



Continuous improvement

Imagine the New Zealand dollar buying \$1.49 American ... and commodity prices so strong that New Zealand's GDP lifts by ten per cent. We're talking about 1973, not forecasting 2012. Features of 1973 included

- No overseas debt.
- Stringent regulatory control over foreign exchange.
- Difficulty in borrowing money to buy a farm. Banks weren't in the business then.

A lot changed in the next eleven years.

- The exchange rate plunged from \$US1.49 to 44 ¢.
- New Zealand accumulated significant debt.
- Borrowing money became easier, and the price of farmland became much more expensive relative to earning capacity. This trend peaked around 2005-06.

What do we learn from all this? Perhaps that external discipline works best, and that debt is the ugliest four letter word.

However, we are where we are. How do we go forwards from here? **How do we lock in or improve the better prices for sheepmeat and wool?** In July, I visited Australia on a fact finding mission – how could their processors pay \$NZ4.00 more per kg at the farmgate in March this year (about half of that from high woolskin returns), yet undercut New Zealand chilled lamb in the U.S. market?

Most Australian woolskins have perceived advantages over New Zealand woolskins (the pelt with wool left on – preferably 2.5 to 5cm long) :

- average slaughter weight is 21kg versus 17.5 to 18kg in NZ. A larger lamb can produce a larger skin of 8.5 square feet or more.
- the wool type is predominantly Merino based, though just quarter Merino is the most common prime lamb. A Border/Merino crossed to a Poll Dorset or White Suffolk produces a tight, bulky wool which is suitable for Ugg boots, car seat covers etc. The wool springs back after being squashed.
- the skin payment is separate to the meat payment, so farmers are focused on it.
- there are daily tenders from buyers who bid on the description of each line of lambs, usually inspected and described as a group before slaughter.



A "jumbo" (above 24kg) lamb at Tasmanian plant. Note the bulky, firmer style fleece with little skin showing when opened up.

When Australian prime lamb farmers select Wairere rams, they look for a fine, tight wool type.

Our clients there have received premium woolskin prices. I believe that we have, at one end of the spectrum, a Wairere Romney wool type that fits description for a premium woolskin, and we will be breeding some of the flock towards that type. I think that we can maintain fleece weight, improve dag score and thrift while doing so.

As to the differential in meat value, Australian sheepfarmers are fortunate in having a large domestic market, taking 55% of prime lambs. This sometimes subsidises export markets. But, it could also be said that Australian exporters, who have only a small quota into the EU, have focused on other markets such as the Middle East, USA, South Africa. New Zealand exporters have always enjoyed the comfort zone of the EU quota.

Looking at the differences over the past two years between Australia and New Zealand lamb, mutton, and woolskin schedules, you'd have to say that Kiwi exporters have been asleep at the switch. There is one good thing about that ... there is room to consolidate farmgate prices.

The Australian farmgate market is even more volatile than New Zealand's though. While visiting in July, contracted lambs were making around \$NZ9.40, spot market trade lambs around \$NZ9.00 and spot market heavy lambs (above 22kg) only \$NZ6.70 (all assuming a premium woolskin price, down to \$NZ30 from a peak of \$48). There was a big surplus of heavy lambs and many of them were over fat.

The Australian market can be savage, like the climate. Pierre Syben was there during the drought of 2006, and visited one of the vast saleyard complexes in Victoria. He caught up with the auctioneer, who was romping through the bids ... 10,20,30,40,60,70. Pierre thought the vendor had done well, until finding out the bids were in cents, not dollars.



A “jumbo” showing huge fat cover. All weights, all grades can be a headache for the sales team

Other lessons from Australia.

Feedlots. Australian farmers are much more tuned to grain feeding than Kiwis. In the 2006 drought, around half the lamb crop was finished on grain. Cheap grain is the norm there. But my mentor, Ewan Price, reckons every full time feedlot operator that he knows has gone broke!

