

Newsletter 130

14 August 2015

A Disaster, but not a Surprise

Twelve years ago I predicted in a GrazingInfo newsletter, the collapse of Fonterra, simply because it was set up incorrectly, as enforced by the USA to weaken the NZ Dairy Board's low-cost powerful international marketing, which was the envy of USA and the world's dairy industries.

I predicted that a dozen milk companies would form and compete with Fonterra, and that in the future Fonterra's milk would come from only the remote areas like Raglan, Whitianga and the far north and that the intensive dairying areas would have new competing factories. Fonterra manager Theo Spierings, obviously can't see over the fence, so how will they fix things? By marketing as done by the NZ Dairy Board for 100 years, and if USA buys none, it will be no loss. They produce 91 millions of tonnes of milk while we produce only 17. Our meat industry sales into USA are excellent, but they are rearing more calves this year, so our complete meat industry should keep their eyes open, and some look to alpacas and milking goats both of which are doing very well. All the goat milk in our supermarkets is produced in Australia. A Disaster, but not a Surprise.

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Disastrous Fonterra's umpteenth low payout crash to \$3.85

How will you cope with this ridiculously low payout from millionaire grabbers - they are not managers, or they would have reduced their own salaries by 90% to \$100,000 a year each and reduced all their costs, and learned how to manage and market. Their sacking 500 staff proves their faulty management in the beginning and that they have no feeling for people. Our dairy farmers are people, so beware.

I don't want any farmers losing their farms, while banks profit out of it, because farm prices are not dropping and milking goats and alpacas are profiting, so contact me well before allowing your bank to foreclose.

Milking goats are returning a lot more per hectare than dairy cows. Our son-in-law and daughter Ian & Sue Dobbs milked dairy goats very profitably, bought a neighbour's goat farm out of their profits and then changed to an urban government subsidised business which they enlarged and doubled, extremely profitably.

Fonterra should be taken over and be managed by the government as the government has done to a county council, a hospital and a jail, and I'm not suggesting that the government is a good manager, but Fonterra is a complete disaster, and has been for 12 years, during which time it has made a dozen serious and costly mistakes.

Fonterra now thinks that they are geniuses by offering dairy farmers interest free loans. I wonder if it applies to all NZ dairy farmers including Tatua's and the organic dairy farmers who have pulled away from Fonterra who was killing them, or just to those supplying them? Some organic ones are now earning \$7/kg of milk solids. Whose money does Fonterra think they are lending? It is not theirs, it is you dairy farmers' money, and some of the \$300 million Fonterra borrowed at 7.5% when I could have borrowed at 5%. This proves that Fonterra's grossly over-paid 18 managers, and who knows how many more overpaid parasites, should now be sacked and Fonterra managed by the government which could provide interest-free loans paid for by the government with the country's funds, to all dairy farmers.

The government has not yet worked out what is going to happen to the country. The prime minister has said that we are not in a downturn, which shows that he is in his own cuckoo-land, and that his mind has no ability to see and forward plan, which he has shown fail in many of his decisions. He could appoint Winston Peters to run Fonterra.

I was told that a Waikato dairying town was empty of cars and people on Friday, and the very few coming

in to a hairdresser had hair a foot long. John Key should read a few farming papers. Tractor sales are down 20%, so those and other rural businesses will also need free interest to carry their unsold stocks!

As you know, my wife Auriel and I stopped charging members, many of whom are having a dreadful time as we live on money made when we got about \$14 a kg of milk solids in today's money, paid by the NZ Dairy Board in the 1950s to 70s when costs were a fraction of today's. Cows then cost £20 each (a hundredth of last year) so it is easy to calculate today's values then. A dairy farmer friend ten years younger, came up with \$12 a kg.

The government should require all banks to reduce even their fixed interest rates to dairy and all exporting farmers to 4.5%.

The dairy farmers' debt is about \$5 to \$15 billion, much of it caused by Fonterra charging dairy farmers \$7.50 a share for the NZ Dairy Board which farmers already owned in \$1 dollar shares so had to find a million dollars each plus annual payments to NZ Dairy to do what the government paid Ruakura had previously done for 100 years.

The Australian banks, as always, are making a fortune by borrowing at 3% in Switzerland and/or Japan and lending to our farmers and making \$100 million. Banks have a good idea of which way the exchange rate is going so can make even more money by paying back their loans and borrowing again to suit. A few years ago the Australian banks made \$11 billion profit which went to Australia. In the same year, the dairy industry earned \$11 billion in overseas exchange, so all the dairy farms and support towns and industries worked for no benefit to New Zealand.

Farmers have been disappointed that chairman John Wilson has not been forthcoming with pressure for fairness and solutions, such as not telling the world about surpluses before each auction, that successful businesses call 'commercially sensitive information'. Fonterra should market and sell our pasture-fed milk on its merits, and when necessary hold back sales of products as was done a few decades ago by storing surpluses in refrigerated ships at sea, where there are no port charges.

