

PAKARAE/WHANGARA B5 PARTNERSHIP

PANUI PAREKAREKA

A challenging time for farming

*Ko Pukehapopo te Maunga
Ko Waiomoko te awa
Ko Huripureiata te waka
Ko Whangara Mai Tawhiti te Marae
Ko Ngati Konohi te hapu
Ko Te Aitanga-A-Hauti te iwi
Ko Ingrid Nea Collins toku ingoa*

Kia Ora Koutou

This is the first newsletter for the Pakarae/Whangara B5 partnership and we hope it will be one way we can keep our shareholders informed about what is happening on the farm and at the board table.

2007 certainly has been a challenging year – a drought, a wet winter, continued pressure from the exchange rate and high interest rates has meant farming has been a difficult business to be in. We do remain positive though as our advisors remind us of the cyclical nature of farming. They also tell us that the future does look positive as sheep and beef supplies tighten and create increased demand.

The board is keeping a close eye on the rural economy and cutting its cloth to fit accordingly. As you know we have always been careful to ensure our shareholders are foremost in our minds and we need to continue to deliver good results for you.

In developing the partnership we were focused on bringing greater efficiencies and economies of scale to the business to secure better pricing in the retail market place. This has worked and we are seeing significant benefit from working together

as one bigger unit. We are also extremely pleased to see the progress Richard and the farm based team are making on developing and maintaining the properties.

Richard's work is solely aimed at providing better production and therefore better financial results. In order to achieve this, the board has approved capital works programmes to match our goal for better production. While this will bite into our results in the short term we see the capital works as an integral part of delivering long term increased returns to our shareholders.

We, at the board table, believe it is a privilege to represent you and we want to keep you informed about the farming enterprise and how it is performing for you. If there is anything you would like to know more about let us know and we can include it in the next newsletter.

I look forward to your feedback as always.

Ingrid Collins
CHAIRPERSON



Fact file

- Pakarae/Whangara B5 now consists of 5600 hectares in total and winters 45,500 stock units.
- Its aim is to be at 60,000 stock units in five years time.
- The partnership started on July 1, 2006.
- Profit sharing agreement is 60.7 percent Whangara B5 and 39.3 percent Pakarae.
- The board meets every two months and in its first year has completed a five year strategic plan, a five year business plan and budgets.



Our independent board members

JAMES BROWNLIE

I come from a farming background at Frasertown and have an interest in progressive farming. I initially gained experience through a tertiary education in philosophy, psychology and accountancy. I then learned farming and found my wife "up the Coast," at Tokomaru Bay. Resident in Ruakiti for 33 years, I belong to an extensive array of farm discussion groups and am involved in training future farmers (farm cadets), both here on the coast and at national level. I am also an active every day farmer on the family sheep and beef breeding and finishing property. My life's work could be summed up as "helping others achieve their personal and farming potential".



MIKE PETERSEN

Mike farms a sheep, cattle and deer farm, finishing 8000 lambs, 800-1000 young bulls and 500-600 deer per year in Hawke's Bay. Mike also farms an 800 hectare breeding property inland from Gisborne, breeding 10,000 lambs and 200 beef cattle per year. He is currently Chairman of Meat and Wool NZ, Chairman NZ Meat Board, Chairman Wool Research Organisation of NZ, Chairman Wools of NZ, Director Wool Industry Network. He has been involved in industry organisations since 2002 and is a previous winner of the Hawke's Bay Farmer of the Year, and the FMG Award of Excellence (used to be the AC Cameron Award which is a national farming competition for any type of farmer).



Better facilities better performance

Dry dams or bad water quality are not helpful to high performance in any farming enterprise and with the East Coast drought still firmly stuck in local farmers' minds a water reticulation project at Pakarae/Whangara B5 is about to get underway.

The farm currently relies on dams and creeks for stock water and this year about 75% to 80% of dams dried up. General manager Richard Scholefield said water quality is poor in any dam system and good water is a must to achieve better performance from stock.

The reticulation project will cost \$750,000 over three stages and involves installation of tanks, pipe and troughs for more than 600 paddocks.

"We have about 200 paddocks now but we are also embarking on a fencing and sub-division programme which will see that number lifted to 600 paddocks in five years time.

"This means about 600 troughs." Increasing the number of paddocks on the farm will make stock movement more efficient and also aids in the development of pasture quality – allowing the farm to increase its stocking rate over time. Each year for the next five years the farm will see \$250,000 spent on fencing - \$150,000 on new fences and subdivision and \$100,000 on repairs and maintenance to existing fences.

A feature of the fencing programme is a laneway connecting the Pakarae and Whangara B5 woolsheds. This will make shifting stock more efficient and easier for shepherds and stock.

This year 20 kilometres of repairs and maintenance has been carried out, eight kilometres of five-wire electric has been installed and four-and-a-half kilometres of conventional fencing erected.

New genetics to lift the game

Stock policies on Pakarae/Whangara B5 are an integral part of the performance of the enterprise moving forward.

General manager Richard Scholefield says it's important to match your stock with the environment and the production targets so you are all working together to achieve a better result.

In the sheep flock Romney ewes will be mated with half Finn/half Romney rams to produce a quarter Finn/three quarter Romney cross.

Each year 75 high fertility, eczema tolerant rams are sourced, these are ideal for the Whangara environment.

In the cattle – Angus cows prevail as they have always performed well on the East Coast and the maternal genetics are strong meaning they are good mothers and look after their calves. Each year 500 of the top Angus cows are put to an Angus bull sourced from throughout the East Coast Angus Studs. The remaining 700 cows are out to a terminal sire such as a Charolais or Simmental.

The plan is also to increase the size of the bull beef unit to about 1000 Friesian bulls and 300 steers on a 12 month trade rotation.

Richard Scholefield General Manager



Richard started at Pakarae/Whangara B5 earlier this year and says it is the challenge of pushing a farm like this to its top potential that first caught his interest.

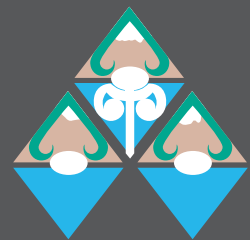
From a farming background in Marlborough 33-year-old Richard has a Bachelor of Agriculture from Massey University and comes to the region from managing a 20,000 stock unit property in the Taupo/Western Bays area.

He has 11 years farm management experience and is keen to see the Pakarae/Whangara B5 enterprise realise its full potential over the next five years.

He believes the farm development plan put in place will be instrumental in delivering greater performance and ultimately greater return to the shareholders of the enterprise.

Our key goals

- To be at 60,000 stock units in five years time.
- To be earning an Effective Farm Surplus of \$300-\$350/hectare (Effective Farm Surplus is income less farm working expenses not including interest, rent, capital or dividends)
- To reach consistent 140% lambing.
- To install a fully reticulated water system
- To have skilled and motivated staff.



WHANGARA
INCORPORATED BLOCKS

Comprising	Secretaries
Pakarae/Whangara B5 Partnership	BDO Spicers Gisborne 1 Peel Street, PO BOX 169 Gisborne
Proprietors of	P 06 869 1400
Whangara B5	F 06 867 8533
Whangara B20	E mbu@mccullochs.co.nz
Pakarae A & other Blocks	