



# Wairere

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Client Newsletter  
June 2011

## Riding the wave

There is an element in the Kiwi psyche that is suspicious of better times. Sheepfarmers are so used to being browbeaten about prices being "toppy", and preparing for the next downturn, that it comes as a shock to hear that things might even get better!

Ewan Price, farming in southern Victoria, gave me an example of one of his drafts, 784 lambs on 4th March. They weighed 22.86kg, and returned \$A172, \$NZ232 or \$10.16 per kg. This \$3.70/kg advantage over the New Zealand schedule at that time included a \$NZ40 payment for the woolskin, compared to around \$9 in this country. Meat price at \$8.40/kg was also well ahead of the meat price here at \$6.07.

In May, tail-end hoggets at the UK farmgate were making £5.30 per kg, approx \$NZ11/kg. Lamb in South Africa has routinely been making eight to nine dollars per kg for several years, more akin to venison price in New Zealand.

Other proteins have also jumped in price. Beef cattle numbers have been dwindling in most countries over recent years, because other land use options have been more attractive. In March the beef price in Brazil was 25% higher than the price here. Milksolids price in New Zealand

is at an all time high. Crayfish have averaged \$70 to \$90 per kg off the boat this past season. Even pigs and poultry have



Chris Daniell BBQ'ing lamb at a Whole Foods supermarket in Portland, USA as part of an Atkins Ranch NZ lamb promotion. Derek and Chris did 8 days of "lamb grower" promotion in supermarkets in Vancouver, Seattle, Portland and Bend.

### Recent comments from Frank Langrish, UK sheep farmer, past chairman of British Wool Marketing board and Wairere client.

The sheep industry is set fair for some years to come, our prices have been at record highs for both new season lamb and hoggets. Old ewes are almost off the clock, with even plain ewes close to £100.00 and well fleshed ewes weighing 70 – 80 kg lwt up to £150.00!!

Our greatest problem here following superb weather at lambing time is the dry conditions. It last rained here in February, the temperatures in April were very high up to 27C.. Grass growth has stopped and we are looking at beginning feeding, the problem is that the lambs are too young to wean yet and there is nowhere to put them anyway. All of our forage crops have failed and hay and silage crops are less than 50%.

All the lambs have done well until now, and the ewe hoggets lambing well, but we need grass desperately.

Wool prices have risen so fast that there is a concern that in the short term prices may fall a little. Especially in NZ where the currency remains very strong.

Up until now the high end markets have been relatively protected from the recession, however the volume users of

carpet wools are struggling with sales.

When the recession hit most manufacturers and merchants reduced stock, so at present the pipeline is empty, however if sales fall it will not be long refilling.

Cotton has been affected by climatic conditions in the main growing areas of the world and there is no surplus, so again prices are volatile.

Synthetics have risen in price more than any other fibre, the reasons are not entirely clear as it is not totally driven by the high oil prices. The price of Polymer the main source of synthetic fibre has almost risen by 4X due I am told to the motor industry using large amounts for new generation cars, this is instead of steel!

The most interesting driver of wool price and demand is the Campaign for Wool that continues to be rolled out around the world and is being used effectively to promote sales of wool.

It is a pity that NZ is still in a muddle and I see that WPI are restructuring again.

0800 Wairere (0800 924 7373)

moved to a higher price plateau.

## Making a comeback.

Wool is now making a positive contribution to the bottom line. There is less talk about shedder sheep.

PWC failed to get off the ground, with historical baggage derailing support for the proposal. My endorsement of PWC, despite the baggage, was based on the assumption that failure would leave enhanced farmer ownership of the downstream wool industry in limbo. Will anything emerge from the ashes?

In late April while doing lamb demos in the USA, we visited a potato grower in eastern Washington state. Ex-kiwi John McLeod is right at the top of his game, averaging 90-100t per hectare. However the big processing companies, such as Simplot and McCains, call all the shots. They run an open book policy, and pay just enough to keep growers in business. Extra tonnage above budget is subject to a default price of only 45% of the contract price. Contrast that to the stronger negotiating positions held by Fonterra and Zespri. Ask any U.K. dairy farmer how their fortunes have waned since the disbandment of the Milk Marketing Board. A strong producer marketing group cannot swim directly against the current of fundamental supply/demand balance, or undermine the effects of competitors and substitutes. But a strong group can be a stronger negotiator and promoter.

