

2012 UNITED KINGDOM AND EUROPE TRADE TOUR REPORT

BY

GRANT AND BERNIE WELLER

**2011 BALLANCE FARM ENVIRONMENT AWARD NATIONAL
WINNERS OF THE GORDON STEPHENSON TROPHY**



FARMING OPERATION

We have an 890 (850 effective) property on the north facing side of the Hokonuis between Balfour and Riversdale in Southland. The property has contours that range from the flat at 300asl to tussock at 600asl. 700ha is native and over sown silver and red tussock with areas of native bush spread throughout. There are numerous waterways and streams running down through the property and into the Waimea Stream. Bernie grew up here with her parents and siblings.

The property carries approximately 5900su, in 2010 the farm wintered 2600 Texel ewes, 753 two-tooth's, 770 hogget's, 32 rams, 200 Hereford/Angus breeding cows, 85 heifers, 47 steers and 8 bulls.

ACKNOWLEDGEMENTS:

In April 2011, we were named the Supreme Winners of the Southland Ballance Farm Environment Awards.

In June 2011 we went to Hawke's Bay for the New Zealand Farm Environment Trust's Annual Sustainability Show. This event brings together Supreme Winners from nine regions to celebrate their success.

The 2011 Sustainability Showcase was special as it was the first time a National Winner was introduced into the awards programme.

On Saturday 25 June 2011 at a gala dinner, we were named the inaugural Ballance Farm Environment Awards National Winners and awarded the Gordon Stephenson trophy.

This was the beginning of an amazing journey for us.

First up was a "Tour of Duty" throughout New Zealand and we were accompanied on this tour by the General Manager of the Trust, David Natzke.

This was our first taste of what it was, to be Ambassadors for Agriculture and David did an amazing job of facilitating the meetings and making it an extremely enjoyable experience.

We got to meet the Minister of Agriculture, The Hon David Carter, appear before the Primary Production Select Committee at Parliament, and we got to meet a whole host of CEO's and senior elected and management personnel from; stakeholders who support the New Zealand Farm Environment Trust and the Ballance Farm Environment Awards including:

- Ballance Agri- Nutrients
- PGG Wrightson
- Rabobank
- Federated Farmers
- MAF
- Beef + Lamb
- Massey University
- LIC
- DairyNZ
- Waikato Regional Council
- Hill Laboratories
- Fonterra

Being the Southland 2011 Ballance Farm Environment Awards Supreme Winners and the inaugural National Winners meant we were in demand for speaking engagements and appearances at conferences. This was not onerous; it was a pleasure to be able to tell our story and our journey to a cross section of New Zealand.

One of the main benefits of being the inaugural Ballance Farm Environment Awards National Winners and awarded the Gordon Stephenson trophy was that we got to go to the UK and Europe to visit farming operations and to meet with a whole host of influential people associated with policy development and marketing. This was an absolutely incredible experience.

The following report details our visits, our thoughts and our observations.

We would like to thank a number of people who made this trip possible.

Firstly the funders; MFAT, MAF and the New Zealand Farm Environment Trust.

Secondly the New Zealand Farm Environment Trust who scoped the business opportunities for the visit and did a lot of planning to make it all happen.

Thirdly to Beef + Lamb New Zealand and Fonterra for arranging the farm visits and meetings in the UK and Europe. In this regard a special thanks to Dave Harrison, Regional Manager Europe for Beef + Lamb New Zealand who met us in London and accompanied us on our initial UK travel and through Europe.

And finally to our family who managed things back home while we were away.

Grant and Bernie Weller

UK and Europe Trade Tour Report 2012

We are writing this report, not in the order of visits and meetings, but in a way that builds a picture of the agricultural industry as we saw it in the UK, and Europe.

It was a picture that was built slowly, and we thank Dave Harrison, Beef + Lamb's Regional Manager in Europe for arranging the visits and meetings as well as taking the time to accompany us throughout our time in Europe. His input and local knowledge greatly added to our comfort and enjoyment as well as increasing our understanding of many of the issues we were to discuss with those we meet.

We will begin with the farmers, followed by NGO's, marketers, importers, distributors and finishing with the policy makers and our highlights. These are our observations and personal opinions in the summaries of what we saw, heard and discussed.

