



Client newsletter
May 2013

Wairere

Road to recovery

It has been an ugly year for sheep breeding operations. And it's not over yet. As a friend said, "I've done a feed budget for the North Island, and it doesn't work!"

But we have to make it work. The easiest supplement, and cheapest (apart from grazing off), is nitrogen. You don't have to feed it out, and it works even in cold areas. In July 1992, that year of the big snowfalls, I rang a client in Southland. Brian Dickison farms up to 600 metres above sea level in the Waikaka area, and had already suffered from 28 snowfalls that winter. Brian said, "I don't know how I'm going to get the ewes through the winter". I suggested using DAP over the whole farm. In desperation Brian tried it, and came up trumps. "I tailed 130%, my best percentage until then, and the tailing gang told me that the lambs were the best in the district". Some areas, notably Taihape and Central Hawkes Bay are still dry. In my experience, the application of nitrogen fertiliser from April



Part of a mob of 1,300 ram hoggets at Wairere, mid March this year.

on will start working with dews and minimal rainfall, and growth will ramp up fast when soil moisture levels recover. The important thing is to get it on.

The supply/demand balance.

On the other side of the world ewes have been dying under snowdrifts. Wet cold soils will cause a slow spring in the UK, and an extra few weeks' window to sell New Zealand lamb. A dry autumn in Australia's prime lamb belt has resulted in skinny ewes and a prediction of lower lamb numbers next season. In New Zealand a combination of lower ewe numbers (conversion for dairying and dairy grazing in the South Island, reduction of stock numbers in the North), reduced ewe condition, and fewer hoggets to the ram, could mean a reduction of two to three million lambs compared to this season. This global reduction in supply will have a favourable effect on lamb price. **"Late April has seen a dramatic increase in inquiry. I've never seen inquiry like this during peak season in twenty years in the business"** – Alister King, marketing manager, Lean Meats (Alister was temporarily out of the industry in the heady days of 2011).

There is still time to consider mating your hoggets, if they are 40kg or better. Better to stock one animal to get two out the other end of the winter ... And consider that a 40kg ewe lamb worth \$80-90 now, may be valued at \$200 in nine months time. That is worth some investment in nitrogen.

And the demand side? The burgeoning export tonnage to China has had a dramatic effect on the value of lamb. Processing plants which are not certified for China are currently missing out on around 45 cents/kg on every lamb, and \$40 per cattle beast. It is also worth considering that the average yielding South Island lamb (53% of carcass weight is meat) at a schedule price of \$6, is paying the farmer \$11.32/kg for the edible portion.

Think back to 2001-2, when the New Zealand dollar was valued at half its current US exchange rate our average farmgate lamb value this season will turn out to be the same or higher. That indicates the progress made by the vilified processors.

Reforming the sheep industry.

Many sheep farmers have reacted to low prices by calling for reorganisation of 60-80 percent of meat processing/sales under one umbrella. My thoughts:

- I believe that an 80 percent umbrella business would also have pushed prices too high in 2011. It is so easy to get greedy and think that a new level of pricing has been established, and not read the signals from consumers.

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- It can be a dangerous move to try and control a market. Traditional buyers might react with tariff and quota changes.
- Attempts at control usually fail. Think of Bunker Hunt's attempt to buy the world's supply of silver around 1980; Brazil withholding coffee to push the price up (the result was reduced market share, and establishing Vietnam as a global player); Apple and the iPhone (industrial espionage). There are usually competitors and substitutes, or they quickly emerge.
- The structured supply system which has been suggested is a double-edged sword.

There will be less opportunity for farmers to increase numbers of slaughter stock when the season goes against them. The current excess processing capacity allows farmers to maximise high stocking rate, and know that there is relative freedom to move.

- Farmer investment in the processing industry ranges from zero to perhaps a hundred farmers who have over \$100,000 at stake. So, the easiest route to exerting control is to withhold supply of stock from one processor. This is also the cheapest way for farmers to rationalise the industry.
- Startup operations have introduced the most innovations over the past thirty years. Competition has kept the processing industry lean and mean.
- I recently heard a previous director of Fonterra give his opinion that the meat industry is "ten years ahead of the dairy industry". In other words, look at how easily dairy farmers are abandoning a united cooperative for the sake of a few cents per kg. If we want to save farmer owned companies and make them more profitable, supply them.
- If farmers are so concerned about better returns, why was there little support for WoNZ? There won't be one silver bullet; we need to add value to all products from sheep.

