



Client newsletter
August 2014

Wairere

Our turn

As the forecast milk price for 2014-15 spirals downwards, it looks as though the year ahead will be our turn in the sun. Beef looks particularly exciting; the removal of feed subsidies in China some years ago, in favour of poultry and pork, led to a steady kill down of the local beef herd. After that Chinese demand was filled with imports from southern Asia. Now the vacuum is being filled by rapidly increasing imports from Australasia and further afield. Cattle populations have run down in most countries, after decades of low prices relative to other farm commodities.

Supply/demand

Quite apart from the many Wairere ram clients who have a substantial beef component on their farms, there has been and will be a flow on effect to the demand for lamb and mutton. We have already witnessed a significant rise in the value of mutton in recent months. But farm gate price for lamb is not following its "normal" upward trend through the late winter months. Why not? Lamb trading margins have been tight or poor for processors all season. Processors are trying to recover a margin which allows a reasonable profit, and better funding of market, product, or process development. That margin is being gradually restored by slowly improving prices internationally, and the start of a reduction in the value of the New Zealand dollar.

There are industry participants who believe that there is another dollar per kg easily available by creating a large NZ trading entity, and holding retailers to ransom. I hold a contra view. Lamb consumption in the UK has dropped from 386,000 tonnes a few years ago, to 277,000 tonnes; that's a drop of 28 percent. The domestic market in Australia is eating 30-40,000 tonnes less than in 2010, which was the start of a two year price spike. Consumers find substitutes. And it should be noted that that extra Australian tonnage has to find a home in the global market. Rather than trying to force higher prices on customers, it is far better to create "demand pull", where the quality of product is hard to resist.

Improving quality – big potential

Hats off to Silver Fern Farms for their EQ (Eating Quality) program. Beef has been the first target; in the first supply period **only 31 percent of cattle qualified!** We have a long way to go to guarantee tenderness, the most important single attribute for our customers.

Silver Fern Farms is about to embark on EQ for lamb. The Kumanu brand has stolen a march here, with a small group of producers supplying a distributor in the EU. Spearheaded by Chris Mulvaney (Stockcare) and John Chapman (Inverary



Chris Hodgkins with ewes and lambs on the move at Wairere UK.

Station, South Canterbury) the program is designed to take New Zealand lamb from 70% "very favourable" taste panel response to 100%. That improvement is mainly around how lambs are handled before slaughter, with most of the reduction in stress (affecting pH, colour, and tenderness) being achieved in the last three weeks on farm. Kumanu has transformed tenderness into the 90-100% "very favourable" response with frozen lamb. Chilled lamb is the next step for the brand, and will be easier.

But around 75 percent of New Zealand lamb is exported frozen. Several years ago I purchased a couple of boxes of racks from a processing company, for entertaining guests. The racks were tough! And despite my wife Chris improving tenderness with marinating, it took more than a year to chew through them! Prior to this, I had always purchased racks which had been through chilled packaging, and they had always been good. That episode brought me face to face with the potential to consistently delight our customers rather than disappoint them some of the time.

Alliance is taking another approach, working on electrical stimulation for the whole carcass. This will improve on the AC (Accelerated Conditioning) process which has been around for decades.

Products which consistently delight customers can command a higher premium. We have to earn it. A lot of that improvement is in our court, on farm.

Global trends

"There is no absolute to productivity, only relativity to competitors and substitutes". This sentence is quite a mouthful, but it encapsulates the continual challenge we face in keeping our sheep farming profitable. Looking around the world at agricultural products which have proven really profitable in recent years, they have all benefitted from an increase in farm gate price. Soya bean price tripled in U.S. dollar terms over the past fifteen years. That move has revolutionised farming in South America. Palm oil price increased on the back of higher oil prices and

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has created billionaires in tropical countries, like Malaysia, Indonesia, Philippines. Pistachio nuts have had a run in recent times ... it takes years before more hectares are planted and start producing. Dairying in New Zealand has benefitted from having products (milk powder being the main one) suited to long term storage and export, and a price increase from \$2.71 in 1991-2 to \$8.40 in 2013-14, while wool was declining in nominal value terms from 1988-89 to 2013-14.

The message for us? Create more value from what we have to sell.



Hothouse tomatoes, Ontario, Canada.

At the same time technology is allowing productivity to be ramped up, more so in certain fields than others. For example there are now glasshouse setups where tomatoes can be grown hydroponically at 650 tonnes per hectare per year.

In June I attended the three yearly get together of Nuffield Farming International, in eastern Canada.

