

Hazlett News

A newsletter for clients and mates of Hazlett Limited

Plugging the seasonal livestock funding hole

Hazlett has been funding livestock for its clients for over a decade.

The business, led by rural banking veteran Richard Hegan, has gone from strength to strength, albeit 'under the radar.'

Farm finances are as tight now as they've been since the GFC. Richard says while the national inflation rate may be just short of 5%, on-farm inflation is probably a few percentage points more, given rampant input prices and high interest rates. The present state of lower commodity values compounds that.

So there's quite the cashflow crunch out there. It's all very well to keep spending under control but, as he says, "the grass keeps on growing" and mouths are usually the best way of converting grass to high quality protein: it's what pastoral farming is about, after all.

Accessing additional working capital for extra stock to utilise surplus feed from the farm's usual bank has become more complex, with increasing regulatory compliance requiring a lot more than the relaxed cup of tea with the bank manager of days gone by.

So the Hazlett Funding business acts as a simple, flexible and easy way to unlock funding and it plays a key support role to the clients' main bank. Yes the interest rate



is slightly higher, however generally Hazlett Funding can consider, approve and fund the stock within a couple of days of application - much faster than the banks.

Richard also cautions against reading too much into the quoted interest rate, as the extra funding is not usually required for more than a few weeks or months so the actual "dollars and cents" cost is a fraction of the quoted (annualised) percentage and not a lot more than most farmers' overdraft cost.

There is of course a sector of the farming community that does not need this kind of support but Richard says there is a far larger group who are strapped for cash, not through poor management but because they are growing their businesses in a tough economic climate, improving their farms, perhaps buying a bigger one, who succeed by, among other things, taking on seasonal livestock trading opportunities "... however they might be pushing at the boundaries of what the banks will support in terms of security and debt servicing criteria.

"We want to support those farmers because they are great farmers, they've got a good plan, and they're important to New Zealand."

He quotes the example of a pair of young brothers on their first farm that Hazlett funded for trading stock for a couple of years - totalling more than \$1m - who subsequently advised that they no longer needed the service as they'd been sufficiently profitable to repay some debt and thus move back within their existing banking limits.

"While we were disappointed to lose that business, it was music to our ears because we'd achieved exactly what we set out to do and that was to help a client through a pain-point; they were back with their main bank and on their way again."

A good summary of the Hazlett funding offer can be found at www.hazlett.nz/funding



LEFT: A new fence line through the scrub.



CLIENT PROFILE

Kaingaroo Station, Chatham Island

Kaingaroo Station is 4800 hectares (2000 effective), almost all flat, comprising the north-eastern arm of the island, except a 360ha block right on the tip. Weather-wise it's the best of the island with manager Levi Lanauze jokingly calling it the island's "sunshine coast".

The station, the largest sheep farm on the Chathams, has been owned since 2004 by the islands' leading Moriori entity, Hokotehi Moriori Trust. It originally bought the farm more for cultural than financial reasons. However the developments outlined here illustrate the Trust's more recent policy of increased investment in the farming operation.

It currently runs 4200 Romney ewes lambing at 150% and 250 Hereford breeding cows; this stock embodies genetics from some of the top names in New Zealand, Turanganui, Okawa and Meadowslea among them. The last of these is involved because, having cleaned all the "liquorice" out of the beef herd when he arrived, Levi has started using a few Angus terminal sires.

Pitt Island-born and raised Levi has been running the place for four years. He and his wife Tessa, with one-year-old Fletcher, aspire to buying their own farm on the Chathams eventually but for now Levi is doing what he told the panel interviewing him for the job he would do: run the station as if it were his own (which, given its community-ownership, it partly is).

He grew up on his grandfather's farm on Pitt Island and 'dabbled' in farming through his secondary school years in Christchurch, then worked as a fencing contractor in the province for six years. Later he and Tessa managed a large beef and cropping operation (400 cows and 11,000 acres of crop) in Eastern Alberta for two years.

The station's non-effective acreage is fern and scrub with some of it used for wintering the cows. It is not irretrievable ground however and Levi is bringing it in at around 30-50ha a year, 10ha at a time, by hoof and tooth: island costs, diesel particularly, prohibit more intensive methods. They mulch the fenceline ferns and use dairy-farm style fencing with posts 10m apart strung with two hot wires. To build a decent sward they feed hay from a 300ha finishing block at Henga, 15 minutes from Waitangi, that is rich in Maku lotus which does well in the acidic soils.

"In 24 months we go from four-foot fern to pasture."

Of course the main constraint is isolation. The Kaingaroo village is on diesel generation so in a slightly financial and climate decision the farm has its own solar array, with a diesel genny for backup. "On the Chathams, on the large farms particularly, we farm to the ship. It dictates everything we do."

