



## Where to next?

We are all picking up the pieces after the perfect storm – low prices, escalating costs, nationwide drought. Average cash loss for a southern North Island sheepfarm in 2007/08 is between twenty and twenty-five dollars per stock unit. Too many of us have high debt levels. It is tough out there right now, and I feel for the large number of farming families who are under pressure.

However, we are fortunate that dairy conversion is putting a floor under land prices. Our turn is coming. Forecasters are saying that there will be close to ten million less sheep to export from New Zealand next season. Worldwide, stocks of pigmeat, beef and chicken will hit the bottom of the trough late this year. Shortage of supply will create a dramatic increase in the price of meat, similar to the surge in dairy product prices over the past eighteen months.

“If you missed agriculture’s golden years of profitability during the 1950s and 1960s, then stick around because they are about to return” – John Chudleigh, farm commodity analyst, Australia.

### What price lamb?

An Irish sheepfarmer I visited in June had just sold lambs for E 4-40 per kg, equivalent to around \$NZ 9.50 Kg at current exchange rate. The English schedule opened at £ 4 per kg (late May), around \$NZ 10.80. Second week of August, their schedule is £ 2-70 or \$NZ 7-30. A young Canadian who was working at Wairere, told me that her father was receiving \$C 320, around \$NZ 15.00 kg for 27 to 29 kg carcasses. The schedule in Eastern Australia has been above \$A 5.00 since July.

Let us hope that our sheepmeat marketers are fully aware of the supply/demand situation which is developing, and capitalise on it.

### Do we need to change?

Short answer, **YES**. In marketing, we need to focus on value rather than volume, given sharply reduced supply. In processing, we need a reduction in costs, and less dependence upon a decreasing labour supply. Can robotics work for the huge range in carcass size and shape?

In farming, we need price signals to encourage a bigger range of carcass size. A think tank in March this year, including the marketing managers of Silver Fern Farms and Alliance, decided that a 25kg carcass offers substantial advantages. A larger carcass allows profitable boning out of hind leg muscle segments: boneless cuts will reduce the current dependence on the declining customer demand for whole legs. David Brownrigg, head of New Zealand’s largest lamb finishing business, has said for years that New Zealand sells its lamb crop as forward stores. Larger lambs would provide processing efficiency – a similar cost to deal with a carcass 45% bigger than the current average.

But can we farm lambs to 25kg? It all depends on the price signal and the ability to rapidly grow lambs to that weight.



*Derek with the latest team of Wairere Romney two-tooth rams*

What are the constraints?

- New Zealand ewes are generally too small for the target weight. A rethink of “ewe efficiency” is required. The current industry average 65kg ewe supports a 17kg average c.w at 120% lambing. The future industry average might support 75 – 80 kg ewes at 170% lambing and 25kg average c.w. If you do the arithmetic you find that the second system produces TWICE the weight of meat per ewe per year, and would require around 25% more feed. This will challenge some mindsets!
- The weaning weight average needs to be lifted to 34kg or better. This platform is necessary for rapid post weaning growth.

- Growing lambs fast post weaning will require some degree of feed cropping. A specialist lamb finisher I know has gone to crops, winter and summer, no pasture at all and he finishes 96 lambs per hectare per year. All his finishing is done on a liveweight gain basis. This puts the focus on growing, rather than trading. Consistent reward will be needed to prevent land use change
- Marketers will need a year-round supply of heavy carcasses, a constraint which has prevented progress in the past. Farmers will respond if there is a premium for the heavyweight lamb above the middle-weight lamb, at ALL times of the year. The success of the system would



East Friesian/Romney ewes and lambs at George Tatham's property, Wairarapa, 161% weaned at 35.5kg average in a difficult spring.

depend on the premium for heavy lambs, and fast growth post weaning.

From a farming perspective, a lower stocking rate and better fed ewes is the longterm answer to the battle with internal parasites. Take pressure off both beast and man, and sustainability is possible.

## The opposite approach

The opposite approach is to breed hardy sheep which require lower inputs of fertiliser and labour, and finish mid-weight (15 to 18kg) lamb off grass alone. Can we do it better, and more cheaply?

Our mainstream Romney program is focused on performance under this scenario. In addition, we are building a Texel/Romney ewe flock to test their performance and hardiness relative to our Romneys. Our Wairere Tufguy (Texel/Romney) is becoming increasingly popular, with 140 sold last season.

## Faster growth is more efficient

- Research shows that faster growing animals are more efficient because of:
  - less total feed consumed before slaughter
  - reduced animal health requirements
  - less competition with breeding stock
  - better lambing % as ewe hoggets and two-tooths

## What has Wairere been doing to help you?

- We select for **constitution** by mob stocking on second class hill country at a high stocking rate. Wairere is a

good **testing ground**, winter wet, summer dry, and in a Class I wind zone. Nationally, the Wairere reputation is built around “shifting ability” and the attribute of “bouncing back after a hard time”.

