



Client newsletter
August 2017

Wairere

Roll on spring...



Eleven month old Wairere ram hoggets in Australia, July 2017.

Across the country the dams are all full and the freezers are all empty. To date, one contract for lamb supply has the schedule underpinned at \$6.10/kg through to mid December. The mutton schedule has had a healthy lift recently, but is nowhere near the heights of the Australian schedule of \$A5.36/kg in late May. An Australian meat industry executive, speaking at a recent farm field day in Southland, commented, "We were very disappointed back in 1973 when New Zealand scored a big quota of sheep meat into the EU, and Australia only a small tonnage. But it forced our industry to find other markets, and our product is now the dominant player in the USA and the Middle East." Within two to three years, on current trends, Australia will be exporting more lamb than New Zealand. New Zealand lamb tonnage to the EU has been steadily declining, as other customers are found around the world, and as production has reduced with lower ewe numbers and difficult seasons.



Observers talk about "the market". In reality, a specified cut such as CKT leg will be supplied to hundreds of customers around the world, each customer paying his own negotiated price. There is a big range in price, and the opportunity exists

for New Zealand suppliers to drop off the lowest paying customer as better paying customers are found.

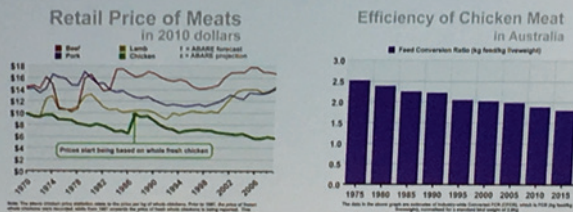
On the other side of the equation, the buyers for retailers or HRI(hotel, restaurant, institution) chase a range of options for supply. For example, Lean Meats/Atkins Sheep Ranch has been the biggest supplier of lamb into the Whole Foods chain for the past fifteen years. But Icelandic lamb enjoys a seasonal window, the launch accompanied by blue eyed blondes. Organic lamb from Australia has emerged as a competing supplier. And the buyers are approached continually by other suppliers, including domestic lamb processors. It is a dynamic and fast changing scene.

The brave new world

And now Whole Foods has been purchased by Amazon.... will that be better for suppliers or worse??? Chris and I had two nights in Guangzhou in early July, when returning from Europe. An English language newspaper there had an article about the four key inventions which ancient China introduced to the world: gunpowder, paper, printing and the compass. And of the four key inventions which China is introducing to the modern world: E-tail, fast trains(60 percent of the world's total), shared bicycles and(I can't remember the fourth). E-tail is going to be a major disruptor of our current channels to market. How are New Zealand marketers going to play in this new world?

0800 Wairere (0800 924 7373)

Agricultural productivity gains today are passed through to consumers



R&D investment in productivity gains does not improve farm gate returns
Investment in higher value products does improve farm gate returns

Take good note of the two bottom lines.

Vegetarian meat?

At the second get together of the Global Farmers Master Class group in the Netherlands in June, there was a presentation by a professor of Wageningen University about the several different processes currently being used to convert vegetable protein into a meal ingredient which is very similar to meat in taste and texture. The professor's opinion was that each method currently has some problem issue which stands in the way of immediate mass production. Let's enjoy that breathing space!

The world production of ruminant meat, mainly from cattle, sheep and goats, has pretty much plateaued in recent years, at 56 million tonnes of beef, and 12 million tonnes of sheep and goat meat combined. The beef total includes cull dairy cows. Beyond the dairy industry, these ruminants mostly graze extensive grassland which is not useful for more intensive land uses.

Will consumers take to fake meat extruded from machines in a factory? It seems that much of the ill health in modern society comes from manufactured food, refined sugar and maize syrup being two of the major culprits. The less

