



GET IN BEHIND

OUR IMPROVED FARM DOGS COVER

LOGAN WALLACE

2018 FMG Young
Farmer of the Year

ESCAPED STOCK

Your liability
explained

CLIENT FOCUS

Appleby Farms and their
'Cow to Cone' philosophy

FARMSTRONG

Sam Whitelock's
'Turn on Your Core' Challenge

NOTE FROM CHRIS BLACK



One of the benefits of our Mutual ownership and operating model is the ability to take a long-term view. In 2010 we set out a 10-year plan to protect and grow the Mutual. 2018 was the eighth year of that plan, which was marked by an unprecedented number of major storm events.

We're proud of the way the Mutual has responded to these, helping affected clients and communities get back on their feet as soon as possible. I think the same can be said of the recovery effort after the Kaikoura Earthquake. We have now settled 95% of the 3,460 Kaikoura Earthquake claims we received.

The seven major storms this year cost the Mutual \$26m. The Kaikoura Earthquake will cost us an estimated \$136m. While we've set the Mutual up to handle events like this, it's inevitable that insurance will cost more in New Zealand as a result. However, as a mutual we strive to keep premium increases to a minimum.

We also work hard to ensure the level of cover for the premium paid represents good value.

2018 was also a record year in terms of headline growth for the Mutual for both general and personal insurance. This reflects that more farmers and growers, commercial businesses, lifestyle block owners and residential clients, are electing to put their trust in our mutual model. At the same time, client retention was the highest ever recorded.

While we need to strive to make a modest profit, our mutual philosophy is anchored around profit making as opposed to the profit maximising mindset of a listed insurance company looking to pay a dividend. Last year we recorded a net profit after tax of \$12.1m.

This is a pleasing turnaround from the \$3.3m loss in 2017 when we incurred extra costs associated with the Kaikoura Earthquake.

Importantly, making a profit allows us to invest in new products and services on behalf of clients, such as the recent launch of an online

service channel for vehicle-only clients. It also allows us to support important initiatives such as Farmstrong and the FMG Young Farmer of the Year Contest.

Protecting and growing the Mutual requires a team effort and this year has been exceptional in this regard. Sincere thanks to our Board and my colleagues across the Mutual who have all worked so hard over the last 12 months on behalf of our clients.

Finally, thank you to our clients for your ongoing trust and support for the Mutual. We appreciate and value this and will continue to work hard on your behalf.

Chris Black
Chief Executive, FMG

INTRODUCING FMG CONNECT

We've recently released an online service providing a targeted group of clients greater control of their insurances.

Based on your feedback, we've made a start in developing a new online service to give you another option to interact with the Mutual. It's called FMG Connect.

FMG Connect will provide greater choice, convenience and control in how you access and view your insurance online—anytime and from any device. This new service aims to complement our existing service approach

of helping you with your insurance needs and sharing useful advice to prevent interruption to your business, farm or life.

Our approach is to start small and learn as we go. With this in mind, we've launched an initial pilot to a limited number of clients who only have private motor vehicle cover.

As we continue to develop and expand FMG Connect, we'll be offering access to more clients.

Early feedback has been positive, with one of the first registered clients stating, "It's great to be able to see details online and update things when needed. It beats waiting for the post or having to ring if I have a question."



HAVE WE GOT YOUR EMAIL ADDRESS?

When the time is right, we'll need your email address to invite you to register for FMG Connect. Email is also the most efficient way for you to receive supporting advice and information from FMG, such as urgent cover requests, policy wordings and fact sheets.

If you have a claim with us, being able to contact you by email may help us progress and settle your claim.

To provide us your email address or update any of your details, please email us at contact@fmg.co.nz or call us on **0800 366 466**.

LOGAN WALLACE, 2018 FMG YOUNG FARMER OF THE YEAR



Image: Logan Wallace celebrates with FMG Board Chairman Tony Cleland (left) and FMG CEO Chris Black.

In front of a sell-out crowd in Invercargill, Logan Wallace was lost for words when he was crowned the 2018 FMG Young Farmer of the Year in his home region.