Farmers

Farm 1



Kenilworth Farm

Henry, from Kenilworth near Birmingham was a beef finishing and cropping farmer as well as an environmentalist. He was in his late 60's, and has a son who one day may come home to the farm.

He has high level environmental stewardship on his farm with a number of subsidies involving laying off land in strips amongst crops for the birdlife, protection of historical sites and also a number of subsidised activities on farm such as hedge laying, tree planting and walking tracks (10 000 walkers through the farm last year). He planted borage, red clover and was trying other mixes to leave to go to seed, to be eaten by the birds in the winter.

Environmental stewardship is a government scheme open to all farmers, land managers and tenants in England. Through it they can be financially rewarded for good stewardship of the land and managing it to improve the quality of the environment. It is made up of three levels, Henry being at the highest end.

Henry's core farming business has changed over the years; originally dairy farming to now a beef fattening operation (wintered inside). He supplies a Hereford/Angus market that is by contract; although all his beef cross animals are born out of dairy cows.

Henry's crops were also contracted and he was running a very conventional NPK fertilizer regime and chemical spraying programme. The soils are sand based and have an average rainfall of 550 mls a year.

His other source of income was the conversion of stone feed barns into tourist accommodation. Being in the vicinity of historic Kenilworth Castle and having historic sites on his property makes it ideally situated and very lucrative.

Farm 2



Dairy Farm



Back Scratcher

The second farm we visited was a Robotic milking dairy system, farming 100 cows in the Netherlands. A family farm, no external labour another than an agreement with another farmer to look in on the farm when the family is away.

A very quiet automated system, the cows were settled and relaxed in-doors with excellent condition score, producing 1,000,000kg of liquid milk with year round calving. They were milked on average 2.7 times a day.

The milking shed had a heat recovery and pre-cooler system, cow mattresses and back scratchers. They were feed mainly a grass and maize silage feed, all of which was sourced on farm with few animal health problems. Special supplement feed was given when being milked, specific to the individual cow.

There were 2 automated calve feeding systems which made fresh milk through mixing warm water and powder on an on demand system.

All milk produced goes into high value products such as cheese and Ben and Jerry's Ice-cream, where they receive a substantial premium.

The farmer's mission is to farm sustainably, have a good life balance and earn a decent income. They are members of Caring Dairy which promotes Happy Cows, Happy Farmers and a Happy Planet. It also enables farmers to benchmark themselves against others in the industry.

3rd Dairy Farm

Milking 180 cows through a Herringbone milking platform built in 2010, producing 1,500,000kg of liquid milk, also supplying Ben and Jerry's and members of Caring Dairy. This is a family farm, with the son now managing and the father (semi-retired) helping out milking.

The winter feed is produced on farm and on a nearby lease block. Their goal is to use less synthetic fertilizer and concentrate on green energy and the methane digester they have set up on farm.

The methane digester is a prototype where they separate methane gas and nitrous oxide out to sell and use themselves in gas form. It also separates the liquid into nitrogen and phosphorous, to be used as a fertilizer. The remaining

solid waste at 35%DM is heated to 70 degrees and then used as a bedding material for the cows inside.

It has enormous potential, but still very much in the prototype phase. No Government funding for the project, but Lely has just taken up the opportunity to become involved.

Sainsbury's Lamb Development Group

Made up of a group of farmers from all over the UK, with the aim to work together to drive efficient, sustainable production for farmers, processors/packers and Sainsbury's customers. The Steering group meets on a quarterly basis to share views and discuss relevant issues concerning the industry.

At the meeting we attended, the issue at the top of the agenda was animal health. In particular: C-Ovis, TB and the Schmallenberg Virus.

C- Ovis is a major problem because of the walking tracks through farms all over the UK which allows unlimited access for walkers and their dogs. The farmers have no control or knowledge as to whether the dogs have been treated or not.

TB is a problem in specific parts of the UK because of Badgers. A Badger Cull has been put on hold by Animal Rights Activists protesting and the urban perception of the problem.

Schmallemberg was particularly relevant at the time we were there, as lambing had just started and there were deaths being recorded by some of the farmers at the meeting. The lambs were being born with deformities and were still-born. There is still no certainty as to whether the ewes can get in lamb the following season. There are no vaccines or treatments available yet and it is spreading through-out the UK and Europe. They believe it is spread by midges.