My crystal ball

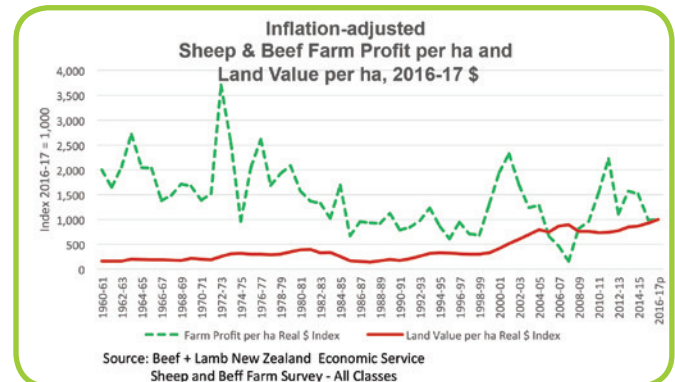
- 'Normal' Meat will remain **important** in our diet
 - Total consumption increase due to world population and increasing welfare people
 - Small shift from lamb/beef to other sustainable sources like chicken
- New protein input in diet from alternatives (incl land free)
 - Plant based (textured meat analogues)
 - Use of food (incl animal based) side stream/waste (from convenient food preparation)
 - Mycoprotein, yeast (to stay and have small market increase)
 - Algae, duckweed, seaweed, insects (become products in food, but potentially most applications in feed)

The professor's conclusions.

food is tampered with, the better. And all the talk about eating algae, insects, and producing food from "vertical farms" don't ring true. Where will the algae be grown? On our lakes? In the sea....good luck! It is difficult to imagine high end consumers wanting to eat insects. And farming plants in buildings is an expensive exercise: even the efficient Dutch with their 10,000 hectares of glasshouses are struggling to compete with cheap produce from countries with climatic advantages. Farming companies, especially in vegetables and horticulture, which operate in several countries to exploit those seasonal advantages, are becoming more and more common.

Disappearing land

The Beef and Lamb Economic Service estimate that 4.05 million hectares, or 35 percent, of land has been lost to sheep and beef since 1990! Of that total, 950,000 hectares has been converted to dairying or dairy support, 377,000 hectares went to forestry, a big area was retired to DOC estate, 180,000 hectares has been covenanted to QE2 since 1979 (with more on the way), some poorer hill country reverted to scrub/bush/weeds, and smaller areas changed to viticulture/horticulture/lifestyle blocks/Manuka/urban sprawl. This supply/demand situation goes some way to explaining the surprisingly high prices being paid for dry stock farms this year. *Pastoral farming has been reduced to only 40 percent of the land area in New Zealand...* a fact worth mentioning to the urban critics of our sector.



From 1991, % changes in real 2004-2005 \$, Land value 475%, farm profit 27%, and interest rate down from 14% to 5%.