Not a sheep in sight, but we visited around forty farming enterprises, ranging from soya beans to tobacco, wine grape grafts to cranberries, wild blueberries to maple syrup. The principles are the same: cost of production relative to revenue. An example: "tall bush" blueberries have been planted extensively around the world over the past fifteen years. Market demand has shot up for the berries, and tonnage per hectare is high under good management. This rapid expansion in supply is creating tough competition for similar fruit, especially "wild" blueberries. How can "wild" blueberries promote point of difference to customers?

These challenges of productivity and product point of difference have to be met head on in our industry too. In this context there are lessons to be learned from all areas of business. One of the most competitive sectors in the world is air travel. When Air New Zealand was on its last legs, many employees took a pay cut, but the focus went on innovation. The company is about to declare a profit north of \$300 million, while an arch competitor, Qantas, focused on cost cutting, is about to declare a \$750 million loss.

Dutch farmers: how do they do it?

Dutch people are leading the charge in countries as far flung as Brazil, Canada, South Africa, New Zealand.

Netherlands is the second largest agricultural exporting country in the world after the USA, despite a land area smaller than Canterbury! Holland exported \$NZ127 billion of agri exports in 2013, after helping to feed 16 million, and \$NZ781 billion of total exports. To put that in perspective, New Zealand's agricultural exports, including forest

products and fish, for 2013, a year of high prices, will be around \$38 billion, and total exports of \$50 billion. And we feed only 4.5 million people at home.

The Dutch can simply truck across the border, into the EU, which allows them to sell 22 percent of the world's export potatoes and 25 percent of the world's export tomatoes. New Zealand has to ship or air freight all exports. Netherlands has over 10,000 hectares of glasshouses, half used for vegetable production, half for flowers. The Dutch are masters of intensification.

They are also master traders. Four of the world's top twenty five food/beverage companies are Dutch, and another twelve of the twenty-five have a production site or R and D facility there. **The Dutch are leaders in agriculture, and they invest to stay in front.**

What about innovation in wool?

Some sheep farmers would prefer mini cattle, but wool is pretty much compulsory in New Zealand. So let's make the most of it. I have been on a committee looking at the pluses and minuses of a Wool Levy.

If most growers had invested in commercial entities, there might be no need for a commodity levy.

But New Zealand has LOST RESPECT in the international wool arena, because the producers as a group have no money to do anything, apart from the \$600,000 going to the Campaign For Wool, deducted at point of sale by brokers and merchants.

We have a reputation like Greece in the wool arena

The proposed budget is a total of \$4.2 million, or around 3 cents per kg across all New Zealand wool. For a farm with 5,000 sheep producing 27,000kg wool, it would be a cost of \$810.

The most convincing evidence is the traction which Australian wool is getting from HRH Prince Charles' support for the Campaign For Wool. Mention royalty and doors open that used to be closed.

A two million dollar budget for international promotion should be a joke, but this spend holds onto the coat tails of media fascination with royalty, and the combined spend by some other wool producing countries. (For those worried about excessive spending, the Wool Board spent \$170m in today's money in 1988-89).

Garth Carnaby, previous CEO of WRONZ, reckoned that wool lost the war for carpet use to synthetics around eight years ago (wool still has stain and fade issues; a new form of insect resistance has recently been developed, "six years too late"). Back then 70-80 percent of carpets in Australasia were woollen; today it is down to 20-30 percent.

Our competitors love a vacuum.

We have to find new end uses for wool. A major advantage of non fibre uses is that length, strength and colour won't matter. This is where the future lies rather than supplying our poorer wool to bottom feeders in the textile market.

We need to reinvent wool, and be prepared to invest in the future of our industry.

News from Wairere

- "Enriching sheep farmers lives" is the vision at Wairere. We seek to achieve that by "making your sheep farming both easier and more profitable". We continually debate breeding objectives.

- Your feedback provides valuable assistance as to how we weight our selection decisions. If we placed all our faith in the normal SIL index, we would end up selecting a lot of triplets as Wairere sires. In our index we reduce the NLB (number of lambs born) relative economic weighting by more than half, which thereby increases the impact of growth rate and other breeding values on the index. It seems that many Wairere clients are in a sweet spot re lambing percentage for the class of country farmed. So the focus has shifted to constitution, resilience to parasites, soundness in every respect, all of which contribute to consistent performance year in year out, a low replacement rate needed, and easycare farming.
- Via scientist David Scobie of AgResearch we have reviewed the research by Australian scientists, amounting to many millions of dollars, into the potential for chemical mulesing at tailing. The conclusion is that every method has issues re animal welfare, and the most permanent method, and least cost, is to breed off the wool both below and above the tail, and above it. It is also advantageous to dock the tail long enough so that the muscle in the tail can direct faeces away from the sheep. Scobie's advice is to avoid dags by using the right genetics, for future generations of both sheep and farmers.
- We are embarking on a switch to electronic tags. All the ewes have had EID added this winter. The spring lamb crop will get EID tags at birth, tags that are now light enough for a newborn lamb. We have taken advice from early adopters, who have "museums of inadequate equipment". We are not sure that EID will add much in terms of information for selection decisions, or accuracy, but it is perceived to be "modern", and has become more cost competitive.
- A change in yard design to ensure better flow of sheep through conveyor belt and scales is happening in late July-August.
- Communication among the Wairere team has been improved greatly by the adoption of Cloud Farmer. This program enables information to be shared without the need for telephone calls, or even staff meetings. A work program can be posted the day before, or the week before. Animal health treatments are recorded, along with an average liveweight and range of weights. The rainfall, soil temperatures, etc can all be posted, and become common knowledge, fertiliser, stock reconciliations and so on. If interested, contact Gretchen Bunny on 068555378 or gretchen@agrecord.co.nz

