

# merino Inc. newsletter

## Merino Grower Forum —Twizel, April 2006

### Background

The Merino Grower Forum held in Twizel in April was organised by Merino Inc with the aim of asking growers for their ideas on how it should move forward over the next decade.

Funding and logistics meant that it was not possible to invite all growers, so Merino Inc's directors, in conjunction with Regional Associations, nominated individuals of various ages, experience, property size, flock size etc. to represent growers.

On the day we had 29 growers, supported by Merino Inc Research Manager Claire Mulcock and Communications Manager Anna Heslop. The session was run by facilitator Ian "Whit" Whitehouse.

The growers came from the North Island, Marlborough, Canterbury, Mackenzie/Waitaki and Otago. They included directors from Merino Inc, The New Zealand Merino Company, Merino Group Investments Ltd and Meat & Wool New Zealand. However, each was asked to think as a grower, albeit one with some special knowledge of various sectors of the industry, for the day.

After a welcome from Merino Inc Chairman Ross Beech and a scene setting talk titled "Merino NZ's Intrepid Journey" from John Perriam of Bendigo Station, David and Lisa Anderson of Bog Roy, Kurow, presented their view of the strengths and weaknesses of their farm business

and the industry in general. Their key points centred on the importance of industry unity and excellent marketing strategies. These ideas came up time and again during the day.

Following these presentations, Whit split everyone into groups to brainstorm a series of ideas. First they were asked to present a list of factors they thought would illustrate a successful merino industry in 2015. On reporting back these were summarised under six headings.

The next step was to identify any issues which might prevent the industry from achieving these goals, and finally, the participants were asked to determine success factors and allocate responsibility.

The key points emerging from these discussion groups were:

### Describe a thriving merino industry in 2015

#### 1. Industry unity

Industry unity was a key factor repeatedly identified throughout the day. Maintaining existing unity was seen to be essential for the industry to move forward. Unity does not mean everyone agrees on every detail on every issue within the industry ... it means growers and industry organisations are agreed on the quality of New Zealand merino product/s and are united in their efforts to maintain that quality and advance those products in the market.

#### 2. Branding

In 2015 merino will be a mega-brand ranging well beyond wool and wool products. It was recognised that the term "merino" is associated with a range of quality and production system connotations and that by 2015 these will have been harnessed by the industry, to the benefit of growers.

#### 3. Commercial management

In 2015 commercial management of the sales and marketing of merino fleeces and products will be highly professional. The meeting did not settle on any preferred selling system, but did acknowledge the increasing dominance of private contracts vs the auction system. The role of The New Zealand Merino Company was discussed and there was a call by some to place more trust and recognition in the skills and experience of this purpose-designed organisation.

#### 4. 15% retail value returned to growers

Opportunities to capture a greater share of the retail value for growers must be investigated. 15% was selected as a target and a challenge to growers and the supply chain.

#### 5. Research and development

Research and development will play a huge role in the future of the merino industry. It will dictate the price and

end use of meat and wool products and affect farm management and animal health. Ideally, by 2015 the current major animal health issues of foot rot, parasitism, flystrike and Johnes disease will have been eliminated or managed cost-effectively (in a way which is acceptable to the market place). Inevitably new problems will have emerged, but industry/grower bodies will be well set to respond.

## 6. Succession

Succession will be a simple process by 2015. The products generated by merinos will generate strong cashflows, and a thriving business will encourage the next generation to stay on farm and provide their parents with a comfortable retirement.