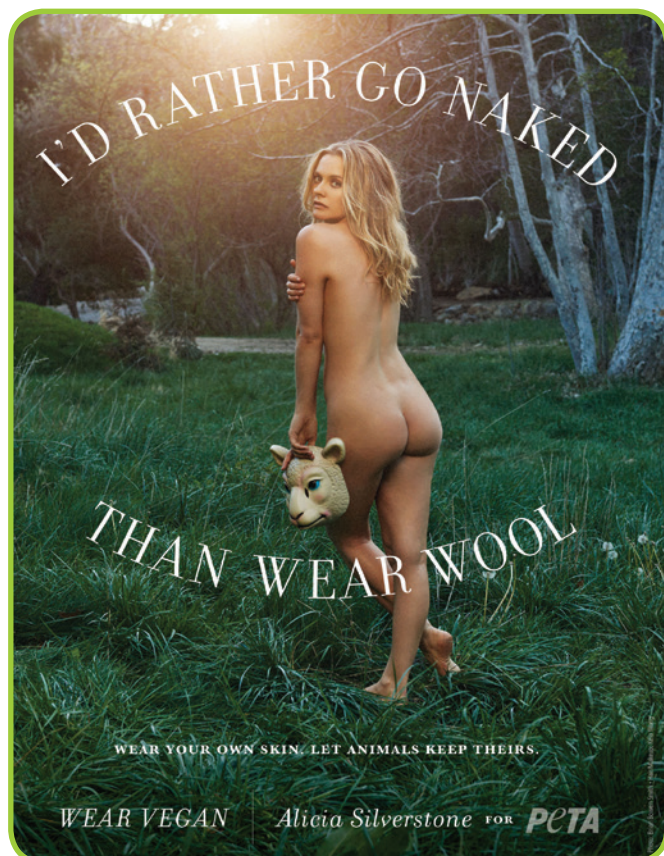
Getting political

The other highlight from this analysis is that the ruminant animal population of New Zealand and the GHG emissions from our farmed animals have shrunk since the Rio Earth summit in 1990. Meanwhile the human population has grown from 3.5 to 4.8 million, a 37 percent increase. It is the increase in the human population which is causing New Zealand to miss its targets on saving the Earth. And talking of population, why doesn't New Zealand have a policy around it? New Zealand is one of the few uncrowded countries in the world. One estimate has New Zealand's human stocking rate at 75 million, another at 40 million. Where would you like to see it? One point of view is that the current immigration policy is a political rort: the increase in the population feeds into higher property prices which make us all feel wealthier and "happier". You don't want the traffic jams in Auckland to be a daily feature of your lives....

Another feature to take note of is the \$20 billion earned from pastoral exports. *Productivity per head has increased substantially since 1990, which means that the GHG emissions have been significantly reduced per unit of product, a big gain in efficiency.* But what publicity has this change had? Perhaps the ruminants' share of New Zealand's GHG emissions has dropped well below 48 percent?

When will wool recover?

It won't be in the next six months. We tend to be suspicious that Chinese buyers manipulate the market, but Chinese are gamblers. When a market is rising they pile in. Several years ago the Chinese government organised a survey to find out how much animal feed was held in storage, mainly for half the world's pig population, but also for chickens, farmed fish, dairy cows, etc. The aim was to have 18 months buffer; they found



*A New York billboard, primarily targeting Uggboots, but anti all wool. Who is telling **our** story?*

enough to last four years.

The Carrfields/Primary Wool Coop joint venture has to be commended for creating a dramatic turnaround at NZ Yarn, and a relaunch of Just Shorn in the USA. These are good initiatives, which Wairere has supported with a shareholding, but not using enough wool to change the price at your farm gate.

The R and D project to transform wool to a powder still has legs. The next step is a business plan, based on high volume/high value contracts. It's possible that a processing plant will be built in 2018. In my opinion, the sooner we have the option to take wool outside the fibre market, the better.



Colin McKenzie, the new CEO at NZ Yarn, with a sample of a highly specialised yarn designed for high end uses.

Why so expensive?

New Zealand has become a high cost country. We pride ourselves on being a food producing country, but food is dear in our shops. Building costs here are through the

roof....by contrast, tradesmen in the UK are up to half the price of ten years ago. Why? It's the influx of workers from Eastern Europe, people prepared to work longer hours for a lower reward. I met an English dairy farmer whose cows are milked by four middle aged Polish women, housed in caravans on site. The high price of land here has suffocated our once fabled low cost grass farming system. And a speaker at the recent BakerAg winter seminar went so far as to call our lack of capital gains tax on property a subsidy to farmers.

Red herrings

In June Chris and I attended the three yearly International Nuffield get together in the UK. That involved twelve days of visiting top operations from southern England to Scotland. The hospitality in Scotland was legendary....there was always whiskey by lunchtime. But some of their sheep and cattle stud breeders seem to be going in the wrong direction. We visited a Limousin breeder(Limousins make up 23 percent of the beef cattle population in the UK, the most of any breed) who does a Caesarian on every cow. His reasoning is that the calves are so valuable. Bulls with those spectacular double muscled back ends sell at up to £40,000. Texel breeders seem to be similarly confused as to breeding sheep which will generate the best net profit for commercial farmers....low cost, highly productive animals, with no lambing problems.

After the Nuffield tour we spent time with Wairere Romney clients. The message there was that British farmers are worried about Brexit and the removal of subsidies, and the sheep people with foresight are moving towards outdoor lambing breeds like the Romney and the Lleyn. Good quality Romney ewe lambs and old ewes are commanding a £20-30 premium.

