

Hazlett News

A quarterly newsletter for clients and mates of Hazlett Limited

Senior Broker brings strong commercial insurance expertise

Hazlett Insurance's recent recruitment of a senior insurance broker, James Smith, again highlights the fact that while Hazlett is a rural company, its insurance business has a far wider reach.

While his experience is with a wide range of industries and large accounts, James is looking forward to working with the credibility that Hazlett has in the farming and business communities to support "... large South Island rural-related and commercial businesses that share our culture - family-owned, down-to-earth. Already I'm finding businesses that really relate to that."

Hazlett Insurance has a very good team, he says, "... supported by a really strong backbone in the rural part of the business but also really strong in commercial business as well."

He also sees opportunities among the large number of businesses that the other arms of Hazlett are already associated with.

Canterbury born and bred, James did a commerce degree at Otago University and then worked in ACC doing claims work. He later moved to his first insurance broking role in Wellington, before heading to London for six years with an independent broker in the corporate risk market.

"That was the real making of my career, I think. I got involved in some really interesting risks. That company instilled in me the importance of client service - it's highly competitive over there and you had to offer client service that was better than the rest. Being a smaller company, we had to punch well above our weight and that meant getting very close to our clients."

Working in the London insurance market also offered "... a really good grounding in the roots of insurance and how it all works."

Home beckoned however and he returned to New Zealand, taking on roles in national insurance broking companies including leading a team of 18 insurance brokers. Being involved in management within a large national business brought the realisation that his passion was in smaller teams retaining client contact. It was at this time that the opportunity to join the Hazlett Insurance team presented itself.

Outside the office, James' recreation activities include boating, sea-fishing, tramping and snow-skiing.

James Smith

A great time to be farming

Interest rates are at an all-time low, and while the bell never rings at the bottom, I have to say that it must be pretty close now.

Residential debt continues to drive upwards, however farmers on the other hand have been using the tailwind of very good commodity prices to pay down their debt over the past two or three years. That's a great place to be.

Over the covid period we've seen huge upward momentum in the value of residential/commercial buildings and share markets, however farm values have remained relatively static; it all means there's never been a better time to be a farmer!

Consider:

- Land asset values remaining the same, with farmers' balance sheets in a much better place than they were three or four years ago;
- the really high likelihood of an \$8 milk price;
- lamb looking like it's going to be in the mid-\$7s during the winter;
- beef looking reasonable as well;
- and even the horticulturists were looking pretty good (if they could have got their fruit picked but that's another story).

So what? Well....

The government's just changed the rules on the tax-deductibility of debt servicing on rental property, and the sharemarket may well be at the top of its cycle, while the yield you can generate on a farm, given those good commodity prices, is now super-attractive.

That said, the main banks' appetite to fund expansion, development and even acquisition in

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farming I think will remain quite constrained because of the capital requirements on them from the Reserve Bank.

So, access to capital could still be unreasonably tight. That's where Hazlett comes in with its funding of livestock activity. While the main banks look after farmers' mortgage and working capital requirements, Hazlett has an important role partnering with farmers and their banks to provide simple, flexible and easy livestock funding options to deliver on your farming ambition. Rip into it. It's a great time to be farming!



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Rain would be welcome

We have good dairy prices, and the sheep market looks like it will improve throughout the winter with the first of the winter contacts pushing close to \$8/kg which is great.

We have a good steer calf market - although heifer values look hesitant, two-year-old buyers perhaps more reluctant and the prime price under a bit of pressure, coming off US\$0.74¢ down to just over 70¢; that's still 10¢ more than last year but then again last year we were in lockdown. We won't do the old refrain about the wool price.

So we're looking not too bad as we head towards winter. But it's been a dry autumn - hardly any rain at all in March - and now we need some to freshen the paddocks up. Indeed, pockets of Canterbury are starting to look dry - Banks Peninsula in particular has just about missed out altogether on the meagre rains that have been on offer.

Having said that though, we've had good weather with plenty of sunshine so soil temperatures will be favourable when any rain finally does arrive. There is still time to grow good levels of feed before winter.

So nothing to be pessimistic about at this stage, and you have to hope that the covid outlook gradually brightens, which should see our logistics and market access challenges soften somewhat.

I hope you've had some decent rain before the next newsletter arrives.



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The changing insurance landscape

New legislation came into force on March 15th that significantly changes the landscape in terms of Code of Conduct expectations upon financial advisers; that group includes insurance brokers.