The volume of lamb produced in the UK is down 20% on last year's statistics. Sainsbury's produced figures that only 37% of last year's lamb carcasses meet retail specification, with many carcasses exceeding target weights of between 17 and 19kgs which is the optimal. Sainsbury's want lamb leg joints of no more

than 2.2 kgs; instead farmers are taking their lambs up to 24 kg carcass weight with heavy leg joints well over the desired weight. The reason for this being: that a high proportion of UK lamb is still sold on a live weight basis, therefore the farmers get more money and this is how they have always farmed.

Farm Tour Summary



Indoor Lambing

In addition to the trade part of the tour, we visited farming friends in Dumfriesshire, Scotland. An extensive sheep and beef operation with an on farm camping ground. In common with the other farms we visited in the UK near Kenilworth, the most profitable part of their business was their tourism venture along with income received from subsidies.

It seemed to us from what we heard and saw that many farmers income equalled their expenses. This would make it very difficult to run a profitable operation, without having the back up of the subsidy system. Having, said that, the subsidies provide, in our opinion, little incentive to improve on farm efficiencies. In our opinion, it seems that a large portion of UK farmers are not consumer or market focused. We did find an exception with Welsh Lamb, which has been very well branded and sold at a premium in restaurants and in supermarkets.

Another point that struck us was the reliance on human intervention in their animal breeding and management systems. They seemed to have bred a lot of resilience out of their animal breeding programmes and one farmer's comment was that *'he had no doubt their animals are far softer and less able to handle challenges than they used to be'*. This may be from increased veterinary intervention, drenches, chemicals or farming animals inside in intensive operations, where survival of the fittest is no longer such an issue. The same could be said of the two dairy farm operations we visited in the Netherlands although we were impressed with some of the innovative systems like the robotic milking and the methane digester. We are very aware that we only were able to see a very small sample of farming systems in the UK and Europe. We would love to go back and visit to get a more comprehensive view of farming over there. We thoroughly enjoyed the countryside and were impressed with the efforts being made to retain its natural beauty.

NGO's



Oak wood



Hedge Laying

- Natural England, government funded national good organisation
- Eblex, organisation for Beef and Lamb levy payers in England
- Copa Cageca, a lobbying organisation for EU famers

When we visited the Kenilworth Farm we had representatives of Natural England and Eblex organisations.

Natural England has, through environmental stewardship schemes, ensured that thousands of farmers and land managers have the funding and advice available to help them undertake work to conserve and improve the countryside – throughout England. At the start of 2009, nearly two thirds of England's agricultural land was covered by environmental agreements. For example:

- Looking after wildlife, species and their many habitats;
- Ensuring land is well managed and retains its traditional character;
- Protecting historic features
- Ensuring traditional livestock and crops are conserved;
- Providing opportunities for people to visit and learn about the countryside.

There is also substantial funding for capital development on farm along with management options of existing biodiversity.

Between 2007 and 2013, 2.9 Billion Euros of funding is available through the EU funded Rural Development Programme. The scheme is administered by Natural England.

Eblex is a very similar organisation to Beef + Lamb in New Zealand. They put programmes in place as in animal production reports, emissions targets, strategies and environmental impact management. Eblex leads a group of industry organisations to promote and guide farmers to reduce the negative and promote the positive environmental impacts of their businesses.

Copa Cageca

We met at a Breakfast meeting in Brussels, where we discussed the opportunities and challenges of agriculture and conservation in the EU.

Copa- Cageca is a committee made up of 60 professional agricultural organisations of the EU. They represent the general and specific interest of farmers in the EU.

Their objectives are;

- To examine any matters related to the development of a common agricultural policy
- To represent the interests of the Agricultural Sector as whole

They communicate with the European parliament and Ministers involved.

NGO Summary

We were surprised at how much money is available to be used as subsidies for farmers in the EU. A substantial part of the subsidy money comes into a pool or single entity which is then divided out through Government Funded Bodies throughout Europe. For example in England there were 5 NGO's that have funding available. None of these organisations seemed to be working together or knowing what each other was doing. We were told that for every UK tax payer, 1000 pounds annually goes into rural subsidy schemes.

Environmental groups seemed to have enormous power when it came to lobbying on conservation issues, with many having a single focus. The urban perception of farming seems to reflect these environmental groups. The gap between the rural and urban populations is obviously much larger than in New Zealand, with what seems to be little understanding for many of rural realities. Thus, the need for equally strong farm lobbying groups.

