



Client newsletter
August 2013

Wairere

Bouncing back.

Supply/demand rules.

It now looks as though lamb supply out of New Zealand/Australia/UK will be five to six million down on last year. Markets have reacted fast. June lambs in the UK were attracting \$NZ150 -160 for 15.8 to 17.3 kg carcass weights. Australian racks are selling at a higher price than New Zealand racks in the USA, the first time in years. The current outlook would indicate an average price for next season of \$6/kg, give or take.

A lower Kiwi dollar will help, although the big moves have been against the Greenback and the Aussie. The US economy is responding to cheap energy. Fracking will make the US the biggest oil/gas exporter in the world, and power the domestic economy, compensating for the slowdown in China. Mexico and Canada will also benefit from cheap energy, giving a total population of around 450 million in North America on the fast track.

Wool has also taken a welcome lift.

And beef has been up to \$NZ10/kg at the farm gate in Britain this spring, sharply reduced supply being the main cause.

How do we add more value?

The recent, large increase in sheep meat sales to China has made the rendering conveyor belt obsolete. Almost every part of the carcass is now used; even the bones go to China. In the last Wairere newsletter it was mentioned that a typical South Island lamb yields 53% of meat. What that doesn't take into account is the edible fat. It would be fair to say that around 17% of every carcass is edible fat.

That gives a total of 70% edible in every lamb, and a \$6 schedule means that the farmer is being paid \$8.57 per edible kilogram, or \$8.45/kg for the higher yielding North Island lambs.

What potential remains?

- Over the next three years, the Chinese tariff will reduce from 4 to 7.7% for different items, to zero.
- A Free Trade Agreement with India is imminent. Indian people are used to eating lamb, and the FTA would create a big opportunity to tap into demand from the 300 million strong middle class.

- A stronger US dollar will bolster demand for our middle cuts.
- QUALITY. We still have some room to move on quality. Consumer testing indicates that only 70% of New Zealand lamb receives a tick in the "very favourable"



*Two tooth and four tooth Romney ewes at Wairere, mid March 2013.
Two tooth scanned 174% after lambing as hoggets. 174 percent (without triplets)*

box. Consistency of taste and texture guarantees happy customers. A parallel can be drawn with Alaskan King Crab and wild salmon; fresh is gourmet fare, frozen quality can be poor, and poor enough to discourage future purchases.

- Red meat supply is tracking down, apart from pig meat. Sheep meat supply is tiny, in global terms, around four million tonnes/year. Beef production peaked at 63m tonnes, but is now trending lower. Reduced supply supports better prices.
- From filling the EU quota of 227,000 tonnes religiously until 2008, the percentage filled has dropped to 70%. This reveals reduced reliance on the European market, and the emergence of new markets. More global customers competing for our produce give stronger negotiating power to New Zealand marketers.
- Creating points of difference at retail, via packaging, meal-ready, etc.
- Going direct to the customer, via on-line and social media.

0800 Wairere (0800 924 7373)

Lessons from Oz.

The more extreme climate in Australia encourages a lower risk approach. At one end of the spectrum are farmers with a nil input philosophy. One legend in South Australia, now aged in his late 70s, has gradually accumulated a million hectares of marginal land with that approach. There have been issues with the RSPCA, however.

At the other end of the spectrum are the high input farmers, often Kiwis who think they can copy practices from the homeland. They often crash and burn. The moderate approach can flex with the seasons. And Merino farmers are used to low lambing percentages; wool income is still more important than meat.

In 2006 I sold eight composite ram lambs to a client near Bendigo. I telephoned ten months later to catch up. "How did the ram lambs shift?" "Good, I'm pleased with them." "I hear it's a bad drought; how are you handling it?" "I've sold my 5,000 ewes ...!" "But I have done it before. The alternative was to hard feed them for eleven months." That's the difference between Australia and New Zealand. The sequel: stock were cheap after the drought because



7th July, on Tom Bull's property in southern New South Wales

nobody had any money. And the best way to save pastures is to stop grazing them.

But there is a lot of potential in Australia for prime lamb. They have advantages of flat land, cheap supplementary feed, a strong domestic market for lamb, and a base flock with higher value wool and woolskins. There are areas which combine rocket fuel (sub clover/Phalaris mix) and heat to produce lambs growing at 320 to 420g/day to weaning. Tom Bull, a stud breeder I visited in southern New South Wales, was weaning at 42-47kg average, in 103 days. The flock was predominantly New Zealand maternal composite on a White Suffolk base. Tom is also finding "Bigger ewes more efficient. I would rather have a 70kg ewe with two 37kg lambs, than a 60kg with twins at 30kg. My average ewe is 3kg heavier now, but fatter and more resilient, and more productive" (18kg is a minimum weight in Australia, for best per kg returns).

The Competition.

The fastest developing animal protein sector in the world is farmed fish. It has grown at six percent per year over the past five years, compared to 4% for chickens and 1.7% for pigmeat. These growth patterns reflect the relative feed

conversion efficiencies. Farmed fish reached 66 million tonnes in 2012, compared to beef at 63 million tonnes. Red meat is static or declining. Around 85% of the world's food comes from grains and vegetables; only 8-10% from fish or flesh. But the global demand for animal protein grew more than fivefold between 1950 and 2000.