The intent is to ensure that at all times brokers are acting in their clients' best interests, that this is clearly evidenced to the client and that there is absolute transparency around the remuneration the broker is receiving. Our view is that this will result in greater consistency in the quality of service that insurance clients receive and as such is a good thing.

The not-so-good news is that insurers worldwide are becoming more selective as to what they insure and are increasing prices.

All this is a function of a new risk perspective resulting from the coronavirus pandemic combined with the lower investment yields on premium pools due to lower interest rates on deposits and bonds.

In order to minimise any increases we are working with our clients to look at higher excess options, what if any insurances are not essential, and what market competition can be leveraged. Not all classes of insurance are going up in price however as some classes continue to be seen as highly desirable and insurers will compete for this type of business.



Peter Engel
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Maize becoming more popular in South Island for winter feed

As I write this (end of March) it's still unclear if the patchy dry weather is going to develop from a long dry summer into an autumn drought. Fingers crossed the rains arrive soon, as this is a critical time of year for growing winter feed crops and new grasses, especially on dry land.

The planning for winter feed levels is a critical part of any farming system. One of the questions our blokes get a lot is "How much feed is required to get my stock through the winter?" or "What crops or grasses will I require to achieve this?". Whilst the questions themselves are reasonable the variables are so great that even the most skilful Hazlett Agri-Supplies bloke will need a whole lot more information to arrive at a suitable and achievable answer. Beef and Lamb NZ have an excellent planning booklet on their website that is a guide to feed planning for all classes of stock (<https://beeflambnz.com/knowledge-hub/PDF/guide-feed-planning-sheep-farmers.pdf>).

Whilst maize silage has been a part of the North Island farming landscape for a long time, it's slowly now becoming more popular in the South Island with more cold-tolerant and shorter-maturing varieties hitting the market over the past few years. Our blokes have witnessed several good results, with plenty of happy clients enjoying having maize as an option in their farming system. Any of the team are keen to share their experiences if maize is of interest.

We are really excited to have a new staff member, Paul Bowater, joining us. Paul is covering North Canterbury and has an outstanding background in agronomy and farming systems.

Thank you for your business and support - we don't take anything for granted.



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CLIENT PROFILE

Jason Erasmus and
Vanessa Bragan

Jason Erasmus & Vanessa Bragan

South Canterbury

Jason and Vanessa have started up the farming ladder with the support of the Hazlett Funding & Procurement 'Virtual Farm' service.

They are leasing a "very dryland" property of just over 300 hectares between Albury and Cave, using it to finish lambs and cattle. Under the Hazlett scheme, the company procures, funds and markets the livestock that they grow out.

They started out with funding from another company in September 2019 with 700 store lambs and 70 cattle but this time last year they got in touch with Hazlett after very quickly reaching their credit cap.

"Ian Hercus came out, had a drive round the farm with us and talked through everything, and since then they've been great. They'll put on as much stock as we can handle, and they're the same with getting rid of them - we ring them up and usually within a week they have works space and they're gone."

This year, they are running all Hazlett stock, and it suits them fine.

"If the season's dry we just don't get as much in, but if we have a burst of feed, we ring them and they seem to be able track down as many as we can handle. That side of it's great."

Last season was difficult with store prices being high and works values lowering, and their commission costs to the funding company took out about half of their gross margin on the lambs whereas now their fees with Hazlett are very low, and they've happily grown out about 3000 lambs over their first winter with Hazlett.

"Our goal for this year was 10,000 but our autumn's been very dry so maybe we'll do about 8000 which we'll still be pretty happy with."

On the cattle side they took about 450 yearling beef calves in July last year.

"With prices dropping during the lockdown we thought it would be a shame not to capitalise on that. When Ian Hercus first came out here, he asked if we could take 1000 but Vanessa said she was leaving if that many turned up."

So they settled on half that number; they sold most of them through spring calf sales and so on, leaving 60-70 two-year-olds along with 100-odd more yearlings that they'll finish over this winter.

So they're very happy with the setup: "Ian has been bloody brilliant. And so has our Hazlett agent Tom Gattrell - he's the reason everything runs so smoothly and has been exceptionally good at keeping track of everything that's going on and planning ahead."

Jason does not come from a farming background and a lot of the livestock nous in this operation comes from Vanessa: "She is the backbone of our finishing operation, having brought all the experience as far as fattening stock goes and has played a huge part. She has put in some serious hours weighing, drenching and dagging lambs on her own, easily doubling the amount of lambs we can finish by taking on a big workload very efficiently."