The MV *Southern Tiare* arrives more or less every 10-14 days, with around 25-30 sailings per year. Chatham Islands Shipping (CISL) runs the vessel between Napier, Waitangi, Pitt Island and

Timaru. The CISL website tells us it's a versatile unit, having been adapted for the carriage of livestock, capable of carrying 2500 lambs. Designed as a multi-purpose ship, it carries both break bulk and containerised product including dry, frozen and chilled. Fitted with double cranes, it carries livestock, timber, posts, bait, fish, fertiliser, food "... and everything in between."

As promised, Levi changed everything around when he arrived and is very grateful to the Trust board for backing him; he likes to think they are being rewarded for that. He brought lambing forward to August 1st, and started weaning the first week of November, with 4500-5000 ready to go; they look to move at least 1000 of them before Christmas, while the balance wait for a ride at Henga. Calves are weaned at the beginning of April and the non-replacements all go to the same place for the same wait.

They shear twice a year - including pre-lamb so mothers seek shelter after lambing. The station can dry off in the summer raising the spectre of fly so they shear everything again (including lambs) in mid-November. "Obviously by doing that we get a better and cleaner wool clip." The Chathams are known for good coloured wool, which Levi puts down to plenty of wind. (Annual rainfall approaches 1000mm.) The last ewe fleece sale was \$2.60.

While production is satisfactory the station struggles to move it all every year. The shipping constraint means 150% lambing is effectively a cap. The revised shearing programme ("probably earlier than we should") means they get 20 more animals into every truckload. "A shorn animal travels better on the boat too as they don't get as hot."

"If we didn't own that block at Henga we wouldn't be able to farm as we do; we only get the shipping space that we do because of our location there. If we were trucking from Kaingaroo, a two-hour turnaround, it would be inefficient time-wise for the shipping company to give us more than one truck."

In fact, Kaingaroo is the only large farm on the island that doesn't own its own stock truck. This is a community-focused policy in that, if the station did its own trucking, CISL could not viably run its own trucking service on the island and many smaller farms would lose the service. Not carrying the cost of its own trucks is, of course, a useful side-benefit.

Levi has overseen 20km of new fencing and renovated the farm accommodation - as well as his own family, there are two full-time shepherds, a casual tractor driver, a full-time general fencing/biodiversity ranger and two nursery staff.

About the last: they have 310ha in the One Billion Tree Project, aiming

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to plant 210,000 stems, 80% of them Chatham Island natives ("lots of different ones") and 20% exotic (macrocarpa). They use these plantings in waterway and roadside fencing resulting, for one thing, in a very attractive and impressive farm entrance – Levi is one of those who believes a good farm should look the part.

Historically the farm, and Levi himself when he was on Pitt, worked occasionally through Peter Walsh & Associates, but because he started producing so many stores Levi looked to a closer relationship with Hazlett, albeit still via Karen and Peter Walsh. Levi is not fussy as to where the stock go in New Zealand and leaves it up to Hazlett to find any grazing necessary. "Anything that's killable gets killed and what doesn't goes through the saleyards."

The longstanding agent on the island has been Pitt Island-based Martie Gregory-Hunt and he is now handing the baton to his daughter, Hazlett agent Raewyn ("Tommi") Gregory-Hunt.

Good season in the North Island

The North Island in general has had an amazing growing season. This has been well received although it has frustrated a lot of farmers as they prepared early for the predicted and heavily publicised El Niño drought conditions.

The Hazlett team has had a busy summer introducing several on-farm sheep and cattle sales to the North Island market. The sales were well supported, and the vendors also reported that they were happy with the process and cost savings achieved. The reduction in sheep values was not a welcome change and we are all hoping for a change of fortune in the coming months.

A big thank you and welcome to all of the new and existing Hazlett North Island customers as we continue to grow our footprint across the island in the sheep, beef and dairy sectors.



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Some positives in tough times

Without doubt 2023/24 will go down as one of the more difficult years for our farmers across all sectors.

A combination of depressed prices, cost inflation and high interest rates has affected every farming sector.

Hard times are not unusual in the history of farming but that doesn't make it any easier. The scale of the interest rate increases, which in many cases are double, combined with the debt levels of many farmers is something we may not have seen before.

This has created new challenges for our team of agronomists who have worked alongside their farmers to evaluate cost-saving options while trying to minimise the flow-on effect on future years.

We fully understand the dilemma facing our farmers and that "Rolls Royce" products and solutions are not currently an option for many.

On the upside, the season on the East Coast of the North Island is shaping up well for autumn sowings, which are crucial post last year's Cyclone Gabrielle, and dairy pricing is trending in the right direction. We still await the recovery of the red meat market, which we know will recover, we just don't know when.