## What could compromise the achievement of the 2015 targets?

This discussion allowed everyone to be as negative as they liked. However, it drew relatively few genuinely unassailable issues. Points raised in order of delivery:

- Impact of outside influences eg, PETA, local, national and international legislation
- Land use restrictions, compliance issues
- Impact of increasing oil prices
- Competition from other land based industries eg. production of bio-fuels, tourism, etc.
- Changing social ideas and fashions
- A fall in the wool price
- Inability to meet increased demand for wool
- Lack of success in China
- Collapse of US economy (wool sold in US\$)
- Disease outbreak/animal health issue eg. foot and mouth
- Poor industry leadership / governance

- Lack of next generation of industry leaders coming through
- The New Zealand Merino Company losing focus
- Lack of industry drive/vision
- Industry fragmentation—interference from middle-men
- Climate change
- Market competition from other new technology/products
- Crossbred products on the rise due to technology developing fabric from crossbred wool that competes with merino
- On-farm and contractor labour supply and costs
- Where will the next generation of shearers come from ... who will train them?
- Increased competition (undercutting) from overseas
- Lack of interest in succession
- New Zealand political and economic environment not supportive of primary industry
- Lack of research funding, change of focus in funding environment
- Bird 'flu, terrorism or similarly catastrophic events dent world populations, economies and demand for product.

## Success factors

Having identified what defined a successful industry and what factors might stand in the way of its creation, the next step was to identify the factors essential for success ... those that would achieve success and solve problems. Responsibility for ensuring these issues were addressed was designated as below.

### 1. Leadership

Strong leadership is vital, and the role of industry groups such as Merino Inc and The New Zealand Merino Company was recognised. Leadership also encompassed individuals who were prepared to move up through

the ranks to hold office at a local and national level. It was thought that strong leadership would provide shared vision and industry unity.

Responsibility: Merino Inc, Regional Assn's, NZM

### 2. Grower upskilling/education

It is important that both new and existing growers have access to information on the most up-to-date farm and stock management techniques and technology.

Responsibility: Merino Inc, M&WNZ

### 3. The New Zealand Merino Company ownership

Merino growers must retain at least 50% ownership of The New Zealand Merino Company.

Responsibility: MGIL

### 4. Education of New Zealand public and international markets

The future of the merino industry lies in the hands of urban consumers at home and overseas.

#### *New Zealand public*

New Zealanders must be educated about and sympathetic to the realities of farming in the high country. If urban consumers feel some connection with the high country they are more likely to buy merino products, support tax-payer funded research and understand animal health and welfare issues.

Responsibility: Merino Inc, Regional Assn's, NZM and other commercial companies

#### *Local and overseas markets*

The New Zealand high country image needs to be part of the local and international marketing push. Putting retailers in contact with merino growers would make them feel part of the industry and thus more enthusiastic about selling merino products.

Responsibility: Merino Inc, Regional Assn's NZM and other commercial companies

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## 5. Joint ventures with China and India

China's rapidly expanding economic and industrial power should be harnessed by the merino industry in the form of joint-venture operations. India is also moving ahead quickly.

Responsibility: NZM and other commercial companies

## 6. Marketing

The best products in the world will not sell themselves. Effective marketing of wool and wool products is required both nationally and internationally.

Responsibility: NZM and other commercial companies

## 7. Quality assurance

The introduction of a grower quality assurance scheme was advocated to support quality branding, marketing, and traceability efforts. Such a scheme would cover all aspects of farm and animal management, and give growers an 'approved supplier' status. Such a scheme should be set up in consultation with the industry, but independently managed and monitored. Individual grower participation in the scheme would be voluntary, but commercially driven, as approved growers are likely to become preferred suppliers and be rewarded for compliance.

Responsibility: Merino Inc and NZM

## 8. Research and development levy

The industry is reliant on research and development to address emerging problems, develop new farm management tools and create new end products. A levy increase for merino specific work may be necessary to achieve targets.

Responsibility: Merino Inc

## 9. Industry governance

The relationship between the organisations working in the industry must remain sound. The separate and overlapping roles of Merino Inc and The

New Zealand Merino Company were discussed, and it was seen as essential that the two groups continue to work together openly and amicably, with Inc concentrating on grower good issues and NZM on commercial ones. Communication with growers encourages industry morale, trust and unity.

Responsibility: Merino Inc, MGIL, NZM



Merino Inc Chairman Ross Beech and forum facilitator Ian Whitehouse.