The government should also close down the dairy farmer fully funded DairyNZ, to save all dairy farmers thousands of dollars every year and the costs of their wrong advice, such as applying urea after a drought, when they should never recommend urea because it is a drug requiring repeat applications and costs more than sulphate of ammonia or Ammo which are not only cheaper, but also grow more pasture for longer, especially clovers, which urea discourages and halves earthworms.

Buying and feeding costly supplements that produce more of which we already have too much is crazy. All is at a loss to farmers, and the country, because much of the bought feed is imported. Also buying the poisonous PKE that has killed cows here and in Australia, and gives NZ a bad name among conservationists, so doesn't help our 'clean green' image which is becoming more important.

Do you know of any man with a large ego who has a successful business? Spierings has an ego which gets in the way of correct decisions, for example he has told the world a hundred times how he wants to be the biggest in the world. He should look at Tatua Dairy Factory. I heard their manager speak at Probus last month. Tatua want to be the most profitable and are, despite being affected by Fonterra's badly run auctions which should start at the previous price and go up only, instead of dragging world prices down disastrously.

The world's annual milk production in millions of tonnes is USA 91, China 36 and New Zealand 17.

Fonterra, with NZ dairy farmers' money, rotaries, cows, etc., helped China increase its milk production by 12% last season, which is a quarter of New Zealand's total production. No wonder China is not now buying much. It is big enough, with its massive rivers for irrigation, to supply the world, with grain-fed milk, which is not as healthy as our pasture-fed products, but Fonterra is not taking advantage of pasture-fed. Confinement cows on concrete, live for only half as long as ours.

Fonterra manager wrote in the NZ Herald that New Zealand owes it to the rest of the world to teach them all our low cost production systems, and he is now helping his countrymen build a new faster milk processing factory. Are Fonterra directors mad for allowing it? How much is Holland and China adding to his exorbitant four million dollars a year? How will you cope with this ridiculously low payout from millionaire grabbers - they are not managers, or they would have reduced their own salaries by 90% to \$100,000 a year each and reduced all their costs, and learned how to manage and market. Their sacking 500 staff proves their faulty management in the beginning and that they have no feeling for people. Our dairy farmers are people, so beware.

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Interest Rates & Borrowing

Fonterra managers should have lobbied the government and politicians for them to provide the interest-free loans to dairy farmers, because it was the weak government that 12 years ago was conned by the USA government that the NZ Dairy Board was a government run subsidised monopoly, which it was not, which all farmers knew, but our typical townie government obviously didn't. So the NZ weak politicians succumbed to USA's twisting and closed the ultra successful hundred year old NZ Dairy Board, which was the envy of the USA government and their dairy farmers, because NZ could deliver to USA far better quality completely un-subsidised pasture-fed healthier milk, at a lower price than theirs, and did so with less pollution. USA insisted that our milk had to be sold to anyone by auction to get away from the highly successful Dairy Board's marketing which paid us \$14/kg equivalent in the 1950s to 70s so as a 60 cow (herd average in 1960) dairy farmer we could buy a new house, and one for a sharemilker a decade later when milking 150 cows, as well as 30 hectares more land, all without any borrowing - oh what bliss. We did do some consulting and contracting and designed and made farm machinery. We were able to retire in comfort after eleven years of milking.

Forming Fonterra

After a lot of discussion 12 years ago Fonterra was formed by ten farmer directors. Now there are only four - the rest are townies who don't have the same care or interest.

Fonterra appointed a USA auction company. It doesn't care about New Zealand or our farmers, and we all know the results. This has backfired on USA and the rest of the world causing most milk buyers worldwide to use the auction price as the approved purchase price. This has suited the buyers, middlemen and consumers, but not the world's producers. See our Newsletter 129 for how those in most countries are suffering now like ours, because most feed bought grains, so are slaughtering some of their cows, for which they have to buy feed and dump their milk. At least our farmers in our mostly efficient New Zealand, can still sell their milk and sell their cows to be slaughtered and the meat exported. I say 'mostly' because, as I've proved, said and written many times, buying feed for cows is unprofitable and is more polluting. Dairy NZ has still not found this out, nor has the agricultural division of the Waikato University.

If you didn't after last month's Newsletter 129, Google for 'dairy farmers dumping milk' and then immediately click 'Images for dairy farmers dumping milk' and see their killing surplus cows.

As pointed out last month New Zealand has increased overall milk production by about 2% a year for many years, caused by some converting from dry stock to dairy, and some milking too many cows so having to buy to feed them which reduced their net profit.