After three days of gruelling competition, the 28-year-old Waipahi sheep farmer received a standing ovation as he made his way onto the stage, elated that his extra year of training and second attempt at the title had now paid off.

“I’m absolutely ecstatic. Being named the FMG Young Farmer of the Year has always been a dream of mine,” said Logan.

This is an extra special win for Logan, as not only will the sought-after trophy be staying in the Otago/Southland region, he’s also the 50th winner of the Contest.

In October 2017, 300 young farmers from across 22 districts began competing for FMG Young Farmer of the Year Contest.

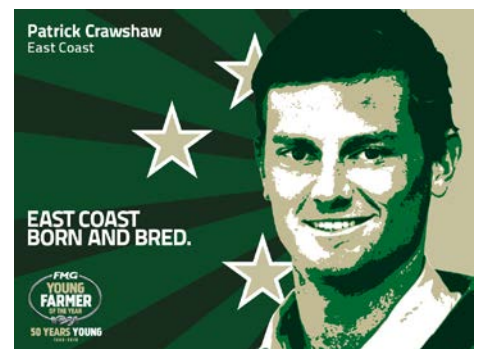
By April, that number was whittled down to just seven of the best, who went on to compete in the Grand Final in Invercargill 5–7 July.

As part of the celebrations, past winners of the Contest were invited to Invercargill, where there was an exhibition of historic memorabilia and a celebration dinner.

It’s going to be an exciting time ahead for Logan, who took home a prize package including a New Holland tractor, a Honda quad bike, cash, scholarships, equipment and clothing—valued over \$94,000.



During the Grand Final, the seven finalists tackled fast-paced practical modules, technical challenges, research and innovation projects and an agri-knowledge quiz.



PATRICK CRAWSHAW WINS 2018 PEOPLE’S CHOICE

East Coast Finalist Patrick Crawshaw won the FMG People’s Choice Award, securing over 1,400 votes from the public.

The award was introduced by FMG in 2016 to give the finalists experience around marketing themselves in the sector and also to encourage the public to get more involved with the Contest.

Patrick did a great job, showcasing himself and his skills on his Contest Facebook page, alongside his billboard, which had pride of place in Dannevirke.

For winning Patrick received a \$2,000 travel voucher and \$1,000 for his local Young Farmers club.

IMPROVED COVER FOR FARM DOGS

Man's best friend deserves the best protection, which is why we've improved our Farm Dogs policy.

For any covers starting or renewing from 1 May 2018, we've made a number of changes.

1. Following your feedback, the definition of farm dogs now includes both the policy holder's farm dogs and those owned by their employees.
2. The cover for vet costs has been increased from \$500 to \$1,000 and now includes extending the useful working life of the dog, not just preventing its death.
3. Additional farm dogs are now covered up to \$5,000, rather than the \$2,500 previously available.
4. There is a new automatic benefit for permanent incapacity (loss of use) of the dog, up to 75% of the sum insured or the market value of the dog, whichever is less.
5. The sum insured limit for unspecified dogs has increased from \$2,000 to \$3,000.

You'll also notice that we've rewritten the policy wording in plain English to make your cover easier to understand.

NOT YET RENEWED BUT HAVE A CLAIM?

If you haven't renewed your Farm Dogs policy yet, but have a claim that would be covered under the new policy wording, your claim may be accepted under the improved policy.

If you'd like more information on FMG's Farm Dogs policy, email us at contact@fmg.co.nz or call **0800 366 466**.

*Disclaimer: Please note this is only a summary of the product and is subject to our specific product documentation and underwriting criteria. For full details, you should refer to the policy document. You can get these documents, and any other information you need, from your local FMG representative, by calling us on **0800 366 466** or by visiting our website www.fmg.co.nz*

GREEN INVESTMENT— PROTECTING YOUR FARM FORESTRY BLOCKS

More and more farmers are turning to farm forestry as a way to supplement their primary income.

Your forest plantation is a significant investment, so if your intention is to harvest it in the short or medium term, it's important to ensure you're protected in the event of a loss.