The other messages from the Nuffield tour were: a)vertical integration in a highly populated area offers opportunities to grow very large, branded product businesses from a farming base. We visited dairy product businesses, one of them organic(£300 million turnover), another selling cheese in fifty countries, and an outdoor pig and broiler chicken business which had its own delivery vans. Also a large estate in Scotland from where the second generation Arab owner was air freighting water to the Emirates! b)The UK government has subsidised AD(anaerobic digester) plants, producing energy from farm waste plus biofuel crops. The upside is that the operators have learned a few tricks about levels of efficiency. As an aside, it surprised me to Google the synthetic fibre industry and find out that 50-60 percent of annual fibre consumption in the world comes from around 3 percent of the world's mining of oil. And that the massive world plastics production comes from around 4 percent of oil. It is mind boggling to imagine just how much oil is actually extracted from the Earth each year.

c)Sometimes businesses emerge out of nowhere. A Yorkshire family of three brothers made a big decision to buy a truck to cart gravel from their pit. Then other farmers wanted gravel. That was followed by a sub contract for the British army, then by being the main contractor for the army, with the fleet up to 85 semis; "We're now a trucking business with a large dairy farm attached". One of the brothers also developed 30,000 hectares in Russia for a small group of investors between 2005 and 2010, achieving a substantial productivity lift, and sold out for a capital gain.



The testing ground at Wairere NZ in the good autumn of 1986... the type of sheep hasn't changed much in 31 years. In July 2017, 2,600 ewe hoggets at 42kg scanned 112%; 1,400 two toothed at 62kg scanned 190%, 3,800 mixed age ewes at 69kg scanned 201%.

The week long Rabobank Global Master Class in the Netherlands was also a fascinating time. Our group had a full day on developing strategy, and another full day on "telling our story". Farming is under siege from some lobby groups, and we, or someone on our behalf, needs to be educating these people (and sometimes recognising that we need to change too). On the topic of animal welfare, we enjoyed a memorable visit to a dairy farmer who had installed water beds for his cows. He reckoned that the cows were so comfortable that they sleep eleven hours a day rather than ten. And he had a wading pool for cows to cool off in the summer heat.

Dairy farmers in the Netherlands are being forced by regulation to reduce cow numbers by ten percent, because of the buildup of too much phosphate in the soil. Farming is so intensive there that effluent from pigs, people, cows, and other land use activities is a much bigger issue than it is here.

Automation is becoming commonplace in grading fruit and vegetables, making packhouses less dependent on people. Grading machines can take sixty photos per second of each item. Harvesting machinery for viticulture and horticulture is also reducing costs and improving efficiency. Robotic milking machines are allowing Dutch dairy farmers to run another business, their only tie being to ensure the animals are fed well.

New Zealand sheep farming has developed contracting for the "big Ds", docking, dagging, dipping, drenching, a system which allows farmers a similar freedom....shift mobs early or late in the day, and pursue a second career/business. Automation around shearing, other handpiece work, and judging BCS (body condition score) would be welcomed.

What's the next big thing?

This question was posed by one of our neighbours recently. Apart from the potential transformation of wool, the major constraint for most of us is the quantity and quality of forage grown, and the timing of it (doesn't rain at the right time make a big difference....). On the animal side, geneticist Dorian Garrick believes that the NZ sheep industry needs to improve aseasonality of lamb supply, rear more hogget lambs, and be more successful at rearing triplets.

- Aseasonality is not such a problem in the North Island, where the lamb kill is fairly even through the year. But it is

an issue in the South Island, with only 7 percent of lambs killed in the July-September quarter. Lambs are born in New Zealand from late June to late November, a five month spread. And July-September is the peak period of supply for northern hemisphere producers. So in our grass system, there doesn't seem to be any real incentive to chase aseasonal lambing. It's more expensive to produce out of season, and where is the price premium?

- Rearing more hogget lambs has significant potential. Many of us could grow our hoggets bigger. A 50kg Wairere hogget will be as or more productive than yesteryear's two tooth. The big trick is to grow those extra kilograms in the first seven or eight months of life. Our policy at Wairere of running ewe and ram lambs in large mobs (2,500 ewe lambs) after weaning on old hill country pastures does a good job of squeezing out the poorer doers, but usually results in a mating weight of 42-43kg, which includes more than 2kg of wool. That delivers a weaning around 65 percent from 2,600-2,950 mated. But clients who take their Wairere Romney or composite hoggets to 50kg move into the 90-135 percent bracket.
- It's intriguing that the recent overhaul of Sheep Improvement Ltd didn't include the recording of hogget lambing. It turns out that only 15 percent of performance recording Romney breeders bother to record hogget lambing; 85 percent don't. I believe that this is a hole in SIL, a system designed to breed the most productive sheep for your future.
- Rearing more triplet lambs will require delicate management....getting the balance right between BCS and risk of bearings. With mothering ability now inbred, triplet lamb survival becomes a matter of reasonable weather and ground conditions, coupled with lack of disturbance. The best results achieved seem to be around 260 percent. If we could dial that figure in, Wairere lambs have the genetics to grow fast and make triplets a more profitable contribution to your bottom line.

