

Dear Colleagues

This end of year wrap from Beef + Lamb New Zealand looks at how the world got a whole lot more complicated this year with the unexpected Brexit and US presidency outcomes. Here at Beef + Lamb New Zealand we're working for sheep and beef farmers who sell most of what they produce to markets outside of New Zealand. They rely on open trading arrangements and we are focussed on eliminating trade barriers. We do this by supporting the Government's trade efforts and most immediately that's going to be with Brexit and whatever may be ahead in the Trump administration if the US does pursue a protectionist approach. We and the Meat Industry Association will be working closely with the Government to ensure we negotiate the best arrangements for New Zealand sheep and beef farmers.

Around New Zealand farmers are facing increasing regulatory compliance and here at Beef + Lamb New Zealand we are providing additional extension resources and continually evolving and improving the support available. In particular our focus has been on the safe use of quad bikes on-farm and farmers' obligations to clean water.

These issues will continue to be top of mind as we approach 2017. Season's greetings and best wishes for a safe and restful Christmas with family and friends.

Regards,

A handwritten signature in black ink that reads "Sam McIvor".

Sam McIvor
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DETERIORATION IN GLOBAL CLIMATE TOWARDS TRADE LIBERALISATION IS A CONCERN

Attitudes globally towards trade liberalisation have deteriorated significantly in the last few months following the UK vote to exit the European Union and election of Donald Trump, which has stalled progress on the US's ratification of the Trans Pacific Partnership Agreement.

With over 90% of sheep meat production and 80% of beef production exported, opening markets is vital for the success of our industry and for the health of our rural communities. Beef + Lamb New Zealand and our meat industry partners at MIA continue to follow developments on Brexit closely and engage with the New Zealand Government.

The red meat sector is arguably the New Zealand industry with the greatest interest in Brexit. Currently around half of New Zealand's total global sheep meat exports go to the EU28 - of which half would typically go to the UK. Red meat exports to the EU 28 (sheep, beef and associated products)

represent 40% of New Zealand's total exports to the current European Union and just over 40% of New Zealand's exports to the UK. Maintaining our overall levels of market access into the EU 27 and UK are vital for the viability of our industry.

Beef + Lamb New Zealand Chairman James Parsons visited the UK and continental Europe in August, where he met with the major agricultural bodies in the UK, Brussels, France and Ireland. This is the continuation of a long tradition of engagement and cooperation. What was encouraging was the common interest we share with these farmer groups in seeing minimum disruption on UK and EU sheep and beef markets as a result of Brexit.

The current climate reinforces the need for our industry to build coalitions with counterpart farmer groups to support trade liberalisation - like the International Beef Alliance (IBA) in Taupo in October. A key focus of the IBA going forward will be on working together to resolve non-tariff barriers.

Our strategic priorities:



Developing farm and farmer capability



Investing in R&D that meets the needs of farmers and the sector

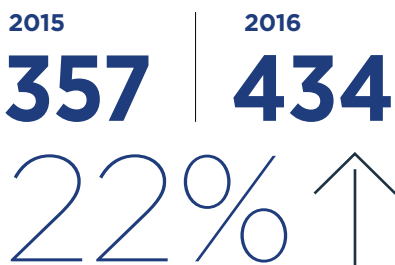


Delivering knowledge that drives farm performance

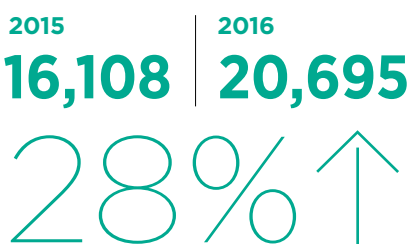
SUPPORTING FARMERS THROUGH REGULATORY CHANGES

With farmers facing increasing regulatory compliance, B+LNZ is providing additional extension resources and continually evolving and improving the support available.

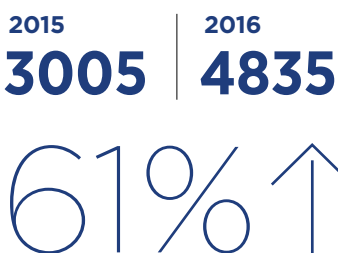
B+LNZ events



Total attendance



Facebook likes



WAIKATO REGIONAL COUNCIL'S HEALTHY RIVERS PLAN CHANGE

Beef + Lamb New Zealand is actively involved in a range of environmental projects to help farmers manage their land and farm sustainably, including the Waikato Regional Council's Healthy Rivers Plan for Change project. The Healthy Rivers Plan for Change project aims to help restore and protect the health of the Waikato and Waipa rivers and will set policies and rules for water quality and ways to better manage nutrients and sediment losses. The proposed change will affect all farmers in the Waikato and Waipa catchment.

