



## **SHEEP and BEEF INDUSTRY DUE DILIGENCE**

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From the Author

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The signalled intention in November 2010 to insist upon a due diligence of agriculture has continued to compound. The retained knowledge accrued from 28 years of committed first hand experience of observing established manoeuvrings of the direction of agriculture and segment components inclusive of sheep, beef, dairy and forestry has promoted the decision to clearly script an erroneous pathway that has jeopardised the economic safety of producers and the national economy.

To formulate this opinion on the distraction within agriculture the intelligence information is reliable and robust due to a staunch investigative policy that is factually based and time proven. It is understood by Falkirk that;

1. Agriculture is vital to the New Zealand economy.
2. The immediate prime government focus is on rebuilding the economy and a shattered Christchurch.
3. The International 'greed culture' demise is at the end of an era.
4. New Zealand agricultural governance, policy and management behaviours were not immune from that culture.
5. Systemic failure within agriculture is clearly evident.
6. This is not a recent phenomenon. The roots were birthed in the policy of 1985.
7. An ethical conflict between the commercialization of science and science that is accurate is being reported. This debate is required to be concluded to assist the entrance of a new era of agriculture sensibility.
8. In spite of recent high prices the present situation for agriculture is fragile.
9. Governance and business management ethics are critical to success.
10. Respect – Trust – Integrity – Enterprise – Innovation and Quality are the combined key drivers for the future prosperity of New Zealand agriculture.
11. The fundamentals of genetics, business integrity and a true marketing regime are understood and practiced by the functional solution that is the sequence to this analysis.

It became obvious that if agriculture was to hold a significant future position in the economy of New Zealand, the working model had to be based on real time commerce, with support organisations, if required, to be sub-servant to it.

Based on the expanding business model of the solution it has been identified that the fundamental fault within a morose industry is one of declining and poor quality product, which continues to lead to a lower standard of commodity and the conditional need to sell or trade product.

With the wide acceptance of the solution system of animal selection in New Zealand, and the ability to trace breeder genetics through to recipient farmer clients, a library of knowledge has been established to judge the level of genetic ability of flocks and herds that have been influenced by former systems. Upon analysis, the escalation of genetic wastage is evident, posing serious implications for those farmers without a corrective solution.

The estimation that in excess of 50% of meat and wool products are not effectively marketable is the core problem to establishing a sustainable pricing regime at the farm gate. This fact is evidenced by the huge volume of unplaced, low quality product held in high cost freezing space at the pleasure of the banking fraternity. This issue holds negative ramifications in the marketplace and producers' balance sheets, and ultimately, the national economy.

It is understood that all entities within the sheep and beef industries are fully funded, albeit in some cases, not effectively utilized. With no extra funds required to function the operation of a viable industry, the corrective strategy is to efficiently utilize the existing farmer funded conduits to reach them with a progressive opportunity for consideration. Such as, fully informed communicators and Sheep and Beef Council forums et al, then forward, it is essential that the business is conducted on a commercial business basis, unfettered by dictate.

The Primary Growth Partnerships funding programme is fraught with anomalies. Consider that the PGP's were instigated with the motive of driving **“substantial gains in economic growth and sustainability in the primary sectors”** with the emphasis on **“economic growth”** It is supporting funding to a preconceived interrelationship of entities that were the architects of the current debacle in which the industry is positioned. The industry does not have the ability to await the seven year time lag upon which these spurious 'science/business' projects promise to deliver. Serious questions need to be answered on some of the allocations within the \$200m funded to agricultural projects as some appear suspect in terms of authenticity and if indeed any value will accrue for the national economy.

The Red Meat Strategy Paper directive was orchestrated to selectively focus upon factors other than acknowledging the central causes of systemic failure which have been identified by this constructive analysis. The completed season result confirms this opinion as illustrated by reverted industry behaviour, early season schedule tactics and particularly negative balance sheets as printed. The immediate need is to capitulate the destructive behaviours and practices that have impeded social, business, genetic and economic progress that is required to balance the national economy.

Now that previous levy-funded reserves have been dissipated, under questionable circumstance, the reality is that direct public funding is now being contested. Therefore allocators of funding need to heed the wealth of **“genuine research and home grown innovation”** that exists in the private sector that traditionally delivers a high rate of relevance and success.