FORESTRY CLAIMS CAN BE COSTLY

Our experience shows that the most common causes of forestry damage are from fire and wind storms. From eight claims across five FMG clients, we paid out around \$1.5m—so damage can be very costly.

FMG'S FORESTRY POLICY

To help protect your investment, FMG offers cover specifically designed in collaboration with forestry consultants to cover the risks your growing trees face. We know that cover for one forest plantation won't always work for another, which is why we take the time to talk with you about what will work best for your unique circumstances.

Our policy automatically covers both growing and harvested trees that are waiting for transportation. Trees are covered for accidental loss from a range of risks such as damage caused by impact from vehicles and animals. For more information on what FMG's Forestry policy covers, please visit our website at www.fmg.co.nz and search for 'Forestry'. Alternatively, call us on **0800 366 466**.

TOP TIPS

Review your fire breaks

It's recommended these are at least 40 metres wide to the boundary of any neighbouring property and any internal fire breaks (within the plantation) are at least 10 metres wide.

Water availability

A permanent water supply, either in the forestry block or within two kilometres, is recommended to help mitigate the losses of a forest fire.

Forestry management plan

Implement a plan to help you manage your plantation by addressing available water supplies, distance of fire breaks, pruning, thinning, safety and fire compliance issues.

Forestry debris requirements

Work with your local council to find out the regulations for the removal or containment of debris.

FMG'S YEAR IN REVIEW

With another record year of paying claims, being here when it counts is core to our role as a mutual insurer.

Posting a net after tax profit for the year of \$12.1m was very pleasing, especially with the impact of seven major storms—the most in a single year since records began in 1968.

Equally pleasing are the other key business metrics including employee and client satisfaction and the growth in net client numbers, which all continue to head in the right direction from already high levels.

While we are mutually owned we do need to run the business commercially and with this, reserves are also up to \$238m.

CLAIMS

This year the Claims team dealt with an exceptional number of claims.

These were a combination of more business-as-usual claims, about 3,500 major storm-related claims and a similar number of Kaikoura Earthquake claims.

In 2017/18 we received 64,500 new claims and settled 66,400 (a mix of new and existing). The total net claims cost incurred was \$162m compared to \$152m the previous year.

