200,000 to the value of the dwelling cover.



Peter Engel GM, Hazlett Insurance
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The McAlley family Huntermville

Jed and Hannah McAlley help Jed's parents Alex and Jo run this 1000-ha family property. Jed is the third generation of the family to work the farm.

Rather than the tiger country we often associate with that part of the word, this property is just on the outskirts of Huntermville and Jed describes it as "small steep hills."

The farm is a breeding and finishing unit, running Angus cows and Romneys. The latter were for quite a while mated to Turanganui rams from the Wairarapa but lately the McAlleys have moved to Rod McCorn bloodlines.

They finish everything they breed, helped by an aunt having a 160-ha flat block just below Huntermville where the lambs are finished.

Jed has a close friend who is also an independent stock agent but the family places its insurance business with Hazlett. This came to be after a young bloke in Jed's employment crashed a farm ute.

After attending Lincoln University Jed worked on a place in the Methven district. Angus Hazlett moved onto a neighbouring property "...so I got to know him quite well." Fast-forward to Jed being down at the Fielding saleyards one day and spotting the by-then locally-domiciled Angus, and they had a catchup.

This was shortly after the ute crash and Jed remembers the "... real bloody rigmarole, a very difficult process," they had to work through with their

George and Madeline taking a close interest in what goes on around the farm.

The McAlley's "small steep hills" behind the woolshed.



George, Jed, Madeline and Hannah McAlley.

insurance company. This suggested to the McAlleys the potential value in having a broker to do all the mucking around on their behalf.

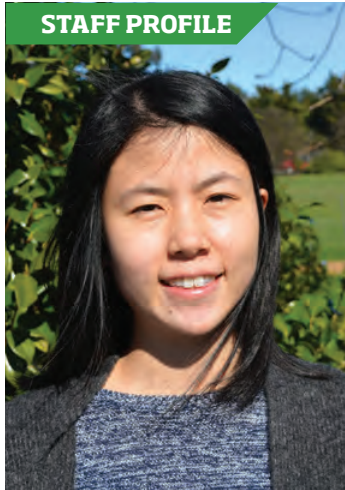
That's where the conversation that day in the Feilding yards went, and Hazlett's Harry Jones subsequently became their insurance provider.

The family has other South Island connections too. Hannah McAlley is a daughter of Stuart and Angela Wright of Sheffield; Jed and Hannah have two kiddies: Madeline, 7, and George, 5. They take a great interest in the farm, especially now that Mum and Dad have bought a small number of Angus stud cows for bull replacement breeding.

Meanwhile Jed's sister Michelle married a Southland dairy farmer and is now Michelle Taylor and they have four children. Jed's younger brother Ben is studying at university in Wellington.



STAFF PROFILE



Susan Lai
Admin,
Hazlett Funding

Susan was born in Dunedin but has spent most of her time in Christchurch. After graduating from Canterbury University with a commerce degree majoring in accounting and taxation she joined the insurance industry, working in Auckland and Christchurch. She spent five years in that sector before moving to the Funding & Procurement team at Hazlett in June 2017.

With the recent split in that division, Susan is on the funding side of the operation. She works on client processing – loan documentation and the like – and month-end reporting.

Susan is married to Donny who works in insurance. They have a two-and-a-half year-old daughter Melody and they are looking to the arrival of their second daughter towards the end of November.

She says her life is “pretty simple”:

“In my spare time, I like to go for walks and enjoy spending time with my family and friends.”

As Susan departs for maternity leave, Alex Hygate joins us for 12 months. We also welcome Rachel Hefford to our Funding team.

Hazlett Directory

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HAT PIC



This is Harry Hegan, son of Hazlett Funding GM Richard, snapped at Middle Hill Station, Clarence Valley. The Hegans would like the quarterly \$250 donation to go to Koru Care NZ.

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