Wastage

How can Wairere rams improve your bottom line?

1. *The biggest source of wastage is not farming your sheep close to their genetic potential, relative to stocking rate.*

That's all about feeding well at the critical times of year, and regularly monitoring BCS.

2. Maintaining a high stocking rate for your land class is a vital component of optimising your output of meat and wool. At Wairere we push stocking rate, and sit well above district average, with typically 750-800kg live weight per hectare at June 30. This puts pressure on all stock classes. At June 30 this year, for example, we had 10,000 sheep on 1070 effective hectares (70 percent Class 6 and 7 hill country, only 2 percent flat), plus 342 cows and a few other cattle. Our sheep are designed to handle mob pressure and rationing of feed, and to bounce back fast after a hard time.
3. From 2005 we stuck to a policy of not drenching sheep past twelve months of age, until recently, when we relented with two toothths. A big rise in internal parasite challenge was playing havoc around mating in April, given that all the two toothths had lambed as hoggets. This year we drenched ten days before tupping, and had a dramatic response: the two toothths scanned 180, with two percent dry (and all single mated for recording purposes), and 190 with triplets included. The mixed age ewes, never drenched since 2005, scanned 183.5, or 201 percent with triplets included. We run a high sheep ratio, around 80 percent, and carry a high percentage of young sheep right through the year. But our policy has certainly increased resilience to internal parasites. Farmers in Australia are amazed that our rising four year old ewes, not drenched since quarantine treatments at 16 months of age, haven't been drenched since, and currently have an average BCS of 4.3.
4. Fast growth rate. Running both ram and ewe lambs and hoggets in large mobs on hill country soon sorts out the thrifty individuals from the average, guaranteeing survival of the fittest.
5. Barren ewes. There is still a problem in some commercial flocks in New Zealand of too many dry two toothths. Our relentless policy around keeping only hoggets which get in lamb is designed to eliminate this source of wastage.
6. Lost lambers. Much of this problem is accidental. In the early years of developing White Rock, we bought in up to 4,000 wet dry ewes per year. Yet our usual wet dry rate there was only four percent. However, we still religiously cull our wet dry ewes, just in case there's a problem.

7. Deaths. Wairere sheep are bred with a strong will to live! Give them a chance....change any management practice which might lead to viral pneumonia, pleurisy, etc.
8. Conformation. Correct conformation plays an important part in sheep retaining good feet, mobility and longevity. It was back in 1994 that we started measuring the eye muscle area of the top ten percent of ram lambs. Five years later Rowan Farmer initiated a practice of using two scanners, capable of measuring 8-900 per day. Since 1999 we have measured 6-7,000 ram lambs each year. This enables us to get comparisons of sire progeny groups. Beef and Lamb Genetics report that only ten percent of Romney breeders on SIL measure eye muscle area....
9. Feet. Lamé sheep have lower productivity, and are a daily niggle when shifting mobs. Over the past seven years in particular, we have placed huge emphasis on culling any suspect sheep with the slightest misshapen foot, and on selection of sires.

Team changes

We welcome Anna Vaughan as our new farm manager at Wairere in early August. Anna has recently been involved with New Zealand Merino research and extension, and with Merinos in Australia too. Prior to that she did some hard yards as a block manager at Mt Linton and as a shepherd at Waipori Station in South Otago. Anna is keen to get back to the coal face, and has dogs that have been waiting for that decision.



Anna Vaughan

Jacques Reinhardt has moved on to manage Castlepoint Station after five and a half years and a valuable contribution at Wairere. Jacques is a guru of electronic technology, frequently consulted by TruTest with their product development. But more than that, Jacques set up Gen Wai to run Wairere. His protege, Matt Watson, has done a great job of filling in, but will unfortunately leave to take on a new challenge. Thanks Jacques!