Some of the Chinese flock are farmed indoors. New Zealand visitors met one operator with 200,000 sheep who was considering expanding to two million! Another operator has 20,000 sheep on 40 hectares, and was considering a tenfold expansion. There are also small flocks traditionally grazed on common land, attended by shepherds all day, but which routinely use artificial insemination!

The move to dairying is driving up land prices across all land classes. The effect is stronger in the South Island, but affects North Island hill country too. The bad side is that it is expensive to expand, the good side is that current land owners are wealthier than they would otherwise be.

Steady progress.

- New Zealand farmers used to receive about 30% of the farm gate lamb price received by UK sheep farmers in the early 1990s. Over the past several years we have received around 70% of their price.
- The average lamb carcass weight for the 2012 -2013 season is forecast to be 17.9kg, a full kilogram better than the 2008 drought at 16.9kg. Congratulations!
- The yield on lamb has increased by 8% since 2002.

Wool - don't abandon it.

- Synthetic carpets have gained market dominance in Australasia while we've been asleep at the switch.
- Rejecting the wool levy four years ago was a natural, kneejerk reaction, but improved prices over the past several years indicate that there is further potential to be unleashed.
- The Puretec process, capable of reducing micron by five will especially enhance the value of 28-30 micron wool.
- A large percentage of pelts are now exported to China with the wool on ("woolskins"). New product usage has reduced the availability of pelts, and improved prices in that market too.

Window on the world.

- Warren Larsen, CEO of the Dairy Board in the 1990s, spoke in Masterton recently. Warren started his career in the wool industry during the 1970s. He converted to the dairy industry after realising that the Dairy Board had offices in many countries, whereas New Zealand's wool industry was poorly represented offshore. He stated that his most valuable perspective was always gained during the four months each year he spent outside New Zealand.
- The Japanese equivalent of Federated Farmers has 240,000 staff! What will happen if Japan signs a Free Trade Agreement in agricultural products?
- Houston, Texas, has no zoning laws. If you own a piece of land, you can build what you like on it. No wonder it is the fastest developing city in the USA, on the back of the fracking boom.

- Not all has gone smoothly for Fonterra. After purchasing Borlac in Australia, the strategic decision was taken to focus on the domestic market. But Coles and Woolworths have swung a wrecking ball on the milk price. Meantime Murray Goulburn built powder milk plants and has capitalised on the rise and rise of the world market.
- The Chinese are punching a highway down the old Silk Road in northern Pakistan, heading towards the nearest port on the Indian ocean. This route will open up western China to international trade, both in and out. This central Asian area, including Kazakhstan and the other “stans”, is a traditional sheepmeat eating region.
- Global production of dates is around 7.5 million tonnes, twice the tonnage of sheepmeat.
- The monthly auction initiated by Fonterra a couple of years ago has increased the number of buyers from around 25 to 500. So much for Fonterra thinking they had the market covered. It also demonstrates that businesses prefer to make a supply line as direct as possible.
- **The whole of civilisation has been built upon six inches of topsoil and the fact that it rains.**



Rob and Jean Forrester's winning ewe hoggets

the ewes with extra ewe hoggets, which lambed at 133%, not too far below what those ewes would have done. And strong earning capacity has allowed purchase of extra land this year too.

Rob and Lucy Thorneycroft, north Wairarapa. Rob and Lucy bought their hill country farm six years ago. It lacked a working woolshed; and sheep and cattle yards, which Rob built, but did have a good liming history. A first up fertiliser input of 450kg superphosphate per hectare started the ball rolling, and further capital fertiliser has been added when financial surpluses have allowed.

A key foundation was securing Turanganui Romney capital stock, which were bred to Wairere Multiplier rams (Finn/ Texel/East Friesian/Romney). From year two, lambing percentage has averaged 144% despite some difficult seasons. Others in the Alfredton Farm Discussion group are impressed with Rob consistently performing in the top bracket of the group for Economic Farm Surplus after such a short time on the property, and coming from Nelson into a new area. Rob is very grateful for the discussion group's encouragement, knowhow, and confidence.

Rob's recipe is big on fertiliser, with 20kg of nitrogen (Pasture Zeal) per hectare going over the whole farm in late August, to guarantee a spring. Sixty hectares out of the 485 effective have been roller crushed out of gorse and scrub. Stocking rate is moderate: 2,400 ewes, 700 ewe hoggets, 50 cows, 150 other cattle. The focus is on growing stock fast. Even in a poor season, 60-70% of lambs are finished. Rob: "I've been very pleased with the strong genetic foundation".



Wairere rams mid March 2013, looking for the good times ahead

Client Success Stories:

Rob and Jean Forrester, north Canterbury, have recently been announced winners of the New Zealand Ewe Hogget Competition – the first ever winners with composite sheep. A tailing percentage of 133 out of the ewe hoggets impressed the judges. That added to 160 percent out of the ewes.