COMMUNITY

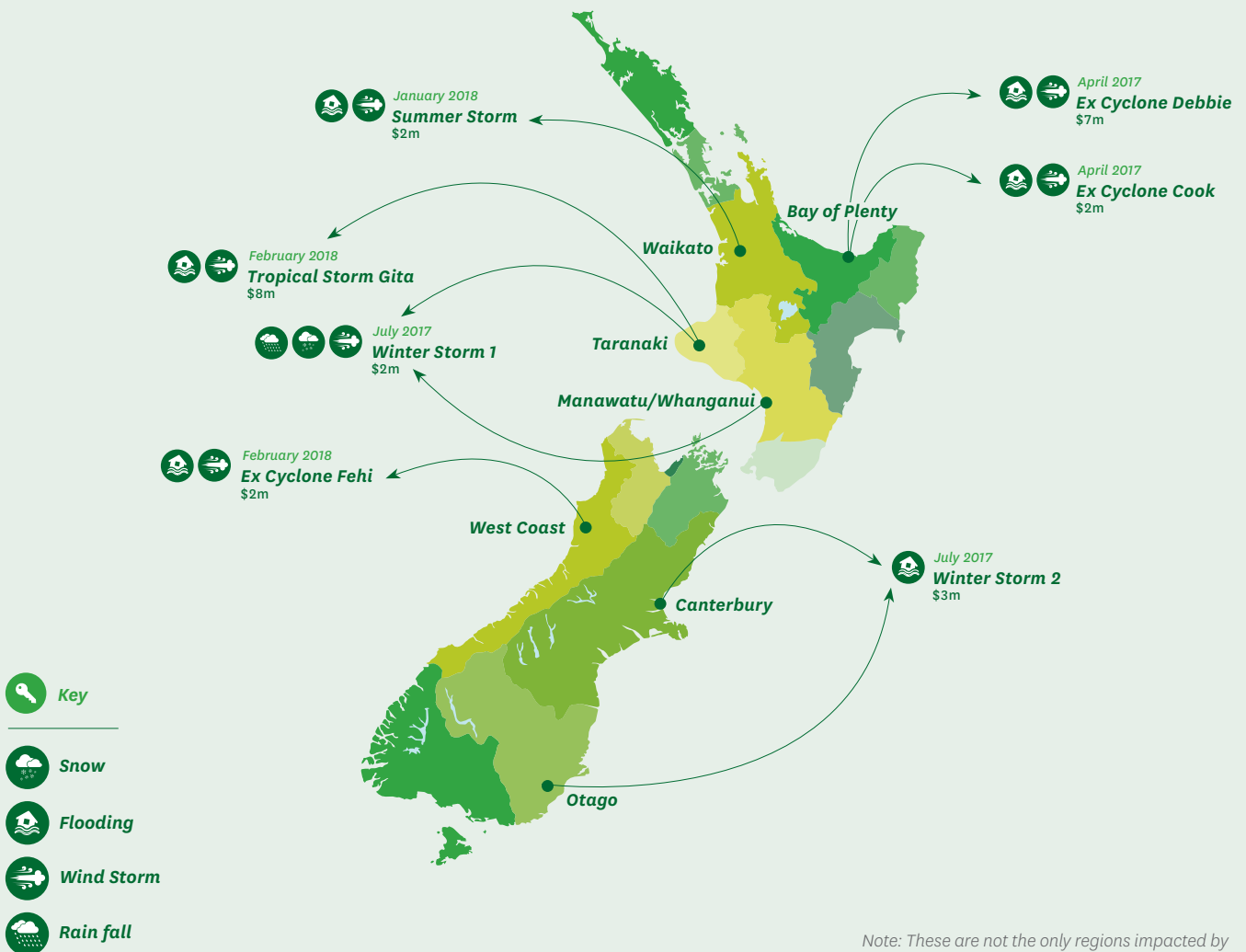
We attended, hosted or supported another 600 rural and provincial events around the country and continue to play a central role in delivering the rural wellbeing programme Farmstrong.

RECOGNITION

FMG continues to be ranked as one of the best places to work in New Zealand, collected the ANZIF Direct General Insurer of the Year Award for the second year running, was a finalist in the Cooperative Business NZ Awards and was awarded the Consumer People's Choice Award for both our House and Car insurance.

MAJOR CLAIMS EVENTS

1 April 2017 – 31 March 2018



Note: These are not the only regions impacted by each event. This is a broad view of the regions most impacted in terms of volume of claims and cost.

CLIENT FOCUS

FROM COW TO CONE

Two Nelson-based farmers are breaking into the premium ice cream market.

Appleby Farms is a Nelson-based start-up that has been founded by four local families including two dairy farmers. They're bringing their unique 'Cow to Cone' philosophy to the premium ice cream market.

A CHANGE IN DIRECTION

Julian Raine and Murray King are two Nelson dairy farmers who've been mates for a long time and are both very passionate about their farming practices. In 2015, when Fonterra announced that the milk solids pay-out was dropping to the low end of \$3, both farmers started to look at opportunities to value add their products.

ICE CREAM WASN'T THE OBVIOUS CHOICE

As the ideas started flowing, cheese was a natural option and they also looked into making yoghurt. It wasn't until Kirsty Giles—a food technologist they'd been working with who'd previously worked for Tip Top—suggested ice cream as an option.

In 2016, Julian and Murray engaged management consultant Rew Gray to develop a business case for ice cream. Very quickly, ice cream was identified as a viable business opportunity—not in the budget 2L category, but in the premium ice cream business.

"We're very passionate about Nelson and want to be another iconic Nelson-based brand like Pic's Peanut Butter and New Zealand King Salmon, taking our goods to the world."