Marketers, Importers and Distributors



Rungis



Randall Parker Cutting Plant



Sainsbury's Distribution Centre Ambiance Hall

New Zealand Farmers – Marketers

Randal Parker Food Group – Importers and Distributors

MAG – Importers and Distributors

Sainsbury's Distribution Centre, Birmingham

Just before leaving the UK for home we meet with Brian Johnston the GM for NZ Farmers, who are based in London. They market NZ lamb for the Alliance Group throughout the UK. Brian took us for a visit to the Randall Parker cutting plant near Andover, England. They cut year round, only lamb carcasses and up to 3800 carcasses a day - Both UK and NZ lamb. NZ lamb is either boned out into smaller cuts and repackaged, or repackaged as whole legs for the local market.

We had chilled lamb legs arrive two weeks earlier after a 6 week boat journey. Most of our product was already out in the market place but they held back two boxes of our legs from our farm. The head butcher opened the vacuum pack of one leg, boned it out and cut them into steaks; they then cooked them for us and the management team. The meat was absolutely delicious, tender with lots of flavour.

We were interested to learn that the meat, once opened, needed 10-15 minutes resting to regain its colour after being deprived of oxygen for so long, once cut and repackaged they put a specific amount of oxygen and CO2 in the packs to keep the meat red, it then has a maximum 8 day shelf life.

The day we were at the plant there were NZ lamb legs going into the market place for the Easter market at ½ price; 13 pound instead of the usual 26 pound.

NZ lamb was being marketed as a loss leader by the retailer. Sainsbury's had done studies with their consumer cards and had found consumers that purchase lamb in their shops were on average spending an extra 20 pound on other products throughout their stores. They were using our product as a marketing tool to get consumers in the door and increase their profit.



New Zealand lamb

MAG are French Importers based in the Rungis, Paris

They import fresh and frozen meat from 15 countries and fish products from 17 countries. MAG guarantees quality of product through impeccable delivery systems. They monitor shipping containers with regular inspections and manage quality and traceability at every stage, from the start to the finish of the journey.

They showed us through their cool stores and would very much like to import NZ lamb year round. We were told that consumers prefer to buy chilled lamb,

the perception being that frozen lamb is inferior. However they will buy it chilled and then freeze it themselves.

Jean-Baptiste our MAG host then escorted us around the Rungis which is the world's largest retail market for fresh produce. It operates between 12 midnight and 7am before restocking for the next day. The Rungis sells over 1 Billion Euro of food each year, the market covers 232ha and has a turnover of 7,420 billion euro, servicing 18 million consumers. We arrived at 6.30am. The quantity and type of produce available is extraordinary, each warehouse having its own hall, bar and restaurant. Very much a city within itself. They sell bovine and sheep meats in full carcass form chilled, all offal imaginable, fish, fruit, vegetables, flowers and plants. The meat warehouse was full of beef and lamb. Most of the beef was grain fed Belgium blue double muscled carcasses which was very pale in colour which we found hard to look at. Jean-Baptiste said the meat was not good quality, but there was lots of it and farmers got paid well. The lamb that we saw was variable in quality, different carcass types and quite a lot of fat over the carcass, of course all of the lamb in the market at that time was wintered over. All the product was bartered for and would then be distributed all over France.

Sainsbury's Distribution Centre

We were shown around the depot with the Sainsbury's producer group members. The warehouse is split in two with ambient food on one side with a stack and rack system, chilled and frozen product in the other room with an automated conveyer system. Total warehouse space of 700,000 sq ft with 750 staff. Food is sorted by the staff on mobile forklifts for each individual store or supermarket. It is then all loaded out in one of the 186 bays around the outside of the building with all the different product range for each individual client. By 11am that morning 50,000 products had already gone out all over England

Summary of Marketers, Importers and Distributors

For us, we were disappointed to see NZ lamb selling at discounted prices throughout the UK and Europe, even though we were told, time and time

again that it is a quality, consistent product that sells well. While we understand the Loss leader concept it was disappointing to see our lamb sold this way. From what we saw we have no control as farmers or an industry at the moment with how our product is sold at the retail level.