## Controlling the environment.

Farming is about exerting control over the environment. At one end of the spectrum broiler chickens and laying hens live in heated buildings with artificial daylight. At the other end are extensive sheep and beef properties with no fertiliser input and minimal fencing, subject to climatic vagaries and huge fluctuations in feed supply.

Dairy farmers are moving towards better control of the environment, with irrigation, supplementary feed, and herd homes.

The cheapest way that sheepfarmers can control their environment is to maintain good condition score at all times. Good condition score enables our stock to ward off climatic stresses, except in extreme circumstances. The tools are always available to ensure that this happens. It is the secret of how top farmers maintain consistent performance year in, year out.

Client Ray Stafford, farming hill country east of Waipawa in Hawkes Bay, was telling us about his drop in stocking rate over the past five years, from 10.3 to 7.1 su/ha. He said, "It took that big a drop in numbers to balance feed supply and demand. But, surprisingly, the last two years have been good financially".

Chris Mulvaney, principal of Agrinetworks 'Sheep for Profit' program, reports that their clients enjoyed physical production on a par with the previous year, despite the storms and difficulties of 2010. The program places a lot of emphasis on maintaining capital stock in good condition

## Fresh start

New Zealand sheepfarming has been a country of two halves in 2010-11. Some have had their best ever season, some their worst. It's too late to do anything about this financial year but are you poised to make the most of next season?

Getting onto the front foot will involve spending money to make money. The cost of fertiliser is 150-180% higher than several years ago, but so are product prices. Achieving 250-300kg carcase/wool weight from a breeding enterprise usually requires a fertiliser input of 25kg of phosphate per hectare, plus sulphur, and lime to improve pH. And sparse pastures, suffering from years of drought and reduced inputs, may need a nitrogen boost to restore vitality.

A nitrogen boost this winter/early spring could be a case of 1+1=3

The old saying that, "prevention is better than cure", is the key



Richard Power

to preserving ewe condition to allow good lactation and best possible lamb growth rate in the first few weeks after lambing. The first six weeks of lactation are critically important, because milk yield always declines after that, unlike cows.

Richard and Mary Anne Power, farming near Hawarden, are veterans at early lamb production. In 2009, they had 82% POM by 20th November, from 148%. The balance of sale lambs were sold store before Christmas, to enable the ewes to be in the best condition possible for tugging 2010. However, a particularly dry autumn, followed by a dry spring in 2010 put the kybosh on repeating the results of 2009.

Richard's mantra is: "If you want a big percentage POM, look after mum".

## What's happening in South America?

In late February I organised a group of four to travel from Patagonia in the deep south to Santiago in the middle of Chile. Our guide, Daniel Delorenzo, had arranged visits to numerous farms, abattoirs and scenic attractions. We met some wonderful people, in a landscape with a lot of similarities to New Zealand.

Chile produces "half of the fruit grown in the southern hemisphere", yet pastoral agriculture is not well developed. But change is happening quite fast. The largest New Zealand dairying business there, Manuka Ltd, has a very large landholding, and numerous dairy units. Their focus on the use of pasture, rather than the predominant American system with concentrates, is yielding better profitability.

Patagonia is subject to climate extreme, at a similar latitude to the Auckland Island group. A very low stocking rate

precludes fertiliser use, and encourages a “wool economy”. Some farmers have bred Merinos over Corriedale flocks to chase the fine wool price. They put up with 80% lambing and 13kg lambs.

The centre of Chile, a similar latitude to the North Island, has areas of highly fertile soils, and abundant irrigation capacity from the Andes. This area has 30° days in late summer, but cool nights at 12-13°. Stock health appeared excellent. Native trees looked very similar to New Zealand natives, and there are numerous snow capped volcanoes and lakes.

A major difference to sheepfarming in NZ is the number of predators – cougars, wild dogs, vultures, and the worst – people!

#### Other observations:

- The generation in charge now lived through the Communist era 1960-73, when necessities were scarce. They seemed much more cautious and conservative than Kiwis, and hence didn't suffer much in the Global Financial Crisis.
- The Chilean government has an overseas surplus, i.e. no debt. The economy is growing at 5-6%/annum, and is positioned strongly for the future.
- Tax revenue from a huge copper mine allows subsidised investment into new industries or facilities, e.g. abattoirs.
- Recovery from the major earthquake (800 died) in early 2010 has been rapid.
- Some infrastructure is better than New Zealand's, e.g. dual carriageways stretching hundreds of kilometres
- The elite get a world class education. A school I visited in Santiago had 1800 students aged 5 to 18. They are taught exclusively in English until age 14, when they revert to Spanish to prepare for university entrance exams.
- There is a class gap between the tertiary educated and manual workers. Those with degrees expect to command others to do the actual work. The result is that they don't get their “hands on” and really do something, rather than just understand the theory. This gap will reduce the productivity of the economy.