One farmer we visited, Tony Fleetwood, has yard feedlots next to his buildings, with capacity to take most of the lambs at weaning, including ewe lamb replacements, from 8,000 ewes. This enables him to lamb on the spring flush in September, instead of the middle of winter. The district norm is to have lambs big and old enough before the dry strikes in November. Spring lambing allows Tony a higher stocking rate of ewes, and the ewes suffer no competition from lambs through the summer/autumn.

A near neighbour to Wairere, Simon McKay, fed sheep nuts plus grass to 400 tailed ewes before mating in the 2008 drought. He followed up with two weeks of nuts in August, at 200g/day, before lambing. Those ewes scanned as well as the others at 181 percent, and actually weaned heavier lambs. Simon now has a standard practice of feeding tailend ewes better, usually with feed crop. And suggests that most of us could feed our stock better. Simon won the composite section of the NZ ewe hogget competition this year, and the large flock section.

Storage dams. Stephen Creese in Tasmania has developed a model integrating storage dams with centre pivots, potatoes and sheep. Between his own property and the international Ingelby Farming Company, he is harvesting around 21,000t potatoes, and running 21,000 ewes, 5,000 hoggets, plus a large cattle herd.

Some farmland in Tasmania, especially sand country, was particularly cheap until recently. This created a favourable entry



Stephen Creese

point, and irrigation allowed intensification. Centre pivots can be towed from one place to another, because there is insufficient water to irrigate all summer. But a good late spring and reliable autumn guaranteed by irrigation allow average lamb weights of 22kg. Setup cost, including storage dams, has worked out around \$A4,200/hectare, in a 550 to 700mm rainfall area.

Stephen likes the Wairere Romney body depth and muscling, which complements the Australian tendency to have tall, long, shallow animals.

What do consumers want?

National Bank's Agri Focus just released a fascinating study on human nutrition. We have been told for years that the world is short of protein and that is what we should produce. Analysis of Western diets show that protein intake is typically 10 to 14%, **but fat intake is 34 to 42%**!

As rapidly growing economies aspire to Western foods, the demand for fat is soaring. This is reflected in the calculation of Fonterra's milksolids payment which has recently changed from the fat component being worth around one-third of the protein component, to being worth about half — and still growing.

How can we capitalise on this rapidly growing demand for fat with sheep and beef?

Traceability – a bureaucratic employment scheme.

Over the years New Zealand has exported tens of millions of tonnes of sheepmeat and beef around the world. Has there ever been an incidence of deaths from food poisoning? No, the problems which have occurred with beef globally are from feedlot animals which ingest grain. Sharp grain can occasionally penetrate the stomach lining and cause bacterial infection (e.coli) in a carcass which then enters the food chain. There have actually been more deaths caused by e.coli in sprouts and vegetables than there have been from beef. Statistically, being a vegetarian involves more potential risk than a shark attack.

Comment from Pita Alexander,

well known farm accountant/conference speaker.

“I noticed a very interesting point in your recent newsletter about the key cropping companies paying just enough to keep growers in business. You won't remember but I spent five years working for Pyne Gould Guinness Trust Department, now called Perpetual, and was in charge of the farm accounting for quite a number of cropping farmers dealing with that firm and I got to know the key people in Watties and one of the other companies on a personal basis and I found that they actually had people like myself who were looking at all of the inputs and risks and costs involved for their suppliers which involved peas, beans, potatoes and tomatoes and they were very much working out what was the minimum that their suppliers required to enable them to be enthusiastic enough to keep growing the product again next year. I am sure the powers that be would deny all of this but I can guarantee you that I had that discussion a number of times with the people that were doing the checking”.

My comment: Sheep and beef **farmers** need to think about how to have greater control over their businesses (and **act**).

Wool – what’s happening?

There is a lot of jockeying for position in the wool industry right now. Some parties are talking to each other and some are not. As a grower I hope that fellow growers are prepared to engage constructively with the downstream industry to create a win-win for all the parties.

Apology In the last Wairere Newsletter I stated that “PWC failed to get off the ground ...” when it should have read “WPC (Wool Partners Cooperative). In fact PWC (Primary Wool Cooperative) has developed “Just Shorn” as New Zealand’s first strong wool retail brand. Primary Wool Cooperative has earned our support.