A sad example was Fonterra's big mistake (they are up to a dozen serious mistakes now) of encouraging increased production, and a director encouraging Crafar Brothers to buy more cows and farms, and then after a milk price drop they lost everything, so now they have not got one cent. Fonterra also taught China how to produce more milk so their production increased by 12% last year, their first increase since 2001, so no wonder they now don't have to buy milk.

From a GrazingInfo member

There is no doubt that Fonterra has caused the buying on price only, not on quality. If that is their policy (which it seems to be) why do they pay the salaries they do. They have allowed themselves to become commodity traders, price takers and nothing else. The marketing people on their staff (if any) have become Order Takers instead of Real Marketing People. Their results show that they don't deserve the salaries they get.

Improvements are essential.

Repeat on Junk so-called Fertilisers

Unfortunately a few farmers have recently told me about being talked into buying liquid and 'humic' so-called fertilisers which were very expensive and didn't work. Some are about 90% water (10% solids), one costing \$250 for 25 litres, which has about 2.5 kg of solids so \$100 per kg (\$100,000/tonne of dry product) for no benefit. The slight greening of pastures after the liquids is from the preservative most have to stop them going bad. It kills the soil bacteria which then releases a little nitrogen. The farmers had not read or remembered what I've written about these conn jobs many times since 1980. More have come on the market recently when farmers are looking for silver bullets, which don't exist, but there are sales people pushing their fancy products with all sorts of claims such as "humic" which is just a fancy selling word for humus which is organic matter, which good soils have a lot more of than in any Humic products. Buying them at their exorbitant prices is crazy.

LimeMagPlus and earthworms make a hundred times more and cost less. If you are not breeding and spreading earthworms, then read Earthworms in the Soils chapter.

Never Feed Calcium

I've saved many farmers who were conned into feeding Ca which caused their animals to suffer more milk fever from low magnesium, partly because excess Ca in a body lowers other more important minerals. See Minerals > Calcium.

Wise Information

An old timer rightly told me, "Low cost lime (\$25/t) makes more of the high cost existing fixed in soil phosphates, at \$400/t, available."

Sufficient Ca in pastures gives five important benefits

With today's low profits, all are important.

1. Faster young animal growth with fewer, or no parasites. Tell your heifer grazer this. Do they belong to GrazingInfo? If not you are missing out on their growth.
2. More, healthier earthworms, with less soil stuck to them. See Soils > Earthworms.
3. Less or no facial eczema spores. See Animal Health > Facial Eczema.
4. Less aluminium stopping perennial ryegrass shallow rooting and causing ryegrass pulling out problems. See Minerals > Aluminium.
5. No soil aluminium hard pans, so less pasture drying out.
6. Causes pastures to grow faster with fewer weeds, animal parasites and flies."

Banks

Banks have lots of money from overseas investors where NZ banks pay 3%, so they invest in safe New Zealand and to benefit from our high interest rates, so they have been approaching farmers encouraging them to buy more cows, apply more fertiliser, never lime because what do banks know about farming, and lime is only a twentieth the price of fertiliser, so would not require so much borrowing by farmers, unless they are one of those who have not applied enough, or any lime, for decades.

Beat banks down, or up, if investing. We got a good income from fixing for five years at a rate higher than was on their notice board.

Do the same when buying anything. Where possible deal with owner operators. I bought a pair of long trousers and a shirt after the sales were over. At the counter I asked, "Are these still on special?"

"No, but they can be." She gave me a nice discount.

Farmers will have to borrow to survive. A farmer whose farm is worth a net \$5 million, with only \$150,000 borrowed from a bank, was paying them 6.2% interest. I said to tell his bank that he should be paying only 4.5%. If the bank refuses he should shop around.

Farmers, you're being fleeced by banks, Fonterra, councils, fertiliser companies (look at their profits) and others. If you don't look after yourselves, you are risking failure.

Two banks have tried to cheat us and many clients. We ran up an overdraft of \$13,000 (the value of the 'stealing' in our opinion and changed banks. They threatened us, but I told them I'd expose them so they agreed, provided I didn't tell anyone their name.

Banks will always try to lock you in for a long period of time so you have to remain their client. Avoid it. Their Swap system locked farmers in for long periods with terms that interest rates could go up but not go down. Thank goodness, some are being sued.

I Googled > TSB Bank full-service AgriBusiness Centre, dedicated to serve the rural community, with rural banking specialists devoted to helping you achieve your business goals, and with a history of exceptional personal service and tailored rural finance packages to suit your every need, you can be sure you'll enjoy banking with us.

Call 0800 AGRI TSB (0800 2474 872)

We have three accounts (Personal, Properties and GrazingInfo Ltd) with them and save a lot compared with others, even than Kiwi Bank.

We like the small difference between what TSB pay us, and they charge their borrowers.