The plan has been developed over more than two years by a collaborative stakeholders group (CSG) and Beef + Lamb New Zealand has actively supported drystock representatives on the CSG throughout the process.

Beef + Lamb New Zealand will continue to work with the Council to ensure that farmers can individually and collectively take actions that result in improved water quality. This includes working with farmers to voluntarily develop Land and Environment Plans (LEPs) through levy-funded workshops. LEPs provide a targeted farm specific approach to identify and manage environmental risks and optimise farm performance.

Improving water quality in the Waikato and Waipa catchments is important and all farmers want our land and water resources managed and protected for future generations. However, B+LNZ does have significant concerns regarding the proposed plan, particularly its approach to allocate nitrogen discharges from farming, based on current land use, commonly called 'grandparenting'.

This approach stifles innovation and severely impacts on flexibility in land use and management practices. It rewards the highest discharging land uses and practices, penalises lower

leaching land uses and discourages those farmers who have already taken steps to reduce nutrient loss. Coupled with the challenging requirements of excluding cattle from all waterways on steep hill country, the plan may severely impact on sheep and beef levy payers.

B+LNZ is now actively building on its work throughout the development of the plan to seek changes to make its implementation practical, affordable and effective for farmers and the Waikato and Waipa catchments.

This includes:

- working with council to model an alternative approach to managing nitrogen that will provide farmers with more flexibility while still meeting water quality goals
- developing evidence to help inform farmers' submissions and outline what the effects of the plan will be on the sector
- actively engaging and working with other industry stakeholders with common interests and concerns
- supporting farmer groups to engage in the submission process
- help farmers develop a submission by providing summaries of the plan and workshops
- working with the regional council to adapt our land and environment plan into a farm environment plan (FEP) that will be useful and relevant to farmers and help them meet the statutory requirements of the plan change
- help farmers develop an FEP through levy-funded workshops
- develop and implement a science and extension programme to help farmers identify, prioritise and implement on-farm actions that will make a difference to improving water quality
- develop a B+LNZ submission, supported by evidence and industry experts.



Attract and retain talent for the sector



Building our sector's confidence and profile within communities



Advocating for farmers' ability to operate



Supporting the sector's market opportunities



GLOBAL BEEF PRODUCERS ALLIED ON TRADE LIBERALISATION AND SUSTAINABLE PRODUCTION

B+LNZ hosted the leaders of the major beef producers in Taupo in October. The 2016 annual conference of the International Beef Alliance (IBA) drew beef producers from Australia, Brazil, Canada, Mexico, New Zealand, Paraguay and the United States and they came together to discuss a wide variety of topics affecting the industry, including trade liberalisation, sustainable beef production and young leader development.

Together, these countries account for 46 per cent of global beef cattle production and 63 per cent of global beef exports; thus the Alliance has the potential to be a powerful voice influencing developments in global beef trade.

As more than 90% of New Zealand red meat is exported, the conference was a great opportunity for B+LNZ to foster connections with international partners and focus on building relationships that benefit both parties (when it comes to non-tariff barriers). The Alliance reaffirmed its unequivocal support for further trade liberalisation, with all members particularly concerned by the growing rhetoric against trade. The IBA agreed to redouble efforts to prevent the imposition of trade restrictive non-tariff barriers and eliminate those already in place.

Alongside supporting trade liberalisation via all mechanisms, sustainability was of similar priority for IBA delegates at the conference. Sustainability is viewed as a key requirement for meeting the continued global demand for beef by balancing environmental responsibility, economic opportunity and social diligence. The alliance will continue to advocate for continual improvement in animal health care, reducing beef's environmental footprint and ensuring social and economic sustainability.

The beef sector's future is highly reliant on current and future producers and thus the IBA was pleased to include Young Leaders in the conference, and will continue to foster capability building within the industry and encourage young leaders to be champions of the principles of the alliance.

As a part of the conference, delegates visited several New Zealand farms, observing farming operations including grass fed production, sustainability and environmental challenges, and the significant Maori contribution to the beef industry. Delegates were particularly impressed with the farms' production and profitability, as well as the level of detail that farmers work to. They were also interested in the farms' diversity – with sheep and deer often incorporated – and Maori farms' operating values.