JOINING FORCES

In February 2017, Kirsty, Rew, Murray and Julian all agreed that there was a business case for manufacturing premium ice cream. "So like all good Kiwi entrepreneurs, we threw some money into a pot and started a process of developing a premium ice cream business," says Gray.

They quite quickly built a state-of-the-art manufacturing facility in Stoke, close to both Murray and Julian's farms. By December 2017 they were producing ice cream and ran their first trial product. "We did everything at pace and continue to do that," says Gray.



POINT OF DIFFERENCE

To succeed it was important to stand out from competitors such as Lewis Road Creamery and Killinchy Gold. Appleby Farms has four key points of difference that were influential in them being accepted into both Progressive and Foodstuffs grocery stores.

1. 'Cow to Cone' philosophy

Appleby Farms is involved in every aspect of the supply chain. They own their farms, grow their own grass, milk their own cows, take their own milk to their own factory where they develop their own recipes and take their product to market themselves. This is what they call their 'Cow to Cone' philosophy.

With a growing desire from consumers to know where products come from, Appleby Farms can truly show this.

2. 100% A2 protein herds

Depending on the genetics of a cow it will produce either the A1 or A2 protein in their milk, or a combination of both. There is a growing amount of research suggesting that A2 protein products can be tolerated better by people with digestive problems arising from milk intolerance.

The majority of cows in NZ are A1 protein cows, so Murray and Julian were astute a long time ago to convert theirs to 100% A2 protein herds. They now have over 300 A2 cows across both their Nelson farms.

3. Sustainable dairying practices

Murray and Julian want to change the perception of dairying and sustainability. They're currently going through the process of setting up an independently run charitable trust that they'll put 10% of their annual profits into, to go towards sustainable farming practices.

4. Passionate about Nelson

Nelson is getting a reputation in the food and beverage industry for producing premium products. "We're very passionate about Nelson and want to be another iconic Nelson-based brand like Pic's Peanut Butter and New Zealand King Salmon, taking our goods to the world," says Gray.

DECIDING THE FLAVOURS

Market research quickly identified that two flavours in particular make up 50% of what consumers purchase—vanilla and chocolate. "Our initial flavours included vanilla, chocolate, coffee and boysenberry. Nelson is the home of boysenberries so we had to have one of those," says Gray.



SUCCESS

As a newcomer to the premium ice cream market, Appleby Farms has done extremely well to win the Best in Category for Premium Vanilla Ice Cream with their Bedford Vanilla Bean, at the 2018 New Zealand Ice Cream Awards in June. They are hoping to export into Australia and Asia in early 2019.

ADVICE

For anyone looking to start a new venture, Rew recommends taking "as much time as you need upfront to plan well. Do your market research and make sure you have some competitive advantage that you can sell."

For more information on Appleby Farms, head to www.applebyfarms.co.nz.

SAM WHITELOCK LAUNCHES ‘TURN ON YOUR CORE’ 4-WEEK FARMSTRONG CHALLENGE



Farmstrong Ambassador Sam Whitelock has made a series of conditioning videos focussed on building core strength to help avoid injury on the farm.



Sam and Fit4Farming founder Ian Handcock do a stretch before pulling on gumboots.

The videos consist of warm-up stretches and routines, which farmers can do at home for 10 minutes each day to improve their core strength, balance and flexibility. They are designed for people of all shapes and sizes and require no special gym equipment.

Sam recently tried out the challenge on a 1,500-cow dairy farm near Dunsandel and was impressed with the results.

“If you're a farmer, your farming performance is helped by how fit you are. If you have a sore back, knee, ankle and so on, your farm's going to suffer and so are you.”

The Farmstrong Challenge was designed by Whangarei-based physio Karen George. Karen piloted the routines with a group of farmers for a few years and says they all had significant improvements in body movement, balance and fewer aches and pains.

“A key aspect of the challenge is to get farmers to ‘turn on their core’ by strengthening their abdominal and back muscles. It’s the corset that supports your back and supports movement everywhere else,” says Karen.