Client Success Stories.

David and Debbie McLeod, Hawkes Bay, farm 400 hectares effective west of highway 50, a mix of flat, rolling and some steeper hill. David took over his uncle's flock of Marshall Romneys, and started with Wairere eight years ago. Scanning has lifted 20-30 percent, and a lot more lambs get drafted POM. The property is running just under 3,000 ewes, 800 ewe hoggets, and trading cattle. Lamb drafting begins in the first week of November, targeting the terminal sire mob, mated 17th March, with another couple of drafts before weaning all ewes in the first week of December. The self replacing Romneys are mated 22nd March, and have one pre wean draft in mid November, then all are normally weaned in the second week of



Debbie and David McLeod

December. The POM drafts take 2,200-2,500 lambs at 16.5-17kg. "A lot more lambs go POM with the Wairere genetics".

The hoggets normally lamb at around 62 percent, and are weaned before Christmas. "I use teasers with the ewes, and get less than one percent dry dry. They are then used with the hoggets, with 75-80 percent taking the ram in the one month tupping period. But this year saw a parasite problem and only 64 percent in lamb. The two toothers were also affected, and I gave them a drench towards the end of mating. I had moved away from drenching ewes, even though I know it works. Two years ago the ewes scanned 187 without triplets, but that was achieved after drenching two toothers and a few light ewes before tupping. **It is hard to know whether to be proactive or reactive....**"

"Overall, the Wairere infusion, including the adoption of hogget lambing, results in an extra thousand lambs compared to eight years ago. And the farming is easier, with so many lambs gone before Christmas."

Stuart and Caroline Ross, South Wairarapa, manage 1250 hectares effective for Harry Baigent. Birch Hill is medium to steep hill country rising to the windmills on Haunui ridge; a strong wind run means that the property dries out quickly. "But the Texel/Romney ewes aren't fussy about what they eat. We changed from traditional Romney to Wairarapa Improvement Group fourteen years ago, then put Texels over the flock for a generation. Now we are stabilising with the Wairere Tufguy. Performance continues to improve with the 6,200 ewes.. Lambing was a pleasing 137, from a 160 scan, after the drought in 2013. And 2,200 lambs went POM at 16.8kg. The ewes have scanned ten percent higher this year. We run 360 cows, and carry most of the weaners through, selling



Caroline and Stuart Ross, Wairarapa

surplus yearlings in the spring.”

“Another part of the secret here has been the use of lime. After visits to Wairere, White Rock, and Robbie Joblin’s Te Awa in 2005, we applied 2.5t/hectare over the whole place. Since then we have done one fifth of the farm each year with 2.5t. But there are always challenges....three weeks ago I discovered 4-15 porina caterpillars in every spade hole dug, so have sprayed the entire property. But it is a real pleasure to now have the sheep performance to pay for any challenges, and to have the enjoyment that comes from working with good looking stock”. Owner Harry Baigent: “I’m proud of our sheep and cattle too. Birch Hill is very fortunate to be managed by a top stockman and a wife with accounting expertise. It’s the best investment I’ve ever made.”

Steve and Katrina Norman farm Wairere Multipliers on a run near Ettrick in Central Otago, and a more intensive 500 hectare block at Moa Flat, at 600 metres above sea level. “My Rural Livestock drafter, Dennis Mullaly is surprised at how well composites do in this traditional sheep area. Lambing is in the 150-155 percent band, and lambs averaged 19.5kg this past season, including surplus ewe lambs, and none by terminal sires. Our lambs have perfect muscling with not too much fat, unlike the fatty lamb we often see in the supermarkets overseas.

Around fifteen years ago I trialled six composite types, and chose the Wairere Multiplier; you have the advantage of the right Romney base, and your sheep always had the best growth rates.