- NZM needs to continually evaluate opportunities with joint ventures/ equity partners, etc. NZM may need to grow its market share by marketing wools from other countries.
- Merino Inc's role as the industry-good group representing merino growers was endorsed. Inc was encouraged to continue its work in research and development and as an industry advocate on non-commercial issues.

## Where to from here?

Overall, feedback from participants has been very positive. Growers welcomed the opportunity to share their opinions in an open forum in the knowledge that all present were working towards the same goal ... a thriving New Zealand merino industry.

The forum endorsed the merino structures currently in place, and participants were confident that Inc is the appropriate vehicle to progress the industry. Chairman Ross Beech concluded that the forum could only be effective if the issues raised were subsequently addressed.

The next step is for Merino Inc to carefully consider all the points which arose on the day and to draw up a realistic action plan. This will involve consultation with other grower groups: Meat & Wool New Zealand, The New Zealand Merino Company, Merino Grower Investments Ltd and Regional Assn's.

Two points were raised repeatedly during the forum: unity and the viability of merino farming. Merino Inc was initially formed to give growers strength through a united voice to address the marketing of merino wool and improve grower returns. A decade down the track, these issues are still the primary focus—unity and viability.

## Other issues discussed

- There was some debate on the merits of contract versus New Zealand and Australian auction selling systems. No consensus was reached and it was felt that individual growers must have the right to choose the system that works best for them.
- Clarification was sought on Merino Inc's policy for supporting or advocating on issues where there was grower dissention. Chairman Ross Beech replied that as Inc was funded by all growers, Inc would always recognise the range of ideas amongst those growers. However democracy dictated that if consultation showed a clear majority of growers supported a particular system or idea, then Inc must move or advocate in that direction.
- The role and success of NZM in marketing wool overseas was discussed. While some felt or sensed a degree of dissatisfaction with NZM's methods and results, others suggested that growers should have faith in the company, which employed experts to work in a highly complex arena.

**Merino NZ inc.**

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## The Intrepid Journey of Merino NZ

Former Merino New Zealand Chairman John Perriam outlined the formation of Merino NZ, The New Zealand Merino Company and Merino Inc before raising some concerns about industry restructuring and asking some questions about the future. Among the points he made:

- Growers would value a letter of intent from The New Zealand Merino Company for the next five years' strategy.
- MNZ has been held up as an example worldwide as to what can be achieved by a group of dedicated and focused growers. It has been an intrepid journey, but has laid a solid foundation that continues to enjoy a good public perception.
- Recent amalgamation of Wrightson and PGG (who hold a 50% share in the marketing company) should overcome grower allegiance issues. Growers who are wary of the real agenda of our new 50% partners and shareholders should have faith in elected representatives to ensure sound commercial management.
- The merino industry could learn from New Zealand's successful wine industry which has crafted brands and points of difference by variety, vintage and region. This has been done under private enterprise and a collective appellation carrying the attributes and romantic story of New Zealand to dinner tables around the world. Merino has one great example with Icebreaker.

## Unity

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## Merino Inc Directory

### Directors

Marlborough/North Island	Ross Beech (chairman)	Ph. 03 575 7365
Otago	Tom Rowley (vice-chairman)	Ph. 03 443 1744
Waitaki/McKenzie	Simon Cameron	Ph. 03 435 0791
Canterbury	Brian Hansen	Ph. 03 314 4258



David and Lisa Anderson of Bog Roy, Kurow, whose presentation "Our Merino Future" focused on what became common themes: grower unity, passion and performance. They felt that these factors, combined with effective advocacy from Merino Inc and strong marketing by The NZ Merino Company, would ensure a successful industry.

## Calendar of events

24/25 May	<b>Mackenzie 2-tooth competition</b>
23 June	<b>Clip of the Year and Otago Association AGM</b> , Millenium Hotel, Queenstown
3 July	<b>New Zealand Merino Company Conference</b> , Christchurch
12-14 July	<b>AWI 7th World Merino Conference</b> , Perth
26 July	<b>Merino Inc AGM</b> , Christchurch

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