- We practise **minimal drenching**, for example only four drenches for ewe lambs in their first year in 2007/8, despite the drought. For six years ram lambs have been part of an **AgResearch trial for resilience** and resistance to internal parasites. Ewes and two tooths are not drenched, except for small numbers if emergency conditions require it.
- We have gone for **size and scale**, to allow **heavy culling** before you select your rams. We have 8,000 SIL recorded Romney ewes and 12,000 in multiplier flocks. There are 4,000 SIL recorded composites, and 3,000 in multiplier flocks.
- **We keep only hoggets which get in lamb.** For five years that has been the practice, despite the difficulty of doing that with Romneys in consecutive droughts. This selects for early maturity and fertility.
- All ewe hoggets have been mated since 1966, and are lambed unshepherded. Selection for **easycare lambing** and against bearings has been practised for more than forty years. Twinning hoggets are mothered up, to give due credit on their SIL records.
- Up to 7,000 ram lambs each year have been **measured for eye muscle area**. This measurement is integrated into our SIL index.
- For fourteen years we have been involved with the Wairarapa Romney Improvement Group in an annual sire evaluation trial **comparing progeny for saleable meat value** – carcass weight and saleable yield.
- We have **trialed a dozen breed mixes** to sort the ideal composite for your conditions. Bear in mind that almost all maternal sheep in New Zealand include Romney, and that the quality of the Romney component will be a determining factor in the success of the composite.
- We use the DNA tests for footrot resistance and parasite resistance, but are wary about placing too much reliance on these.
- A recent presentation of trial data by Ag Research compared sheep performance selected for resistance to parasites to performance of sheep selected for resilience. The resilient sheep were overwhelmingly better for growth rate, gaining an extra three kilos over the resistant group. This has been our standard approach at Wairere for forty years — put growing stock in large mobs, and **let the fittest survive. Big numbers allow heavy culling.**
- Like you we cull heavily on dags, and other basics like feet and pasterns. We are always thinking about how **to reduce your workload.**

## Observations:

Farming returns are always cyclical. New Zealand history over the past 160 years show that. When there is a bright new industry showing good profits, farmers flood into it until supply swamps the market. Two years ago, seventy percent of dairy farmers and deer farmers were going broke.

But we need to learn from this downturn. From the Wairere perspective we are questioning a few things.

- Why do we inflict punishment on our stock with a monoculture (or close to), high stocking rates, and minimal protection against internal parasites? I cannot think of a competing agricultural sector which tries to do this. Quoting Professor Al Rae of Massey “If you can transform productivity with science, do it that way. With genetics, transform only what you cannot do with science.”
- Supplementary feeding of sheep (barley, pellets, etc) for short periods can have dramatic positive results on performance. Again, perhaps we should not be so fixated on a starvation regime when climatic extremes occur.
- To quote geneticist Dorian Garrick, past Chair of Animal Breeding, Massey and now six years in the U.S.A. working with cattle, pigs, chickens, sheep; “Gene markers have been monumentally unsuccessful. The sheep genome should be fully mapped by the end of this year, and SNP chips, which take account of a much greater number of genes and their interrelationship can then be used to shortcut genetic progress”. The opportunity to “DNA prove” an individual sire early in his career rather than wait for “daughter proven” should accelerate progress with maternal traits.
- How can we put more value back into wool and pelts? The value of farming sheep in the past related to their dual purpose output.

## Reality check

There are commercial parties with a vested interest in promoting various solutions to sheep breeding and productivity. Among these are gene markers, DNA maps, double muscling, parasite resistance, ACE (across flock and breed sire comparison) and SIL. None of them are perfect, some have a long way to go (see Dorian Garrick's comments). Even within our well linked Wairarapa Romney Improvement Group there are anomalies in across flock comparisons which raise eyebrows among group members.

A case in point is the data comparing the growth rate of resilient sheep to resistant sheep. The resilient sheep win hands down. Another case in point was the highest yielding lamb (70% saleable yield) in the national “Glammies” competition — it was tough to eat.

As your proxy in the sheepbreeding world, we look at every “new solution” with healthy scepticism. Is it a balanced, practical solution? Will it make life easier for you? Or put more dollars in your pocket?