Breeding better sheep

At Wairere, we are continually asking ourselves, “What is most important in our breeding program for you?”

This is our current approach at Wairere:

- No adult ewe has been drenched since 2006. Ewe hoggets are drenched before lambing, at one year old. That is the last drench in their lifetime. This policy has not been easy to stick with through the last five difficult seasons. But we think constitution without chemical assistance is an attribute you want.
- We have continued to run a high stocking rate despite droughts. Cows have been away grazing a couple of times, but an 80:20 sheep/cattle ratio, and a 30th June stocking of 750 to 800 kg liveweight per hectare, puts pressure on breeding ewes in particular. This stocking rate is usually around 100kg/hectare or more above other high-performing farms in the area. We are currently debating the wisdom of this policy.
- Poor seasons and no drenching of adult stock have resulted in ewes being a condition score lighter than they should be. Stockcare’s definition of the ideal condition score 3 ewe is fatter than we had realised. You never stop learning.
- Wairere is 98% hill country, a good testing ground.
- All ewe hoggets have been mated since 1966, and lambed unshepherded. Easy care starts young.
- Since 2005, Romney ewe hoggets have had to be scanned in-lamb to be retained. One year, 2009, we had to keep 140 dry ewe hoggets (8%), but every other year we have retained that standard.
- Wet dries and dry dries go down the road. This can be frustrating in a storm year, or after a tugging like 2011 when there were significantly more barren ewes from single mating than there were from the mass-mated commercial flock. Contrast this approach to the beef world, where purchasers recently paid \$41,000 for a stud bull whose dam had reared only four calves in seven calvings.
- We cull rigorously on structural faults, pasterns, feet, jaws, udders, wool type.

It would be easy for us to reduce stocking rate and pressure. What do you think of our programme? Please let us know if you think we have the balance wrong.

Are we feeding our ewes well enough?

There have been numerous field days up and down the country over the past year, preaching about the importance of good body condition score for all stock. This factor has been a

prime mover in the improvement that “Sheep for Profit”, now Stockcare, has been able to achieve for its clients over the past ten years.

It reminds me of a classic example of the importance of good body condition, involving the Wairarapa Romney Improvement Group’s growth rate flock. The flock is run at Pirinoa South Wairarapa, normally a dry summer area. In 2004 big summer rains, which flooded Wanganui and other areas, created ideal feeding conditions.

The 225 ewes scanned over 200%, and weaned 170%. But what was more interesting was the 42kg average weaning weight, achieved in 95 days, compared to a normal 34 kg.

This example demonstrates the power of good feeding (of both animals and pasture plants), and what many of us miss out on. With lambs worth more than \$100 each, are we feeding our sheep well enough?

Client success stories

I wouldn’t be farming if I hadn’t changed to Wairere



Roger Smith, North Canterbury

Roger Smith farms in the summer dry, winter cold Hanmer springs area. “We changed our 1700 ewe flock to Wairere in 2002. The immediate response was better lamb survival. We have since improved the 120% lambing to between 150% and 160% survival to sale. The old flock would get between 100 and 150 prime at weaning. Now I am disappointed if we don’t get 800 at an average of 18kg/cw. It’s a pleasure to farm the Wairere bred ewes.”



Tom Bell, Kekerengu Marlborough, near The Store on SH 1

My sheep have great survival and overall low wastage.

Tom Bell managers Winterhome for Richard and Sue MacFarlane, who run the very popular restaurant / venue ‘The Store’ on SH1. Winterhome is a summer dry exposed Kaikoura coastal property. The 2800 Romney ewes did 151% lambing in 2009. The Wairere Romney flock had 1.6% barren, and lost only 14% from scanning to lambing. “They are great mothers and can do it tough; the flock just keeps on improving.”