Supplement Feeding

Sudden diet changes are bad. Humans can suffer when changing diets in a different country. Crops, fed at any time must always be changed to and from gradually over two to three weeks. Brassica bulbs must be fed with their leaves or with pasture. The small bulb Brassica, Pasja, and a grass like Nutrifeed or Shirohie millet, are safe, and yield the most from the five or six grazings they give. Order early, because seeds sell out. Read Forage Crops for full information.

Misinformation from Sales People

Sales people are under more pressure today so can't be believed, so buyers must be more careful.

The wrong advice from the establishment (Ruakura, AgResearch, LIC, DairyNZ,) and fertiliser companies, commission consultants (No consultants are allowed commissions in Australia) have caused our farmers and country to earn nothing from sequestering carbon, by encouraging the excessive use of urea, and AgResearch doesn't even know why organic matter levels in the Waikato flat areas have dropped since urea was applied excessively. Flat land dairy farmers apply more urea than drystock farmers do on hills.

I've been told many times that LIC consultants come on to farms and say, "You need more cows and more urea" without even checking the farm, because they want to sell more semen, testing and tagging.

Dairy Farm Solutions

Most of the world wants reasonably priced organic milk. Lewis Road Creamery, Whakatane and North Waikato produce the world's best milk and even at its higher prices sells out every day and has not supplied the South Island yet. Read what they do in www.lewisroadcreamery.co.nz

Bill Quinn and a group of organic farmers have started to supply organic milk to organic processors. Their payout is \$7.00. Groups of farmers can do the same. USA Organic Rules are deliberately hampering NZ farmers so as to keep our milk out of USA. For example they don't allow CCA posts which they don't have in USA. USA and Australia have hardwood fence posts which we don't. Imagine changing all your CCA posts. USA is not the only consumer.

We should make and use sensible New Zealand organic rules.

Warning

A decade ago a few farmers around Paeroa bottled their own milk, but the retailers (shops) would not and could not, buy or sell it, because the big supplying company had signed up all the retailers in the area to buy only from them for a few years. The new bottling company went broke costing the farmers a lot.

TransPacific Group (TPP)

Bureaucrats and politicians (not much difference) over the years have formed countless agreements and organisations at high costs. Now we have the Transpacific Group which will overlap what we already have, but will suit USA at the expense of us and others. If you haven't, read what USA did to Haiti in Political.

New Zealand was a vigorous promoter of a rules-based system for trade and the elimination of trade barriers through the World Trade Organization (WTO). Engagement with such multilateral activity has imparted policy continuity from both Labour and National-led governments in seeking liberalised trade in agriculture.

Less contentious was New Zealand's membership of Asia-Pacific Economic Cooperation (APEC). Its goals are free and open trade and investment in the APEC region by 2010 for industrialised economies, and 2020 for developing economies. These are non-binding goals, reached by consensus and undertaken on a voluntary basis.

Joining as a founder member in 1989, New Zealand hosted a key APEC meeting in Auckland in 1999. At this meeting APEC's 21 members went beyond their usual role, taking diplomatic initiatives designed to help East Timor reach independent statehood. New Zealand has regularly used APEC meetings to build support for trade liberalisation, reduce border transaction costs and ease the movement of skills, goods and qualifications.

There will be a march against us joining TPP this Saturday 15 August. Apologies for short notice, but so much to do helping farmers and all.

"The March will start from 1:00pm outside Cock n Bull car park on the corner of Church and Maui, Hamilton North. It will then proceed down to corner of Te Rapa and Wairere. Where we will have open mic for anybody that wants to say something. March will then continue across road and back up towards the Cock n Bull carpark. Please feel free to join in at any stage of the march. Remember to wear raincoat or bring umbrella. Possible rain. We are not allowed to protest on Te Awa itself as it is private property."

This will be a peaceful rally with speakers by TPP Roadie, Greg Rzesniowiecki, Jan Logie Green Party and more.....

Please bring warm clothes. a smile and musical instruments if you feel the urge.

Public awareness is growing and we need to ensure our politicians WALK AWAY from the TPPA !!! Why ? Because we stand to lose protection of our environment, rights to medicine, rights to employment, our sovereignty, lands, wealth and freedoms to overseas corporates who will take it all from New Zealanders! Please bring your family, friends and neighbours...

Please SHARE this post FAR & WIDE.

Thank you, and see you there.

Mischele Rhodes
Vice President
Hamilton Residents & Ratepayers Assn Inc.,
& TPP Action Hamilton
Ph 07 847 7405

Vaughan Jones, ONZM Queen's honour 2013, for services to the farming industry.
Dairying 99% Honours Award 1948. Waikato Most Improved Dairy Farm Award 1959. M.Mkt.I.
International Agricultural Consultant, Journalist, Author of 260 chapter GrazingInfo eBook.
Managing Director of GrazingInfo Ltd with information compiled since 1970.