## Conclusion

The sheep population in the whole of South America has dwindled to less than 20m, and in Chile to four million. The focus is on developing direct supply chains to affluent Santiago (8 million people) and Brazil. There are a few farmers who see the potential to farm sheep intensively. And they are learning fast.

There is a big opportunity in farming there. But you must be prepared to be fluent in Spanish, and adapt to the local culture. And land prices are rising steadily.

## It's all about Tits and Bums

There is an uncanny similarity between sheepbreeding and the adult entertainment industry. Good basic stuff.

The other side of the equation is getting a balance between length, width and depth. Those three dimensions give the

cubic capacity and weight of a carcass. Eye muscle area and weight gain offer strong clues as to the balance of each individual. Seventeen years of measuring many thousands of ram lambs for these traits has accelerated genetic



Julia & Mike Murray

progress for our clients.

## Performing under pressure

The past five years of poor seasons have accentuated the need for sheep which can withstand pressure, but bounce back and produce well.

Longterm client Mike Murray made the comment recently that “Wairere sheep have changed in the last ten years. They hold onto body condition amazingly well. The two toothths in 2010 scanned well ahead of what I was expecting. And it is now easy to finish lambs at 18-20kg. All those years of measuring eye muscle area are paying off in saleable yield and constitution”.

Wairere neighbour Hamish Kyle is another who is delighted



Hamish Kyle

at how his 6,800 ewes have scraped through winter after winter on his steep hills, following four autumn droughts. “Lambing has stayed in the 130-140% zone, and we can finish a high proportion if we get a sniff of rain through the summer. The ewe lambs weighed 42kg in early April this year”.

## Success stories.

**Blair and Rose Johnston**, West Otago. Three years ago, Blair and Rose scraped the bottom of the barrel to buy 240 hectares at the top of Moa Flat. They couldn't afford to stock it, but Wairere South principal Trevor Peters stepped into the breach and leased the grazing until the Johnstons could purchase their own stock.



*Blair and Rose Johnston*

Blair runs a couple of shearing gangs, and shears himself. Rose was supervising offices at both Invercargill and Gore for an accountancy firm. They bought older Wairere South ewes. In 2010, those ewes lambed 163% while Blair and Rose were busy off-farm.

"I handle thousands of sheep on dozens of farms each year. I reckon you can't beat Waireres as all round, easycare, high production sheep. They make it easy to farm part-time".

**James and Janeen Bruce**, Wairarapa. James was a farm manager until several friends encouraged him to have a crack at farm ownership. He combined finances with a local builder to purchase 550 hectares near Martinborough. A further 550 hectares was leased. James runs 8,500 su by himself, with some casual help. The stock mix includes a flying flock of bought in ewes, finishing lambs, Jersey and Friesian bulls for sale to dairy farmers and Wairere's facial eczema resilient flock.



*James and Janeen Bruce*

James still finds time to break in horses, act as player/coach for the local rugby team, and play halfback for Wairarapa/Bush.

Wife Janeen and her sister started a childcare centre in Featherston, and have now replicated that in Masterton.

**Don and Justine McLachlan**, Gisborne.

Don and Justine's first year was a baptism by fire, as drought and facial eczema wreaked havoc. But the last two years have been very rewarding. By restricting personal expenditure to \$9,000 for the year (to the astonishment of their accountant) they have been able to make a significant inroad into paying a hefty debt burden. Justine is the daughter of Wairere South principals, Trevor and Karen Peters and Don is the son of Selwyn and Jenny McLachlan of Masterton – good genes.

These stories epitomise the inspirational people who have made the most of difficult circumstances. They are set to reap a handsome reward with sharply increased product prices.



*Don and Justine McLachlan*

## To tease, or not to tease?

I was taking rams to one of Wairere's composite rambreading flocks at mating date last March. George was mustering the ewes off the hill when I noticed a ram pop up and do his stuff. Alarmed that a vagabond ram had got in with the mob, I said, "Hey, how did he get in there?" "Don't worry, it's only a teaser", he said. Then, "I didn't realise that teasers actually go through with the whole deed".

"Yes they do", I replied, "I can vouch for it. I'm a teaser myself".

"Come to think of it, so am I", said George.

*Here's wishing you a great season in 2011-12*

Warm Regards

and the  
Wairere Team

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