Ian Handcock, founder of Fit4Farming, is passionate about getting farmers ‘farm fit’ to perform at their best. “Although farmers are generally quite strong, they tend to over compensate the weaker areas of their body, like their core, by having strong legs and strong upper bodies. That means they often get sore backs, shoulders and hips during the day.

“So, if you're waking up in the morning feeling stiff, the Farmstrong Challenge will really help. You're going to feel much better very quickly and a lot of those niggles will go.”

Sam says the key to farmers successfully completing the challenge is to lock-in regular stretching as part of your daily routine. “The big thing is creating a habit. The Farmstrong Challenge is an easy commitment—it only takes 10 minutes. You can do the exercises while you're boiling the jug in the morning,

or around the farm, or before you get on the tractor. If you do it four times a week, you'll soon notice improvements.”

Sam says his own experience in professional rugby has taught him of the importance of warm-ups and conditioning.

“Before I play I do similar warm-ups, so that when I get out on the field I'm ready to go. It's no different in farming. Taking time to warm-up prevents injuries and means you can stay strong throughout the day.”

“I'm encouraging all farmers to get in there and give the challenge a go. It takes little time to do, but after a long hard day on the farm, the benefits will definitely be there. You're going to feel stronger, fitter, reduce niggles and enjoy working a lot more.”

Head to farmstrong.co.nz/turn-on-your-core/ to start the challenge today and see for yourself.



Physio Karen George (centre), Fit4Farming founder Ian Handcock (second from right) and Farmstrong Ambassador Sam Whitelock (right) run through the Farmstrong Challenge.

YOUR LIABILITY FOR ESCAPED STOCK

With farmers and lifestylers liable for damage to third-party vehicles and property caused by wandering stock, it pays to be extra careful when securing your animals.

FARMERS

During the calving period we often see a spike in the number of incidents involving stock escaping onto roads.

MISTAKES CAN HAPPEN

Early in the milking season herds are often split into various mobs; colostrum mobs, milking mobs, those treated with antibiotics etc. With more things to manage there's a higher chance of a mistake being made and a gate being left open. It's common for these incidents to happen at night and obviously there are real safety concerns for the drivers and animals involved.

ADVICE DURING CALVING

- At the end of milking, ensure all gates and doors between the yards, milk room and tanker track are shut.
- Designate one employee whose role it is to check off that each mob has been shut away. A farm map with each mob marked can be a useful tool.
- Check that the cattle stop at the end of the tanker track will actually stop cattle.

LIFESTYLERS

Every year livestock escaping remains the top cause for liability claims for lifestylers. In the last 5 years, livestock escaping has accounted for 40% of all lifestyle liability claims.

Livestock can escape from paddocks and end up on the road causing damage to other people's vehicles. In some instances this has resulted in the total loss of a vehicle so the costs can be high, especially when trucks are involved.

It's not just stock escaping onto the road that you've got to look out for, hungry cattle and curious sheep have often been caught wandering into neighbours' gardens and have accounted for thousands of dollars in claims to replace lawns and the cost of damaged plants.



FMG offers Liability insurance, which provides cover when you are legally liable for damage to someone else's property in accidental circumstances. This insurance also includes a number of benefits relevant to your risks as a lifestyler.

If you'd like more information on this please refer to our website at www.fmg.co.nz and search for 'lifestyle block'. Alternatively, call us on 0800 366 466 or email contact@fmg.co.nz.

Disclaimer: Please note this is only a summary of the product and is subject to our specific product documentation and underwriting criteria. For full details, you should refer to the policy document. You can get these documents, and any other information you need, from your local FMG representative, by calling us on 0800 366 466 or by visiting our website www.fmg.co.nz

CALENDAR

21-22 AUGUST

YOUNG GROWER OF THE YEAR
NAPIER

24 AUGUST

FMG ANNUAL GENERAL MEETING
HAMILTON

29-31 AUGUST

NZ AVOCADO INTERNATIONAL INDUSTRY CONFERENCE
TAURANGA

29-30 AUGUST

ROMEO BRAGATO CONFERENCE
WELLINGTON

WE'RE EASY TO CONTACT

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