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Court Ruling Highlights Trustees' Liability in Health & Safety

In a recent court ruling, trustees have been identified as liable entities under the Health and Safety at Work Act 2015 (HSWA), despite trusts themselves not being considered 'people'.

This distinction emerged from a tragic incident where a child was fatally injured on a farm owned by a trust.

The ruling underscores the necessity for trusts to secure statutory liability insurance to safeguard trustee assets in potential claims. It also emphasises the importance for professional trustees to ensure adequate insurance cover is provided by the trust in case of health and safety prosecutions.

This decision has significant implications for trustees, particularly those involved in businesses operated through trusts, such as farms. It clarifies the collective responsibility of trustees in compliance with health and safety regulations and the indemnification of trustees under trust deeds.

Moving forward, trustees must be vigilant about their obligations under the HSWA and understand the extent of indemnity available to them, especially in businesses where health and safety risks are prevalent.



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Peter Heinz and the South Canterbury/North Otago livestock team were involved in a calf fundraiser for Glenavy School late last year.

Glenavy PTA is a registered charity currently raising funds to fit out two new classrooms. The \$250 donation will assist in making this happen so they can continue to support their rural students.

STAFF PROFILE



Brett Nettleton

Operational Support - Hazlett Agronomy

Christchurch born and bred, Brett joined Hazlett in September 2018 after eight years in IT roles. Though a townie he had a lot of farming exposure in his earlier years and retained a passion for it that finally drove his change of occupation.

He initially spent a lot of time on the road for Hazlett but has settled into a mostly home-office role supporting the Agronomy team's field work. His IT background equipped him well for what he does now.

Working from home suits him, too, as he has two children, Noah, aged 7 and Isabella, 5: "... who I love spending time with - when I'm not teaching them they're teaching me!"

When he gets the chance he relishes getting "... out of the chaos and into the peaceful wilderness..." in his 4WD for some hunting and fishing.

Not that his work with Hazlett is too chaotic. He says that while some companies make much of their caring cultures and so on: "... all that fluffy stuff, but Hazlett is probably the one that walks the talk in that aspect. That's the one thing that I've noticed when comparing it with other employments: when you do put your hand up they really do front up."

Hazlett
People Together

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Don't try to go it alone!

We are smack in the middle of one of those 'who-woulda-thought' seasons that we hope never comes, in which nothing anyone can say is going to help anyone else.

We can learn from the past, perhaps. A problem shared is a problem halved ... all of that, but none of it helps when you're pulling your boots on in the morning and going out there to find nothing is any different to what it was yesterday.

It's very easy for others to sit on the sideline and say you learn from adversity, but learning from adversity is not much fun when you're in the middle of it.

Yes it will be great when we get out the other side of this, but that seems a far off place right now.

But we must not do this alone. It's really important that people knit up and surround themselves with others they can rely on. We just have to take care of each other. This is a gut-buster, and it's new territory for some.

For quite a while now, I've been signing out of these remarks with 'Honk if you're hurting.' Never in my experience has there been a time when this has been any more true than it is right now. This is real.

Don't try to do it on your own!

Except when you're praying for some nice easy rain ...



David Hazlett

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A classic double whammy

At the risk of echoing what David is saying in his remarks, everybody is hurting.

The markets are a sorry story across the board. We might be seeing a slight blip in the US beef market but we are not going to get the highs that Australia got last year.

We might say it looks ok, but what does ok look like when your cost structures are the only thing going through the roof? We thought we were ok a couple of years ago when lamb was near \$10/kg and close to \$7 for mutton. I see Beef & Lamb saying it was the best year in 40 years. But most of us knew that wasn't sustainable and now we're paying the price: \$6 for lamb and \$2.50 for mutton.

And having our two major meat companies hitting hard times is a sign the situation is not only dire inside the farm gate.

The other big turnaround is the weather. Pre-Christmas, things were looking pretty bright on the feed front but nature hasn't played ball since.

Our farmers have proved time and time again down the years that they can deal with price volatility; and they know how to react to a drought but when you have extremes of both, you've got both hands tied to your ankles. The classic double whammy.

As David says, speak up if it's looking too hard. I think we are getting better at doing that but sadly still not good enough at it.



Ed Marfell

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Sales Calendar

Weekly Sales

Blenheim	Every Second Monday
Coalgate	Each Thursday
Temuka Prime Cattle and Sheep	Each Monday
Temuka Store Cattle	Every Second Thursday
Charlton	Each Thursday
Lorneville	Each Tuesday

For all sale dates including special sales, please refer to our calendar or visit www.hazlett.nz/whats-on for up-to-date information.

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