In every supermarket outlet in the UK and Europe that we visited, NZ lamb was consistently priced lower than local product at between 5 to 7 Euros a kg. But in saying this, the packaging we saw our lamb being marketed in could have been improved on to lift the presentation to equal that of the local product being sold.

One concern we have is that importers desiring year round supply of NZ lamb is leading to animosity from local farmers in UK and Europe when we are supplying our product during their seasonal kill. Our view is that this is not necessary as we produce our best quality lamb in their off season. For instance Sainsbury's will only market NZ lamb from December to the end of May, from June until late November only local product. We believe this is a great fit for both industries.

Policy Level

In Paris we meet with Hayden Montgomery at the New Zealand Embassy. Hayden is MAF's Advisor on Climate Change in Europe. He explained his role in Europe and how they work with other countries to maintain New Zealand's competitiveness on a global market; in relation to environmental demands made.

There was never an option of New Zealand not entering Kyoto in Hayden's opinion; we are far too reliant on the export market. Whether we remain in Kyoto however will be dependent, he believed, on the government, after assessing the risk to New Zealand's competitiveness. Meanwhile New Zealand has been very proactive in initiating and chairing along with other similarly minded countries, other environmental schemes such as the Global Research Alliance. This gives New Zealand excellent international standing and respect, which will hold us in good stead for the future.

Hayden went on to describe the process as very laborious, and politically driven. Not an area you would want to be in if you wanted to have immediate action.

One particular problem they are working on at the moment is with a major supermarket in France. An issue very popular at the moment is the rating of consumer products on levels of environmental harm and labelling them, such as the amount of water used carbon emissions and biodiversity. For biodiversity they calculate the rating dependant on the size of land used to create that product. The less land involved seemingly the better the biodiversity. This immediately places New Zealand products at the very highest level of harm, as in relation to European farms we are extensively run.

In Brussels, we meet with Michael Hamell who is Head of Unit for Forestry, Soil and Agriculture for DG Environment, European Commission.

Michael had a very good understanding of New Zealand's quite unique situation, which for a developed country we have such a reliance on agriculture as an industry and this presents such a large percentage of our total emissions. Unlike other developed countries with much of their emissions coming from industry, ours are more natural and therefore much less potential for mitigation.

Michael was very concerned with Europe, he explained that land mass the size of Cyprus was disappearing into Urban sprawl annually. He is concerned about the over-use of chemicals especially in cropping and the mining of soil minerals. His belief is voluntary good practice has not worked; regulations therefore are essential and is determined to regulate the EU as a whole.

The power behind the Environment Commissions is reflected in that France has just been taken to the Environment Court for failure to comply with EU regulations.

Policy Summary

We found these meetings extremely interesting and challenging, both Hayden Montgomery (as the son of a NZ dairy farmer) and Michael Hamell, had a good grasp of reality at grass root level. They both understood the frustration of NZ

farmers being told, on the one hand to produce more food to feed the world and on the other to try and prevent what are essentially, a natural by-product.

We were interested to learn that the change of Government from Labour to National had not changed any policy direction where NZ is trying to head in regard to environmental concerns at this level. Hayden believes those working on NZ's behalf have always been after the best deal and continue to work towards this. And while it is slow and laborious at times, progress has been made and we now have options.

Michael Hamel made the comment that the concern NZ has at present with water quality with high nitrate and phosphate levels is similar to that which Europe experienced in the 1960's and 70's. Regulations came in which reduced fertilizer use up to 40% with no noticeable drop in production. He is ardent that similar regulations come into force in regard to chemical use in the EU. He told us that herbicides, pesticides and insecticides are failing throughout Europe and farmers are now waiting for new products to be developed to prevent crop failure.

The idea to have the EU as a whole similarly regulated we believed extremely difficult when you consider the different societies, topographies and climates involved. In addition the subsidy issues are so complex, with social as well as economic wellbeing at stake, we have little faith they could be reasonably resolved any time in the near future.

Highlights Insert



Sightseeing in Paris

- Being back in Europe and having enough free time on our trade trip to tour around London, Paris and Brussels and surrounding countryside.
- Gaining a deeper understanding and firsthand knowledge of our industry, outside our farm gate.
- Being able to meet and speak to a diverse range of people involved in the many different parts of our industry.
- Eating our own lamb on the other side of the world, and having it taste so good.
- The opportunity to visit friends and family.
- Experiencing the different cultures.