Health and safety workshops and increased environment extension activity have driven an increase in unique event attendees:

Unique event attendees

2014/15 | 2015/16
5,606 | **7,524**

34% ↑

In 2016, a significant amount of B+LNZ activities focused on farm safety. In response to changes in health and safety legislation, B+LNZ developed a Farm Safety Management System and approximately 3,000 people attended Farm Safety Management System workshops held by B+LNZ (YTD 30th September 2016).

Land and Environment Plan workshops were also delivered more frequently than in previous years:

LEP workshops

2013/14 | 2015/16
36 | **43**

19% ↑

The impact of additional environment extension resources has helped drive a focus and provided additional technical capability to support farmers in their decision making.

This increased focus on extension activity helping farmers to deal with an increasingly regulated environment demonstrates B+LNZ's ability to deliver on current and topical needs.



NEW MARKET DEVELOPMENT STRATEGY TELLS FARMING STORY

The story of New Zealand farming and its farmers will be at the heart of Beef + Lamb New Zealand's new market development strategy targeting new and emerging markets.

The development of a red meat sector story, which captures the culture, values and integrity that's long been associated with New Zealand sheep and beef farmers, will be an angle Beef + Lamb New Zealand and others aim to exploit in differentiating New Zealand from its competitors in the international marketplace.

The red meat story, building on New Zealand's farming systems with free-range, grass-fed livestock - farmed to the highest standards of animal welfare - will be authenticated through a national quality assurance (QA) programme, developed through the Red Meat Profit Partnership (RMPP). This programme harmonises existing meat company QA programmes.

Both the New Zealand red meat story and national assurance programme will support meat companies' own individual marketing strategies and will be a valuable resource for other partners like meat importers, distributors, retailers and food service operators - and government agencies.

This marketing strategy marks a change in direction for B+LNZ's market development programme.

Beef + Lamb New Zealand will transition out of a market maintenance role in mature markets to focus on developing future growth opportunities, while meat companies will continue their efforts to maintain existing markets.

Under the new direction B+LNZ has closed permanent offices in the United Kingdom, South Korea and Japan in

favour of more flexible resources based in New Zealand. B+LNZ continues to have a base in China and the organisation will still maintain its own strong, international network and continue to work internationally with partner organisations including meat companies, Meat Industry Association, Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise.

This strategy does not affect the B+LNZ office in Brussels where the focus on maintaining trade access arrangements and international relationships with our counter-part organisations in Europe is more important than ever.

Our established markets are still vitally important, however, responsibility for the consumer aspects for servicing and maintaining these markets will be managed primarily through our meat exporters using New Zealand red meat story collateral developed by B+LNZ. The sector agreed that our exporters have deep commercial relationships developed over many years and are well placed to look after the market maintenance role.

The review involved intensive engagement with beef and sheep farmers to ensure their interests remain at the heart of the new approach.

Beef + Lamb New Zealand consulted widely over 12 months, running numerous focus groups and workshops and the result is a fundamental shift in approach, strongly supported by meat exporters and farmers.

The new approach will drive greater impact for farmers on every levy dollar invested. While New Zealand's beef and lamb products are well positioned in consumers' minds, farm gate returns are still not satisfactory and an area we can influence is how we better position our products in consumers' minds.

LAMB EXPORTS WORTH \$2.5 BILLION FROM A HIGHER LAMBING PERCENTAGE

The Beef + Lamb New Zealand Lamb Crop 2016 report says the average lambing percentage across the country was up 2.1 percentage points - a remarkable performance given the challenges of the previous season with drought and facial eczema in many parts of the country

- 123 lambs were born per 100 ewes
- 23.7 million lambs were tailed
- 19.4 million will be available for export with the rest retained as breeding replacements

The higher lambing percentage can be attributed to management decisions being made at the right time as farmers read the climatic signals.



Beef + Lamb New Zealand Ltd is the farmer owned industry organisation working for a confident and profitable sheep and beef industry. It works to help farmers make informed business decisions and promote their collective interests. Priorities include investing in research and development that meets the needs of farmers and the sector, developing farm and farmer capability and delivering knowledge that drives farm performance. It also works to attract and retain talent for the sector, supports the sector's market opportunities, advocates for farmers ability to operate and builds sector confidence and profile within communities.