Jason has taken time out to get his farmer wool-classer's ticket as under the funding scheme any wool they can shear off the lambs is theirs: "Along with our crossbreds, we've got 800 halfbred and 2500 halfbred-Poll Dorset cross lambs this year and their fleeces are worth a bit."

The absence of stock procurement worries makes concentrating on the feed supply a lot easier, he says. They grow roughly 25 hectares each of rape and lucerne over the summer and kale for the winter - they focus strongly on winter finishing as it provides most of their income. Of the 250 hectares in permanent grass, around 200 are workable and he is working away on their new tractor at improving those pastures.

"The other thing that's quite good with the Hazlett scheme is that they pick up all the trucking and take it out of your margin at the end so there's no pressure on the cashflow on the way through."

Jason worked on another property until about a year ago, and now he and Vanessa, who hails from Springfield, still pick up some casual work in the district. As alluded to above, Jason was a townie: his father, also Jason Erasmus, is a Christchurch surgeon who was featured in this newsletter back in 2013 as an insurance client.

The family emigrated from South Africa when the younger Jason was in his second year at high school. He won a scholarship for an engineering degree course but farm work in the holidays confirmed for him that that was what he wanted to do and he left university after two years: "It was pretty hard to come back after summer work and sit behind a desk for the rest of the year."

HAT PIC



We ran a competition among the team to guess where this photo was taken. The winner, Saret Yan, chose Ronald McDonald House to receive the \$250 charity donation.

Can you guess the location?

Answer on back page.

STAFF PROFILE



Peter Buckley
Senior Insurance Broker

Peter brought 27 years experience in the insurance industry to Hazlett Insurance when he joined nearly four years ago: 10 years in the United Kingdom as a claims and placing broker, then underwriter, and then 17 years in the rural broking area for FMG and Aon Rural back here in New Zealand. He also brought a deep appreciation of the worth of old-fashioned client service.

"My role now is almost entirely as a rural specialist. I like what I do and who I do it for."

The job has morphed significantly from when he started in the industry, he says, because the risk profile of farms has changed so much; there's so much more out there compliance-wise, and the value of equipment has risen so much.

"A lot of other advice is involved now as there is risk out there that isn't insurable. So today it's more a case of risk management advice than simply arranging insurances which is what it was like twenty years ago."

Canterbury born and bred, Peter has a partner, Deb, and two sons, Dylan, 21, who is nearing the end of a law degree course and Max, 17, who has just left school. He has done a lot of coaching over the years in basketball, and enjoys skiing and mountain biking. He is also a qualified sports and remedial masseur, a skill he acquired in the UK where he practised part-time while working with Lloyds of London, operating in aviation insurance. Peter originally started in the banking and finance industry here and then in Perth, followed by a couple of years working in the outback for a mining company client before he headed for the UK.

The Bloke's Diary

Upcoming Sales

Coalgate Weekly Sale	Each Thursday
Temuka Prime Cattle & Sheep Sales	Each Monday
Temuka Store Cattle Sales	Every Second Thursday

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

Special Sale

May 14 Hazlett Surplus Goods Sale at Dunsandel

Hazlett Directory

FUNDING

Phone 03 929 0317 Email hfp@hazlett.nz

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The Quarterly Yarn

It's been one of those stodgy old years. You know that great saying: we are sitting on a knife's edge. Well in the South Island we are, with this jolly weather pattern - absolutely stunning weather but we are getting the toms toms a bit with the dry conditions so take a knee everyone and call for rain.

Normal autumn activities carry on in the livestock sector, calves being offered and pre-winter preparations from our mates further south. And we are most appreciative to our North Island mates absorbing a large amount of livestock: a good reminder I guess if we are moving livestock between islands to ensure we prepare our livestock correctly for the trip ahead.

We salute the processing industry, they really do quite an extraordinary job - knitting together environment, processing capacity, people and global economic volatility is really quite something in our opinion. So to our processing mates we appreciate your support even though we may not demonstrate it all the time.

We also salute our arable and horticulture people. My giddy aunt, you people must be getting frustrated, some have been smashed by hail and now because of a cross-section of challenges your bloody hard work can't be picked. What next? Our energy is with you - keep talking and communicating when you feel the dark clouds.

Seize the moment, dairy sector! Fill your boots as they say, get stuck into that debt, strengthen your balance sheet and enjoy the ride.

In summary, the agri sector continues to aim high, we tirelessly turn out world-leading food for our mates around the globe, we put families on the line to do our bit for tomorrow's future, so be bloody proud of who we are and never ever forget we are all in this together.

Honk if you are hurting.



David Hazlett

Rural Bloke

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Hat Pic Answer: Castle Hill

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