The historically low rate of investment in effective innovation in the primary sector that PGP is designed to lift will only be achieved if robust commercial rationale is appreciated and practiced.

It is absolutely clear that the perpetrators of demise and failure hold no rights of claim to a required solution and success. The pathway of non-solution and failure has been well documented by media, albeit sometimes shrouded in extraneous matter. The continued funding with public monies of entities which continue to reinvent themselves as they group for survival can be identified as the greatest impediment to the commercial and economic success of the industry, in addition to individual producer businesses.

A matrix of all significant directorships that have influenced continuing and recent outcomes within the sheep and beef industries has been generated to observe the ebb and flow of cross directorships and synchronised agendas that must take responsibility for decisions that have inhibited true producer profitability that is required to sustain rural New Zealand.

Science has been compromised through policy established in 1985. This has hamstrung farmers, as the mine field of advice and product failed to deliver the integrity that producers require. Professional jealousies, due to the commercialization of funding, have been identified as the major issue to transferring robust sequential findings to producers. This in turn created a larger road block in the transfer of the knowledge issue that is lamented by policy deliverers. The peer review system to validate science claims has been compromised to the point of question when compared to real time commercial results.

Reported recent manipulations of the animal recording system, Sheep Improvement Limited (SIL) is further evidence that the unbundling of genetics in New Zealand is at a terminal stage in viable economic terms. Integrity of management of genetics is vital to the success of the national flock and herd. The ownership of the information which is generated is clearly that of the individual breeder, which is to be respected. SIL was originally designed to be a viable financial entity which is required for clarity of function and objectivity. It is of concern that it has reverted to Beef & Lamb for financial dependence and policy influence.

The corporatization of genetics is of serious concern, as the recent history of genetic introductions to New Zealand and subsequent composite breeding theories and practices delivered lasting negative consequences to traits that underpin production and economic factors. The importance to be vigilant towards secure and quality genetic outcomes was highlighted by the media reported loss of a high profile market in the United Kingdom in recent times.

The cultural behaviour of over promising and under delivering in genetics and ensuring derived product has reverted, '**Marketing**' to '**selling and trading**' and the commodities trap. The present fact of a large quantity of product still unsold from last season will over hang the market as a millstone to leave New Zealand open to the predatory nature of the commodity traders and financial institutions.

The corruptive behaviour that has influenced negative financial profit lines for producers is required to be immediately addressed to help stabilize the economy. Falkirk holds an active file that illustrates the authenticity of this statement.

The immediate requirement is to fully utilize '**New Zealand made**' business and scientific fundamentals that have, with clarity, identified success and failure within agriculture, and hold the deftness to concentrate on and expand the success factor.

Inclusive in this thrust, as illustrated by Falkirk, is the wise and frugal use of private funding that has generated an exceedingly high rate of return on capital invested for both the producer client and Falkirk. This system is commercially operative and contractible to rejuvenate the industry to profit and can be activated at one twentieth the cost of the dubious life raft projects that have been mooted.

It has been a strong driver of Falkirk to focus upon '**Economic Relative Traits**' to define and hold the vision of what is vital to commercially enhance genetic gains that will sustain a low cost production system that in turn emits high profit. The development of the Falkirk System of animal production and selection criteria based on **Epigenetics, fits precisely with environmental respect.**

**Ian Walsh**  
**Principal Director**  
**Falkirk**

This lucid view of agriculture has been generated from the experience of 52 years of active participation as a producer, livestock breeder and agri-business innovator, interfaced with an astute awareness of agri-business politics.

The author has diligently crafted a robust genetic and business solution that over time has reinstated many farmer clients to a very positive profit line. The Falkirk brand represents quality animal genetics and excellence in the ensuring product, fit for purpose and to market specification, both meat and wool. Falkirk sits as a brand partner in the Campaign for Wool.

The establishment of the private science provider, Falkirk Scientific Foundation, was required to generate reliable information and integrity that underpins success as illustrated by an international client base.

The passion and determination to continue to drive for success in agriculture has been funded completely by private finance with a high rate of return. The Falkirk System is immediately contractible, adds value and is considered very low risk.

Learned knowledge has been the motivator to insist upon and develop systems that empower producers to control their own destiny and revive the strength of rural communities.

**EMBARGO IS LIFTED FROM THIS DOCUMENT AS OF 22 JANUARY 2013**

**Ian Walsh**