



TOPICS TO BE COVERED:

1. Meat Industry | 2. SIL | 3. Zoetis | 4. Genetics for 2015

The past calendar year has the most challenging for me in my 27 year farming career. In fact it is just as well we don't know what is around the corner sometimes!

A very wet cold winter carried on till mid September and this put extreme pressure on people and stock. I don't think many of us would be happy with the condition our stock coming out of this winter.

1. MEAT INDUSTRY

I have spent considerable time and money on influencing the future direction of the meat industry over the last 3 years. Initially with MIE and over the last 5 months, leading a SFF shareholders group to get SFF to release the financial information that they had sitting on their desks about the merits of SFF and Alliance actually working together rather than fighting each other

None of these things have been successful but I still believe it was important that SFF shareholders were given the other side of the story regarding the Shanghai Mailing deal. It was also apparent that farmers did support this deal and that rather than fight on we had to get over it and accept that we are now at least 50% owned by the Chinese.

I believe that SFF is now in a financially secure position, all on its own steam and the ability to sell into 7000 supermarkets when we can't even sell chilled lamb into China at present won't put money into our farmer's pockets. When have we ever got rich in the past supplying supermarkets. Who gets rich out of this process?

I also put my name in the hat for the Farmlands Board and this was unsuccessful. Time to go back and concentrate on our core business I think!

2. SHEEP IMPROVEMENT LTD (SIL)

We have used two Perendale sires from two studs this year in an effort to build up our linkages with other studs. Just now the SIL computer system doesn't rank our sheep because we aren't strongly linked to other studs and so it puts us at the bottom of the report. This is not because the genetic worth of the rams' is lower but because they can't accurately rank our sheep without these linkages.

Just to reinforce why this has happened. We stopped being involved in a group breeding scheme because none of the rams from top Perendale flocks were performing in our low input environment. However our rams were doing well in a high input environment and 6 out of the top 10 rams in the group scheme were Avalon sires when we left.

For many farmers the SIL reports are important and we need to get back on the front pages of these reports so that we can compete on a level playing field in a competitive industry.

3. ZOETIS

This company specialises in the genomic or the DNA genetic components of breeding and they produce the DNA reports for sheep performance. Basically you can take a blood test now of our Perendale rams as lambs and it will give you the breeding values for the traits that we select for, at a price of course. This allows farmers to select their top genetics 2 years before they

SFF deal needs to clear regulating authorities

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THE NEW 50% owners of South Island meat processor Silver Fern Farms were last week due to give their blessing to their joint venture deal.

Shanghai Maling shareholders voted last Friday on the deal - to inject \$261 million into the co-op, in return for a 50% share of the business Bright Food Group, which owns 38% of Shanghai Maling, backed the deal in a letter to SFF. Last month 82% of SFF shareholders voted in favour.

Despite approval from

shareholders, the two parties still need to clear regulatory hurdles; getting the green light from New Zealand and Chinese authorities is expected to take several months.

SFF expects the deal to be finalised in five-eight months.

The recent decision by the Overseas Investment Office (OIO) to reject a bid by Chinese conglomerate Shanghai Pengxin to buy the Lochinver Station is not playing on the minds of SFF and Shanghai Maling.

SFF chief executive Dean Hamilton says unlike the Lochinver bid this deal is not about

buying land.

He believes Shanghai Maling's application will focus on employment and economic value to the country.

"The big thing is employment: we employ 7000 people and are a very large employer in NZ.

"This deal is for job security and confidence: as we bring more added value through our plants that will require more staff and we believe we will take on more staff.

"Secondly, the value from this deal will fall in NZ: when we increase sales of added value



Chief executive Dean Hamilton with SFF shareholder Allan Richardson at the special agm.

products that will be reflected in higher farmgate prices."

SFF board members and directors held 23 roadshow meetings; chairman Rob Hewett

says for him the outcome was never in doubt.

He also notes that the deal involves more than just cash.

"We wanted to retain control of the

co-op, which we got; we got the right partner who is aligned with us strategically; we also wanted non-exclusive rights to sell products around the world. We got

all this."

Asked if the 17% who voted against the deal could exit the co-op, Hewett said he will wait and see.

However, Hamilton doesn't believe too many suppliers will switch to other processors.

"Some shareholders who did not back the deal are now getting behind the co-op; these suppliers want to continue to supply SFF and they believe in our strategy. At least two big shareholder suppliers said they would continue to supply, so that's good."

would get this information from progeny testing.

We got them in to do some 5 K tests on some of our top ram hoggets to see if the genetic tests for these rams reflected the true genetic worth or was it a reflection of how the rams perform under a high input system.

I believe that rams should be valued on their performance without chemical inputs; this is really their true genetic value. However the 5 K tests showed that they mirror the SIL breeding values in most cases

We know that some of the top rams in NZ that we have used rank 40-60 % lower in our farming system than SIL says they do and we believe that this difference reflects their response to drenching. We don't think farmers should be cutting out all their drenching but certainly much of our sheep performance is drench dependent and this is not a sustainable solution for the industry.

4 GENETICS FOR 2015-16

Perendale We have 5 very productive family lines in our Perendales and they continue to improve our genetic worth of our flock.

We had another ram in the NZ progeny trial this year and he is ranked 5th compared to our last ram who is ranked 11th on our sire summary. This first ram had the highest growth rate by 9 % of the top rams in NZ.



½Perendale, ½Ultimate Progeny from a Perendale Ewe

Texel We have limited numbers of rams with a fertility gene that adds 25% fertility to these animals carrying the gene. The Texel is king for meat and growth and if we can add 25% fertility, then this makes the Texel a great maternal option as well.



Texel 2th Rams



Hamish Ottrey - Ultimate Ram Hoggets

Ultimate We have some of our top clients using the Ultimate over their Perendale ewes to boost hybrid vigour and their overall production. Our Ultimate's scan approx 10% higher than the Perendale at the same body weight.



Tapanui farmer Hamish Ottrey won the NZ ewe hogget crossbred farmer of the year this year. Hamish uses the Ultimate over his ewe hoggets for their ease of lambing and the ability to get the lambs to the works at good weights. They are certainly a worthy option for hogget mating and it gives farmers an opportunity to see how they perform on their own sheep.

We face another year of uncertainty regarding the climate and prices; it seems that nothing changes in this respect.

We are pleased to see that clients we have contacted are getting good results from our genetics and look forward to working with you for this season as well

Our business is to increase your profitability through higher sheep performance while reducing your input costs.

We enclose our ram order form for the 2015-16 season.

Regards

Allan & Sonia



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