Goldrushes in farming

Some travelling abroad over the past twelve months has convinced me that we farmers need to form our own opinions about the future direction of agriculture. For example, there are often quotes in the media about farmers having to produce 70 percent more food for 30 percent more people by 2050. How does that compute? Even if some of the world population need to eat more, some need to eat less, and storage methods will improve, resulting in less wastage.

And there is plenty of untapped capacity. For example, there is a heap of flat land in New Zealand which could be growing potatoes at 50t/ha, but instead is growing 1.3t of milksolids or 10t/ha of wheat or 300kg of beef or lamb meat. Farmers around the world are quick to take up on new crops.

Oil palm In Malaysia is netting around \$US3,000 per hectare; the value of exported palm oil is higher than all of New Zealand's agricultural, horticultural, forest, and fish exports. No wonder the orang-utans are facing reduced habitat in Malaysia and Indonesia.

Soya beans in Brazil have boomed on the back of exports to China and other countries, and with direct drilling technology. Country that used to grow cattle and some sheep is now under the drill. And the farmer is making more money, more easily. In some areas of Brazil it is standard practice to grow two crops per year, say winter wheat and summer soya. Under irrigation and direct drill, it is possible to grow three. There are some huge irrigation projects under way which dwarf proposals in New Zealand.

Plastic houses in Turkey dominate the landscape in some areas. This hydroponic technology grows beautiful peppers, tomatoes, and other vegetables, with warmth, sunlight and water, and no need for good soils.

The dairying revolution in New Zealand has been a goldrush. I wrote in a 1996 newsletter that dairying's increasing viability relative to sheep could be simplified to dollars/kg and kgs/ha. Multiply the two together to calculate gross revenue/ha; then do the same for the basket of product which we produce – lamb/mutton/wool/beef. The price of milksolids has tracked better than any of our basket, though lamb has got close. The improving farmgate price of milksolids has allowed more intensive farming methods, such as irrigation, supplementary feed, winter housing, milking platforms, etc.

But competitors and substitutes are always around the corner. The country making the biggest increases in milk production right now is, you've guessed it, India. India has also become the biggest beef exporter in the world.

While in Brazil in January, I had the privilege of spending a couple of days with Kiwi Simon Wallace. Simon has cleared tropical scrubland to install centre pivots, where he is growing 45,000kg/DM/hectare with the help of 6-700kgN/ha. He runs ten cows/ha, and is producing 3,000kg MS/ha. Simon has recently built a factory to package UHT milk in his own brand, Laitissimo, which is distributed to supermarkets. The value per kg milksolids at the farmgate is well above that in New Zealand.

But even dairying might be under threat. I well remember a Brazilian speaker, at a Christchurch conference three years ago, saying that soy products can be produced at ten percent of the cost of dairy; all they need is taste and texture. New Zealanders will hope that never happens.

Lifting our game.

We can support change beyond the farm gate and hope that a new approach delivers higher prices. However, it is changes inside the farm gate that we CAN make happen. Our January newsletter was entitled "From hero to zero". It should have been "From hero to minus", given the financial impact of the poor spring, drought, and low prices on many properties. How can we build greater resilience into our hill country farming systems?

The other side.

A year ago a group of top Kiwi farmers visited a number of high performance sheep producers in the UK, most of whom had been on a similar trip to New Zealand the year before. What was intriguing was that the efficiency of production was similar. While the UK farmers incurred higher costs, lamb growth rate was higher than in NZ.

Wairarapa farmer Matt Wyeth was on that trip. Last spring he tried lambing 400, out of 1,400 tripletting ewes, inside. At this season's low lamb prices, the profit margin was only \$8,000. But no ewes were lost, compared to 7% of the tripletting ewes outdoors, and those ewes reared 283%.

