



# MRB Christmas Newsletter

## “2020 – the year that was”

2020 has been a challenge for most farmers and related businesses but the industry has dug deep once again, refocused to implement, or maintain, a profitable business to beat adversity.

This resilience should not be exchanged for complacency in 2021. A profitable dairy sector, growing demand for grain and seed, or modest meat pricing should not be reasons to break away from a robust business model.

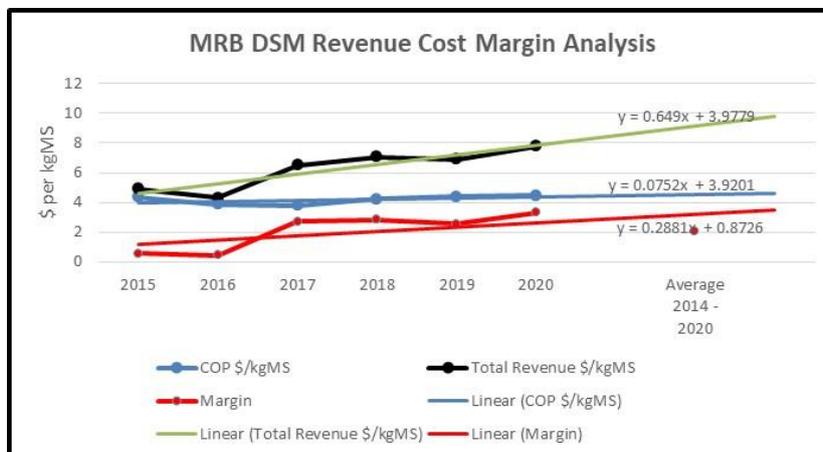
As a farming community we have (all but) beaten Mycoplasma Bovis; we have reprieve (in the main) from dry weather; we are getting our heads around how to profitably implement the national framework for freshwater management while continuing to negotiate with Government; and have managed to hold a production system together, despite Covid19 playing merry hell with many of our export markets.

Confronting four major challenges in 12 months has taken some spring out of our step, but on reflection, lateral thinking and expedient decision making to solve problems has had many farmers coming out winners.

### Dairy

The net ambient temperature for dairy farming is good. One foot is red hot with our red government demanding change to the way we farm like we have never experienced before. The other foot is nice and cool with what will be our fourth season of good profits.

As a sector, costs have been very well controlled over the past five years, with the average farm costs (blue line in graph below) only increasing 1.90% p/a. Cost control, combined with strong milk pricing, means we now have strong positive cashflows in dairy farming. Traditional milk price induced productivity (and cost) spikes have been tepid by freshwater reforms, Mycoplasma Bovis risk, and livestock export trade.



Graph: MRB Client income and expenditure – Tracked over 6 seasons, DSM Data

At MRB, we are confident our dairy farming clients are in a good space to deal with the change that new policies are demanding:

- We have positive cash flows, easier to be green when your profit is in the black.
- Exemplar farms (Lincoln University Dairy Farm, and some clients) are well on the way to meeting changes in environment legislation while maintaining profitability.
- We are well supported with great science and innovation funded by the Dairy NZ levy and government investing \$500 million in science, innovation, and research.
- On-farm skills and management have gone up another gear this past decade. We have good people on our farms, which are going to be an essential cog in the gears of change required to meet evolving regulation and consumer pressures (perceived or real).

## **Arable - proudly helping feed the world**

It takes a global pandemic to remind people just how critical-to-life that food production is.

In Canterbury at least, crops are setup efficiently, including low disease so far. Forecasts of good solar radiation and several good rainfalls in the next few weeks (especially where moisture deficient subsoils) should finish the grain and seed effectively.

New Zealand seed exports continue to steadily increase. Our recognised high-quality seed is in constant demand by a world where safe, ethical, and consistent quality are now priorities for the increasingly discerning consumer.

Process crops and other new food grade and seed crops are increasing in area - all ongoing positive news for a historically key sector in New Zealand's agricultural landscape.

Globally for four successive years now (including forecast year) the Total Grains metric (excluding rice) demonstrates demand is greater than supply.

Global demand for food remains! The Arable industry is proudly key to supplying that demand!

## **Sheep, Beef and Deer**

Dominated by Covid19, 2020 has been a challenging year. The impacts of the virus demonstrated the importance of agriculture to New Zealand's economy.

Covid19 had a significant impact on slaughter capacity of all species, and feed supplies were challenged with excess livestock carried into winter. However, good winter conditions, feed planning, and early decision making meant most got through unscathed.

Sheep and beef prices are back from the heady prices of this time last year but are at similar levels to December 2018, demonstrating the underlying demand for New Zealand's beef and lamb on a global stage.



Any product with significant exposure to retail (venison and fine wool) has not fared so well, although fine wool clearance and prices were better than expected. In a world where sustainability is the new catch phrase hopefully the benefits of all wool types will be more appreciated in the future.

The growth space in meat production has seen selected processors develop market led programmes that grant producers the opportunity to get closer to the customer. The worthwhile programmes provide supply security and price premiums but do require commitment and planning. Many of these programmes now have significant scale and are extracting extra value from the carcass. However, it is important that a balanced farm system is maintained as reduced efficiency on farm will nullify any market premiums achieved.

The La Nina weather pattern has meant a dryer spring and summer than what we have seen for the past 2 - 3 years in many regions, especially in South Canterbury and North Otago, where sub soil moisture levels are particularly low. It will be important to continually monitor feed budgets and livestock plans so that early decisions can be made. Being forced to sell livestock in a drought is not usually a great outcome.

Let's continue to make proactive decisions in 2021!

**Thank you for your loyalty and business in 2020.  
We look forward to working with you in 2021.**

**Merry Christmas and a Happy New Year to you and your families.**



**The MRB Team**

**Jeremy, Mark, Anton, Jamie, Trevor, Andy, Eve, Peter, Katherine, Christine & Barb**