Murray Dodds has just started in client liaison and sales, covering most of the South Island. Murray and Wairere go back a long way, to 1986 when his boss Neville Bryant at



Wairere sheep putting up with the tall poppy syndrome in England, June 2017.

0800 Wairere (0800 924 7373)



Murray Dodds

Mt Wendon, Southland, first bought Wairere rams. After attending the three day course Money and You (I was there too, along with famous alumni Grant Ludemann and Melissa Clark-Reynolds), Murray borrowed to start a scanning business. He and Rowan swapped notes each night as they worked out how to distinguish twins and triplets on the screen rather than just sorting wet and dry ewes. Murray ended up scanning seven months per year, with beef cows included, and as far north as Inland Kaikoura. That enabled farm ownership, followed by a stint leasing a backpackers in Wanaka. Murray then went back farming and revived his dog trialling attendance at the national championships.

Backing winners

It doesn't get much better than winning the New Zealand Young Farmer of the Year competition! It took **Nigel Woodhead of Milton** five years of competing to become the ultimate winner of the Young Farmer, and it will be in his fifth year, next year, of using Wairere sires that he will really compound the benefits. "Next year all my ewes breeding replacements will be Wairere cross, and their lambs will be three quarters Wairere. Five years of composite rams over a Rohloff flock took us in the wrong direction, and it's great to be getting back on track. We've just scanned the mixed age at 177, and the two toothies at 178 percent. Your genetics have got a rubber effect, they bounce back!"

Congratulations to long term ram client **Richard Power, north Canterbury**, who took out the Romney section of the NZ Ewe Hogget competition this year. In 1997 Richard bought around thirty Wairere Romney rams which brother Mike had been using on his Dannevirke farm, and mated them to his Corriedale flock. The cross immediately improved lamb survival and growth rate, and also allowed hogget lambing. After a short pause to try out some homebred first cross sires, Richard decided that he might as well go all the way and have a Romney flock. He consistently weans close to 150 percent through persistent drought conditions and drafts most lambs prime by the third week in November. Any lambs remaining then are sold store.

Richard started a revolution in north Canterbury from which the Corriedale breed has never recovered.

John Chittock, running the Jeff Farm in Southland, won the highly competitive Southland/Otago Romney section of the Ewe Hogget competition this year, with a large mob of 4,300.



Nigel Woodhead, New Zealand Young Farmer of the Year 2017.



Richard Power

John's flock of 11,500 ewes sold/retained 151 percent this year, with an average lamb weight of 18.7kg. On top of that the hoggets lambed 96 percent to those selected for mating, after 26 days with the ram. "I've found that in lamb hoggets do much better on grass than crop through the winter".

The Jeff Farm was also awarded Trainer of the Year for 2017, a tribute to the goodwill and patience of John and his senior staff. That capped off a vintage season, and the scanning this year promises an even better production year ahead.



John Chittock



3150 of John Chittock's hoggets, mated at 52.5kg. Magnificent!

he saw many breeds and types of sheep.

In 1999 John took over management of the Jeff Farm from Jim Packer. Jim had started using Wairere rams in 1991.

Tautane Station won the Tararua Farmer of the Year competition in May. Taratahi Agricultural Training College took on the lease of Tautane in 2013. The Station had been using Wairere genetics for some years before the takeover, and has continued to buy Wairere Romney sires. Productivity of the 18,000 ewe flock took an immediate jump under the **management of Matt Smith and the supervision of Paul Crick**. Average lambing over the past four years has been 135 percent, despite some tricky seasons. Hogget lambing is now standard practice. And the scanning for this year is up 7 percent on previous best.

Taratahi's Mangarata property near Masterton was a very close runner up in the Wairarapa Farm Business of the Year in 2017 too. This high level of performance across the Taratahi farms owes a lot to the skills of Paul Crick and the management team which he has gathered around him. Paul started with Taratahi in 2006, personally managing Glenburn Station for four years, and achieving stock performance not imagined possible on that class of country. Taratahi has recently taken over the Telford campus near Balclutha.



Paul Crick

Here's hoping for a bumper spring. Best wishes

Derek

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