The poor spring also prompted Matt to wean some ewes early, with lambs around 18kg liveweight at 60 days. He was able to achieve post weaning growth of 280g/day with those lambs, and bring ewes previously on steep hills down to easier country. The early weaned ewes were nearly one body condition score better than the others at mating this year, though no heavier. And old ewes were sold in November on a \$3.20/kg schedule. Matt has 25% of cultivable country, with high octane pasture and crop. But the other 75% is steep greywacke up to 700 metres asl., bounding the Tararua Forest Park.

Matt and Lynley, winners of the Wairarapa Farm Business of the Year in 2005, have also been longtime proponents of late calving (November), and early weaning (February).

The management practices described above may fit your system better than specialist feed crops. Each one of us is trying to find the sweet spot between intensive and extensive, high cost/high return and low cost/medium return.

Resilience.

For James and Jane Hunter in coastal Hawkes Bay this past season has been a real test of their system, with only 196mm rain for the six months between the end of August and end of February. The system has stood the test, with all lambs killed (153% lambing from ewes, 76% from hoggets, straight Romney maternals) at an average of 19.3kg at 125 days old. Last year, in a good season, the average was 21.4kg at 153 days.

Features of James' system include:

- High soil fertility.
- A moderate stocking rate of ewes (4.2/hectare) coupled with winter trade lambs which are sold to create space in the spring. Bulls are another flexible option.
- A later lambing date, 21st September average across early ewes to hoggets, than typical for the district.
- Working with the strength of the clay-based soil by drainage on moderate hills, enabling early (September) sowing of crops – rape, chicory, red clover.
- Having 25% of the farm in high octane feed enabled early weaned lambs (64 days ex ewes, 75 days ex hoggets this year) to grow fast after weaning. Despite early weaning, by 25th April this autumn ewe hoggets were 51kg out of ewes, and 48kg out of hoggets.
- 100% of lambs were contracted.
- Lopping willows and poplars filled a gap for ewes at a critical time. The planting of trees protects erosion prone slopes, and helped James and Jane win the Ballance Hawkes Bay Farmer of the Year award in 2012.
- Cattle productivity has been down, reflecting the 30-40% below average spring growth and no summer, with bulls sold early, and cows away grazing. So the target of 300kg carcase and wool weight per hectare will be

missed, but the sheep side of the equation has held up well. Ewes are 64kg at mating and 860 winter trade lambs have been purchased at \$34.

- In summary James says, "As to your question on resilience, the best thing about this season has been the mix of genetics, a high quality feed system, and contracting 100% of our lambs to Lean Meats".

Building fertility.

George William's father-in-law, John Dalziell, warned



Part of a mob of twotooth and fourtooth ewes at Wairere, mid March

George and Lucy about taking on "Grassendale", on the Castle Hill road between Tinui and Alfredton, Wairarapa. "It's tough country, typical sandstone, with a gorse problem which I've worked hard to keep under control". Since winning the Wairarapa Farmer of the Year in 1990, John and Sue had been dealt to by floods, soil erosion, and droughts.

But George and Lucy were still keen to take up the challenge. A few years earlier they had purchased a smaller 370ha farm next door, with mudstone soil and better natural fertility. Since buying Grassendale in 2009, four annual dressings of 500kg super/ha have been applied. The results are showing through now, not quite a silk purse out of a sow's ear, but stronger pastures with greater resilience through dry summers and wet winters. George has meantime cultivated every flat or slope capable of taking a 4WD tractor, and established plantain, and new grass. He has also purchased a Coopworth stud, which is providing extra revenue.

A major change in approach has been early weaning. With the start of lambing on 20th August the strategy is to complete weaning between 10th and 15th November. "That's when store lamb prices are high. I don't know why more people don't do it. That move certainly saved us this past spring, so I intend to make it a regular feature. It gives ewes a better chance to recover condition, and to sell cull ewes at a high price, and when space is available".

Getting infrastructure right.