Rob and Jean focus on getting seventy percent of lambs away before Christmas. Average lamb carcass weight was 17.4kg in 2012-13. "High lamb growth rate compresses the lamb finishing work to spring/early summer. That gives us a break in February – early March, which is much appreciated".

"Being involved with the New Zealand Ewe Hogget Competition has been a great learning and benchmarking exercise. That, and changing to Wairere composite rams ten years ago, has really improved our business and lifestyle". Rob and Jean took advantage of the inflated ewe prices in January 2012 to sell down five hundred ewes, and make a capital contribution to building a new house. They replaced



Rob and Lucy Thorneycroft with Emma and Annabel

Earl Twigley, Wairoa. Earl manages Okare station for the Bayly family. "Some years ago we purchased the next door property, and were running 23,000 ewes. After fourteen years of Wairere Romney rams, performance peaked at just under 140 percent. We went to another breed for a few years, but we're back buying Waireres now. Ewe numbers are back to 19,000 after selling 1,200 hectares. We now have 135 hectares of plantain, and will target to finish more than the 50% of lambs which we finish now. Five thousand of the six thousand ewe hoggets have been mated, with 69% in lamb."

Duncan Ensor, upper Rakaia, Canterbury. Email, 9th November 2012. "The ewe lambs I bought off you last season have grown out well and I am really pleased with them. They have been running as one mob with my own ones since arriving here and have fitted in well.

I put 91% of all my ewe hoggets to the ram at an average weight of 46kg; 87% of these scanned in lamb recording 106%. 30% of these were hogget lambs.

This is a good result off this country; we can improve on it still, but it is a good start.

The MA ewes scanned 178% with 3% dry and 12% singles, we did not scan for triplets and ewes were straight off true native high country prior to tupping.

Overall I am pleased with my flock's performance and your genetics are working well. I do not want to have to get MA ewes to 70kg to get them to perform, a 65kg ewe on this country is big enough; this is where I see the biggest benefit of your genetics for me".

Mel Bolton, inland Taihape. Mel manages Erewhon Station for Rimani farms, owned by the Spencer family. Mel farmed for quite a number of years in the Wairarapa, experience which has stood him in good stead during the big dry this season. Acting early on sale stock, and securing grazing for 2,000 of the ewe hoggets in the Manawatu, were key to being able to retain full capital stock ewe numbers at 16,000. Another key was thorough preparation of winter feed crops in December. Double rolling, though more expensive, guaranteed a strike.

There were feed crops sown on other farms at the same time, but only rolled once, which were failures.

Mel has been at the helm for three years, and has succeeded in steadily improving per head performance, achieving 130 percent last spring. Ewes have scanned 160% this winter, and the ewe hoggets 107. Erewhon will have plenty of lambs for the better prices next season.

Jim and Marilyn Law, Kurt and Lisa Portas, south



Jim and Marilyn Law

Wairarapa. Jim approaches farming with the thorough strategy, planning, and benchmarking skills he learned as an executive with Mobil International. Three years ago, Jim and Marilyn took a calculated risk in elevating 23 year old shepherd, Kurt

Portas, to managing 12,000 stock units. This year Jim and Marilyn have created another great opportunity for Kurt and Lisa, financing their loan to purchase 40% of a 300 hectare neighbouring block added several months ago.

The capital stock breeding ewes purchased eleven years ago were a mixed bag. Manager Paul Weeks put pure Finn rams over those ewes, then came to Wairere for Finn/Texel/Romneys. There was a move back to Wairere Romneys a couple of years ago. Lambing percentages over the past two years have been 148 and 145, and 87 and 100 from ewe hoggets. Homebred lambs averaged 19.5kg this season.

And the ewe hoggets have just scanned 150%.

Palliser Ridge also won three of the individual awards for the Greater Wellington region of the Ballance Farm Environment competition this year.



Kurt, Lisa and Beauden (baby) Portas

New breeding programs.

Wairere Challenger. This is year five of our facial eczema resilient flock and we have 950 ewes mated to tested rams. The interbred (high resilience rams over Wairere ewes) two toothed scanned 179%, the mixed age 197%, from a March 12th mating.

The Wairere Romneys mated to Alexander rams (ARDG) scanned 179%.

The overall productivity of Wairere Challenger continues to impress.

Wairere Merino. Our joint venture partners, Colin Harvey and Jock Meehan are running 300 SIL recorded Wairere ewes to Nine Mile Merino rams (scanned 193%), and 300 Nine Mile Merino ewes to Wairere rams (scanned 163%) at Lake Mckay, near Wanaka.

For those interested in Wairere Merino, we will have a separate newsletter.

Please tick our booking form to receive this newsletter.

The 80:20 rule.

Twenty percent of our effort generates eighty percent of our results. Our key role is to feed stock well. The major decisions are around key inputs such as fertiliser, genetics, and timing of mating/weaning/sales.

The beauty of farming is the opportunity to choose how we manage our lifestyle around that 80:20 rule.

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

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

Pierre: Ph: (06) 377 4926

Mob: 027 625 9977

Jaques: Ph: (06) 3725 970

Design and print
by Printcraft,
Masterton
0800 774 683