Katrina and Steve Norman, Central Otago

I farmed for years with 13,000 sheep, then changed to a high cattle ratio, going to 1400 cows + progeny along with approx 4500 sheep wintered. Funnily enough I have ended up with parasite

issues in the cattle but none any longer in the sheep.

The sheep are easy care. We run the replacement ewe lambs with the finishing lambs under the cattle and then they are pretty well grass wintered which is quite unusual here. They get a drench at weaning, one in April, then a bolus before lambing. Around 85% of the hoggets get in lamb, they lamb on the hills unsheltered and they wean their lambs well. We now have a sheep to cattle ratio of 20% sheep - 80% cattle which has promoted amazing performance in the sheep.”

Ben and Jane Millton farm on the south side of the Clarence river, between Kaikoura and Blenheim. “We are one of only two farms in New Zealand which run from sea level to 1250 metres altitude. There is a 100 hectare irrigated finishing block used for finishing lambs and cattle. The 2,500 ewes, 700 hoggets, and 450 cattle are run on the hills. My father Derrick started with Waireres in 1991, at our dry land Ashley Gorge block, where their performance impressed. He then brought surplus ewe lambs from there to the home block, and compared performance with the Corriedales. That prompted a change over at home, with all Romney from 2008.



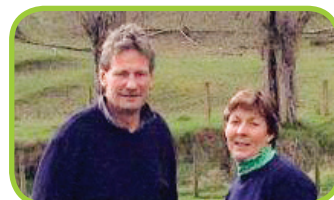
Ben Millton, Kaikoura

Lambing is now a predictable 145-155 percent sold or retained to ewes mated, and average 17.5kg carcass weight. I don’t have to worry about the season and flushing; they always perform in this tight band. We mate the hoggets over 42kg and lamb 75 percent from the better ones. The dry hoggets go up to the steep and rocky country up to 1,000 metres for the spring.

Before coming home nine years ago, I was a drafter for PPCS, and saw a lot of sheep. Composites were good in some years, not so good in others. The Waireres impress with their consistency. I’d like a hundred percent out of my hoggets, but admit they should probably be closer to 50kg at mating to guarantee a better lambing. And I’d like lambs which grew at 400 grams/day....imagine that! Keep working on those genetics”.

Mike and Vicki Cottrell farm in the Omatane district of Taihape.

They moved to Taihape hill country in 1992, from a family farm on flat land, near Cust in North Canterbury. It was a real change of scene, but four years later they won the Central Districts Farmer of the Year competition. “We started with Wairere Romneys nearly thirty years ago, and brought ewes with us to Taihape. But I was keen to supercharge fecundity with the Finn, so went down that path and into a composite until 2010. Then we did a major change back to Wairere Romneys. The change has put better frame and bone back into the flock, and the two toothers are scanning as well as we ever did with the composites, 168 this year. Overall flock performance has averaged 145, through some difficult seasons.



Mike and Vicki Cottrell, Taihape

I was selling sixty five percent store, but 15 hectares of plantain and red clover has changed that to thirty percent this season. Lambs have gone ballistic on it! Every three weeks ram lambs have been putting on up to ten kg, with drafts going off at 19.5, then 19kg. I have only a small area of flats, and have tried lots of things, but this is the best by a long shot. It’ll last several years, and the last lot of lambs went off in June, unlike a summer crop with the worry of sowing grass in mid season. I’m going to put three small hill paddocks into it, to grow the ewe lambs better. I’m currently mating them at an average of 40kg, rather than a minimum of 40.

I run 3,500 ewes, 780 ewe hoggets (75 percent in lamb, 96 percent scan), 170 cows and 35 other cattle. Management is complicated by running a thousand ewes for another ram breeder, with single mating, and lambs carried through to March. It means rotating four to five mobs of ewes. However, I’ve kept one aspect simple: after farming flat land for years, I vowed never to own a tractor again!

I like picking the rams put in front of me at Wairere....I could almost pick them blind”.

Give a pig and a boy everything they want, and you end up with a good pig and a bad boy. Give sheep everything they want and you end up with good-looking sheep, but a bad ram breeder.

Here’s wishing you one of your best seasons ever. Derek and the Wairere team.

Contact Details:

Lynette/Office:

Phone: (06) 372 5757

Fax: (06) 372 5755

Email: derek@wairererams.co.nz

0800 Wairere (0800 924 7373)

Andrew: Ph: (06) 377 0660

Mob: 021 222 5100

Derek: Ph: (06) 377 2077

Mob: 021 751 163

Simon: Ph: (06) 372 5560

Jacques: Ph: (06) 3725 970

Design and print
by Printcraft,
Masterton
0800 774 683