Michael and Rachel Butterick are great believers in building for the long term. After purchasing Rocky Hills in 1995, Mike soon got sick of straggle mustering all day. "The fences were a mess. We've now built 80km of new fences, plus sheep and cattle yards at strategic points. I can work the 11,000 su by myself, with a good lane connecting the 20km

from one end of 2,200ha to the other. Good infrastructure has reduced the need for staff." Mike has an interesting mix of 3,500 Perendale ewes, superfine Merino ewes and wethers, and trading cattle, (some from the Chathams). "I've had four cow herds over sixteen years, and had to sell them in droughts, so no more!"

Mike still finds time to develop scrubby hills with his own bulldozer, going through crop to pasture. He also has four hectares of lucerne, which carries a huge stocking rate of hoggets in the spring, then lambs post weaning at up to 100/hectare. They are grown on for sale as forward stores at 31-32kg. "I'm thinking of sowing Lucerne around some of our hills. It is a truly transformational plant, and could convert this property into finishing its own stock".

The property includes the third largest area of native bush in the Wairarapa, and the steep, rotten rock peaks are a scenic treasure. It's country which would scare some farmers, but Mike and Rachel have found a way to farm it profitably, despite hard times in recent years. Mike's philosophy: "Every day I wake up is a good one. It's not my job, it's my passion. And our kids love it".

Building on strengths.

Jay, Charles, and Bev McGuinness farm Flat Point station on the Wairarapa coast. The McGuinnesses are an entrepreneurial family, with Jay and Charles' parents, John and Mary, having masterminded a major coastal subdivision, and experimented with wine grapes.



Lucerne on sand at Flat Point Station, Wairarapa.

Jay has made the most of flat and rolling country on the coast, and inland terraces. He has cultivated pure sand into lucerne. The technique involves working the sand in winter, when it won't blow away, leveling any dunes, and planting a fast growing crop like barley or oats. The crop is grazed by stock, then undersown with lucerne in the spring. Jay now has 120 hectares of lucerne, half of which is cut and baled for farmers in the Waikato, a \$350,000 revenue stream last year. The other half is used to finish lambs.

The station normally finishes all lambs, including hogget lambs, and buys in 1,500 -2,000 to winter. The regular supply to CMP's Marton plant has seen Jay win CMP's

Supplier of the Year for the North Island.

"During this dry summer our trade lambs were growing so fast on lucerne that being cut back on processing space created a real problem for us!"

Lucerne doesn't suit all locations, but seeing what it can do on soils which are otherwise ineffective is inspirational.

Attack... the best means of defence

The top dairy farmers are continually improving kgs of milksolids per hectare. Standout performers near Masterton are Selwyn and Jenny McLachlan. The farm is on track to do 510kg/cow and over 2000kg/ha this season, despite no irrigation for a month. Features include:

1. Irrigation on stony ground.
2. 27% pastures renewed last season, possible because of the excellent spring in 2011; many farms complained of a slow spring in 2013 ... the big percentage of new grass allowed high quantity and quality this season. New pastures grow 24,000kgDM/ha/year, old pastures, 16,000.
3. Dedicated management. Andrew Bouton is young and keen, and worked with Selwyn while at school. He recently returned from several years with a Waikato producer doing around 3,000kg MS/ha, helped by a Herd Home. Andrew is a top stockman ... he checks the cows every evening to ensure that they are contented.
4. A covered feed pad is being built this autumn. It will shelter cows from southerly windchill, and prevent pugging of pastures in wet springs and autumns. Per cow performance has lifted to 660kg/year for some farmers with herd homes, twice the national average.
5. The owners' quest for continual improvement.

What lessons can we transfer to sheep management? In Selwyn and Jenny's case, they are involved with two sheep and beef farms in the Wairarapa. Selwyn: "We don't want to farm browntop for the next twenty years. We have started a program of pasture renewal through a brassica crop, doing the easy contour with a tractor, and the balance with "spray and pray".

Looking ahead.

The future looks bright. Lamb and mutton schedule will get back to fair value next season. Wool is still selling, half of it to China, with eighty per cent of that manufactured into goods sold in China rather than exported.

And the global beef market looks set for a sustainable price lift over the next twelve months, with China again ramping up demand.

Here's wishing your stock make the winter in good shape, and reap the benefits of a better year in 2013 – 14.

Warm Regards

and the
Wairere Team

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