

Strategy right for Pannu brand

Neal Wallace
neal.wallace@nzx.com

LANDCORP is not embarking on a moral crusade or telling others how to farm with its decisions to end the slaughter of bobby calves and phase out the use of palm kernel, chief executive Steve Cardin says.

The decisions, along with appointing farm critics to an environmental reference group to advise the state-owned enterprise, were viewed as appropriate for Landcorp's strategy of getting closer to consumers and their expectations, Cardin said.

"We are trying to get ourselves to the point where we can anticipate those changes and farm accordingly."

"It's not a moral crusade."

"It's about the right strategy and future-proofing our business."

Landcorp was trying to link with consumers of its food and fibre but was aware those consumers also wanted production to be environmentally sustainable and from animals and staff that were not exploited.

The farming company had established the Pannu marketing brand for its products and those values were a central plank.

It had announced plans to phase out palm kernel over the next two years, saying it was responding to public concern about links between palm kernel from the production of palm oil and deforestation in Asia.

While supporting Fonterra's guidelines of feeding a maximum of 3kg a cow a day, Cardin said there was still potential for public concern.

There were also biosecurity risks from importing palm kernel and a broader issue of having the feed as a fallback meant pasture management need not be as sharp as it could be.

Lewis Road Creamery founder Peter Cullinane supported Landcorp's decision saying there were significant benefits for New Zealand from not using palm kernel.

"If we had our own way we



NO CRUSADER: Landcorp's environmental and animal welfare decisions are about future-proofing the business, chief executive Steve Cardin says.

would see the whole country palm kernel-free.

"The reason for that is that there is greater benefit to NZ from grass-fed dairy, in our view, than having palm kernel as a feed supplement."

“If we had our own way we would see the whole country palm kernel-free.”

Peter Cullinane Lewis Road Creamery

There was also a risk of a market backlash should there be an investigation into NZ's reputation as a quality producer of food while also being the world's largest importer of palm kernel.

"It just doesn't add up."

The decision to phase out palm kernel had been under consideration for the past year and was not taken lightly because it affected stocking rates, pasture systems and required finding alternative supplementary feed such as maize, grass silage and crops for short periods.

"More than anything else it seemed inconsistent with our Pannu brand, our grass-fed branded meat and dairy."

"We struggled with justifying the ongoing use of palm kernel."

This year Landcorp would use 15,000 tonnes of palm kernel, less than 1kg a cow a day and equivalent to about 4% of the dairy businesses total feed requirements.

Fonterra Farm Source chief operating officer Miles Hurrell said the co-operative had no plans to change its palm

kernel feeding guidelines.

He acknowledged NZ's pasture-based production was a competitive advantage adding the co-op's 2015 palm kernel feeding guidelines reflected that consumer preference.

"Responsibly sourced supplementary feed, including palm kernel, does have a role to play in supporting animal health, particularly as grass quality declines over a season or during adverse weather such as drought," he said.

Landcorp had made no secret of its plans to sell branded products and Cardin said the phasing out of palm kernel was not the result of satisfying a potential buyer of its dairy products.

But Landcorp favoured processors where its products could be differentiated and its values and production systems reflected, such as Synlait and

its Lead with Pride programme producing A2 and organic milk.

"We are looking at ways to find processors who will pay more for milk produced a certain way."

"It forces us to farm to a higher environmental and animal welfare standard and the like and we have to find a way to offset costs and how to get premiums."

Landcorp has started supplying branded, grass-fed beef to the United States, venison packs and sheep milk powder to Taiwan, crossbred wool to Denmark and organic products.

Cardin said he was uncomfortable with the attention Landcorp was getting from taking those decisions but confident it was the right course for the company.

"It is not up to use to tell others how to farm but phasing out palm kernel is the right thing for Landcorp."