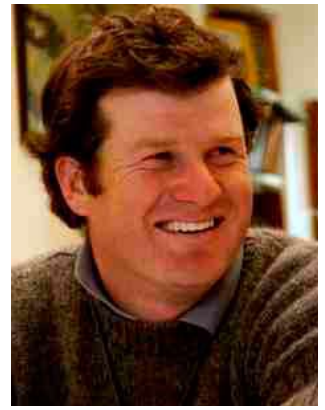
## What drought?

We all admire fellow farmers who can cope with climatic adversity and still perform well.

George & Sarah Tatham farm 7,000 ewes on the Wairarapa coast. “In February 2007 I took over the Wairere East Frisian/Romney flock of 1500 ewes. Despite the drought, tailing was 161% and weaning weight averaged 35.5 kg at 112 days old, after a difficult spring. I am surprised at how

well the teeth and condition last on the older half East Frisian ewes (up to ten years old).”

Scan for 2008 was 178%. We also run the Wairere FuTuRo flock of 650 ewes, which weaned 158% at 32kg average. The FuTuRos scanned 169% despite the spring to autumn draught. ”



George Tatham

## Bouncing back



Brad (left) and Ray Stafford

Central Hawkes Bay Vets, a large practice covering much of the province, measured an average scan of 115% across the client base. Ray Stafford, farming dry hills east of Waipawa has weaned up to 158%, but scanned only 148% this year. Ray, though, was delighted at how the sheep have bounced back after two droughts. And he is still more than 30% ahead of the average Hawkes Bay farm.

## Low lamb losses

Guy and Michelle Brown, Taranaki

“We used to work hard to do 120%. A change to Wairere Romney in the mid 1990s delivered a gradual increase to lambings as high as 146%.



Guy and Michelle Brown, Taranaki

“Despite the big increase in twins, lambs finish faster and most sale lambs are gone before the end of February, when facial eczema can start to be a problem.”

“A feature of the Wairere ewes is the low lamb losses between scanning and docking – averaging 11.2% over a six year period.”

“Ewe losses are light too, at 4%.”

## First time manager achievement



Lyndon Chittock

Lyndon Chittock, first time manager, relished the opportunity to demonstrate his management skills on Jim Dyne's property near Tapanui, Southland.

He not only ramped up stock numbers to 6,000 Wairere ewes but improved lambing to 152%. “The Wairere stock, responded well and were a pleasure to work”.

## Sponsorship by Wairere 2008/09

- Two Telford Wairere scholarship students
- Two Taratahi Wairere scholarship students
- North Island Dog Trial championship
- New Zealand Pony Club Championship
- Eketahuna Thirds rugby team
- Dog trials at Jeff Farm (Southland) Kumeroa, Alfredton, Tautane, Eltham
- Wairarapa Womens Hockey Team.
- Hawarden speed shears
- Golden Shears

## Parting thoughts.

- Silver Fern Farms rebate suppliers have an interesting decision to make. They could put in \$25,000 each (less than 1% of their total capital, on average), and equal PGW's contribution of \$220m. They could decide against PGW's offer, and rely on improved profitability during the recent drought to be enough of

a change to debt: equity ratio going forwards. Or they could accept PGW's offer: the benefits might include a new strategic approach, and a catalyst for further consolidation.

- The Wool Company has been formed. To date I am unsure how this initiative is going to proceed. It would seem advisable for the new company to combine with existing industry players. Wool Services International, originally owned mostly by farmers, has grown to handling around one third of New Zealand's strong wool business. Unfortunately, farmer ownership has dwindled to around 25%, which demonstrates the difficulty of retaining farmer involvement beyond the farmgate. We do need to put value back into wool, woolskins and pelts. Watch this space carefully.
- Beware of over reacting to the cost/price squeeze. It may be better to apply half of normal fertiliser, rather than none at all. Fertiliser costs are likely to drop sharply sometime in the next several years, anyway.
- Totally changing sale strategy for lambs has to be carefully thought through. If there is an average to good grass growing season there will be strong demand for store lambs.
- Romneys versus composites. We have had a foot in both camps for fifteen years. It is currently fashionable to knock composites. But we know farmers are getting great results with our composites, as well as with Wairere Romneys.

*When you're at the top of the cycle you can't see the bottom, and when you're at the bottom you can't see the top.*

## Special offer

Wairere offers a free whiteface ram for every ten purchased this year (or proportion thereof) and a free Dominator ram hogget for every ten rams (or proportion thereof) bought in 2008/09.

## Looking forward

Pierre has moved on to a position with one of the major stock firms. Derek looks forward to visiting clients in the deep south in September/October.

Like many of you, Wairere has made financial losses in the past couple of years. We have restructured, cut costs, and have full confidence that the sheep industry will bounce back into good times in the near future.

*Thank you for your support, and best of luck for a great season ahead.*

Warm Regards

and the  
Wairere Team

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