Back to Romney

Grant Plaisted Managed Owen Batley's Waitoka Trust, Northern Taihape until early 2011. "We went to Wairere in 2006, following a composite programme. We wanted to improve the constitution and reduce the maintenance cost of our ewe flock. The results have been outstanding. We have actually increased performance, while creating a more robust and easy to keep ewe flock. The 6000 ewes lamb at 150% and all 1200 ewe hoggets retained must be in lamb. The deciding factor in the decision to go to Wairere was their hogget mating policy.

Wairere has mated all ewe hoggets every year since 1966 with no lambing beat. Since 2005 only ewe hoggets which get in lamb have been retained.



Grant Plaisted, Taihape

Tufguy for tough conditions

Gerard Brown, Conoor near Dannevirke. "Wairere Tufguy (Texel / Romney) has injected length and growth into my Texel Romney flock. This has given improved scanning and survival in cold winter and spring conditions. The property is high and exposed in the Waiwepa range in the far north Wairarapa, with a large proportion above 2000ft

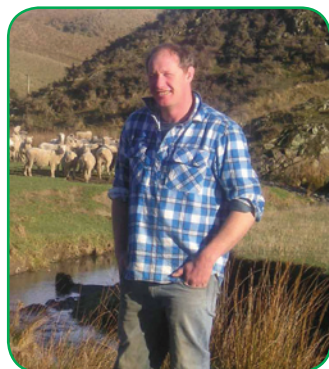


Gerard Brown, Dannevirke

asl. Prime lambs are achieving good weights, and the meat yield averages 58% in the Alliance's Viascan."

Doubled my lambing percentage

Ben Cassidy, Hurunui, North Canterbury, Ten years ago I took over farming Alexdale. Lambing was at 70% with major issues. Poor mothering, poor feet, high ewe death rate, and high lamb wastage. In 2005 I changed to Wairere Romneys. Lambing is totally unshepherded on hard hill country. Last year we achieved 140% with



Ben Cassidy, North Canterbury

weaning weight of 32kg average up from 27kg. We have also managed to drop a labour unit. "The sheep have just got more grunt" Improving sheep performance has enabled me to continue development. We sprayed 400ha of matagouri two years ago. In 2010 we lambed 143%, one of the few farms in North Canterbury to improve on the 2009 lambing.

Ram prices

The Economic Service is close to finalising average prices for 2010-11: lamb up 45% from 2009-10 (\$80 to \$116, but a record weight of 18.2kg), works ewes up 60% (\$57 to \$91), wool up 51%.

National lambing was down 9% (109.6% from an average of 118.6% over the previous four years, which would deflate the average lamb gain to 30%).

It was interesting to observe the buoyant bidding at bull sales, especially Angus, where sale averages for in-demand brands averaged \$7,000 to \$9,500. This increase happened despite bull beef farmgate price increasing only 16% (\$3.38/kg to \$3.92/kg). Equivalent **average** flock ram price, would be \$3,500 at revenue of \$150/sheep stock unit (vs \$70/su with a cow/calf operation) \$2,250 for an average flock ram at revenue of \$100/sheep stock unit.

Ram prices have to move up in order to ration the number going out in the top brackets. We know that this past season has been hugely uneven in terms of seasonal effects on individual farms. The price bracket system allows you to buy rams at the same price as last year, (except at \$500) if a big weather strike reduced your sales at 2011's greatly improved price levels.

They can't get off the island

How many of you have heard that phrase when things go wrong with livestock? Simon Buckley worked at Castlepoint Station for 3 1/2 years in the 1970s. He remembers a young shepherd who was instructed to stand on the road and turn freshly shorn lambs, coming from the woolshed, towards Masterton. Nothing happened for about ten minutes so he ducked into the store to get an ice cream. He came out to find that the lambs were heading for the bay and the lighthouse.

Holiday makers tried to help but the lambs poured into the basin and ran up the path to the cliffs and the lighthouse. With all the commotion caused by people and dogs, around 300 lambs panicked and swallow dived into the ocean, never to be seen alive again.

Sometimes doing nothing works best, and that old phrase would still have held true.

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

Warm Regards

and the
Wairere Team

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