



Client newsletter  
June 2017

# Wairere

## Better times ahead



*Ewe hoggets out of ewe hoggets at mating, early May. Wairere sandstone country: better farming Manuka or sheep?*

It has been a season of two halves. Those of us who had to sell lambs and ewes early missed out on the dramatic price rises from late March. However, drought has ended in every part of the country, and the stage is set for a better production season in 2017-18. The improved sheep meat prices look sustainable, given the shortage of product out of both New Zealand and Australia.

**Glass half full.** The resumption of the sheep meat trade with Iran looks promising. Iran was our biggest export destination in the mid 1980s, taking up to 135,000t per year. The NZ dollar was at a low value, and we had developed an oversupply of lamb, so our lamb was cheap. This time around, a higher price tag will restrict the market to wealthy Iranians.

The opening up of China to chilled lamb will help to increase the percentage of New Zealand lamb exported in chilled form. Chilled product adds about 25 percent to value over frozen. And packaged branding can add around another 20 percent. Packaged, branded product is in its infancy, with significant upside to come.

The new Silk Road should open up new markets...For example, Chinese farmers were getting \$7/kg from exports to landlocked Kazakhstan in 2004, when lamb at the farm gate here was averaging \$4/kg.

**Competitors.** So, why are New Zealand sheep numbers declining while flocks in other big producing countries are expanding? China is the biggest producer, the biggest consumer, and the biggest importer. It's hard

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to get a handle on what's actually happening in China. Dr Hugh Blair, who has frequently travelled for Massey University to the far west of China, told me that he met the woman responsible for the sheep census in that area. She was puzzled as to why Hugh was surprised that her counts for individual flocks were taken at any month of the year, rather than mid winter! One estimate is 140 million sheep and 140 million goats; the Chinese word for sheep meat and goat meat is the same. It is likely that numbers are increasing, because of a government decree that crop and vegetable waste should not be burned, adding to pollution. Hence the huge investment in housing for breeding ewes, with up to a million ewes in one location. China produces 28.5 percent of all the meat produced in the world. It is easily the biggest overall agricultural producer in the world, measured across all categories.

The Australian sheep industry is booming. Slaughter ewes are selling for \$A5.36/kg plus skin(\$5?) in late May! A big percentage of slaughter lambs are sold through sale yards. Record prices have been set this season, up to \$A230 for 35kg carcass weight lambs. The schedule in April was \$A6.90 plus skin(\$8-10). Their export numbers are down this year, and the flock is in a rebuilding phase, which will be helped by the excellent autumn rains in many areas. The wealthy domestic market takes 45 percent of lambs produced. And alternative land uses are limited, because of the low rainfall and a hotter climate than New Zealand. Arable crop prices are in a trough, because of large global grain reserves.

UK sheep numbers have been quietly increasing, because of the poor returns from dairy and arable. And the depreciation of Sterling after Brexit has had no effect on returns from the domestic market, and actually improved export prices. There is recognition too, that the integration of sheep with arable can play a big part in restoring organic matter and soil structure.

**Back home.** In New Zealand, the Beef and Lamb Economic Service is predicting a fall of 5.3 percent in ewe numbers, with a forecast 27.6 million total sheep at 30th June 2017. Dairy and dairy support conversions have slowed right up, but other land use change has gathered momentum. The biggest effect on the sheep population right now is coming from the substitution of cattle for sheep. High beef prices have held up longer than expected. Prices in our main market, the USA, are now back down near the levels of mid 2014, so it can only be a matter of time before there is a price reduction here for beef.

**From squeal to meal.** Smithfield Foods is the largest pig meat producer in the world. It was purchased by a Chinese company in 2013, in what was then the largest acquisition ever of a US company by a Chinese one. The big drought year of 2012 made feed for pigs much more expensive, leading to weekly losses of \$US2 million for some months. That episode sped up the transition from supplying primal cuts to wholesalers and retailers, to creating a host of different sub brands in retail packs. That transition has enabled fatter margins, and a bigger buffer against future downturns.

In similar fashion, New Zealand processors and marketers have been steadily improving product presentation and diversity. Farmers tend to be overly critical of the next link in the supply

chain, but where would we be without them? As Mike Peterson, our special trade envoy, pointed out at a recent conference, "exporting is a tough gig."

**Two views of the future.** The European based AHDB 2015 report, entitled World Sheep Meat Market to 2025, forecasts two scenarios. The "Most likely" scenario predicts an ongoing firm market with increased demand and prices, further modest trade liberalisation, a limited global rise in production of just over one percent per year, and trade growth of nearly two percent per year, led by Australia. The "High" scenario predicts strong positive price and demand developments, moves towards more free trade, global production increases of nearly two percent per year, with global trade rising by over three percent per year.



*Ram lambs out of ewe hoggets at weaning, early January 2017*

Meat and Livestock Australia issued a report in April this year. Quote: "Australia stands to benefit from growing consumer demand in many developing countries where sheep meat consumption is increasing despite rising prices. Population growth, urbanisation, increasing incomes, and the advantage of no religious taboos, mean that the competition between markets for limited sheep meat supply is likely to remain intense."

Australia sends more product than New Zealand to the USA, which has been the best market in the world in recent years, because of the relative strength of the US dollar.

We are fortunate that it takes years to ramp up production in the sheep industry, unlike some industries. Fish farming is expanding at five to six percent per year, the fastest of any of the animal proteins. On the horizon are "vegetable meats". How popular will the burgers produced by companies like Impossible Foods become?

**What about wool?** Who gives a flock? Just as we were becoming quite cheerful about wool returns, the nylon rug has been pulled out from under us. The current end uses for our crossbred wool have limited value, and the farm gate price range has a low upper limit. Less than five percent of crude oil is used to produce polymers for synthetic fibres, yet synthetics dominate the world textile market, and continued to dominate even when oil prices were much higher than today.

The R and D program to change the form of wool to a powder, and open up a range of higher value alternative uses, is ongoing. But like most R and D programs, it is taking longer than expected. Then a manufacturing facility has to be built. Followed by two to three years to establish new brands, and five to seven years for those brands to hit their straps.

The end uses need to be high volume as well as high value, to create a significant price rise for wool at the farm gate. Given a ten year horizon, an optimist would envisage 80-90 percent of NZ's strong wool being used in this way.

## Are we at the party or are we on the menu?

(Thanks for the headline go to Tony and Jo Carr, whose farm drains into Lake Rotorua). The three yearly election cycle is about to get under way. Environmental groups and the Green Party have loved farming as a target for their troops....make no mistake, this is a battleground! On a positive note, there is an impressive list of what land owners have done to improve the environment over recent years:

- Over 3,000 QE2 covenants since 1977, totalling over 100,000 hectares, with 500 more covenants in the pipeline.
- Dairy farmers have spent on average \$100,000 each on protecting the environment.
- A huge reduction in the number of sheep, down from 70 million to 27 million. From 2005 to 2015 total stock units in New Zealand dropped 8 percent.
- Each sheep, dairy cow, and beef animal is being farmed more efficiently, on average, with reduced carbon emissions per unit of product.
- A large area, over two million hectares, has reverted to Manuka/native bush, or been planted in pine trees, and now Manuka, since 1990. That reduces the total farmed area in New Zealand to just 46 percent of total land area.

And what about our urban communities?

- 80 percent of cities and towns are NON COMPLIANT with water quality below sewage and storm water outflows. You can swim safely in the Waikato above Hamilton, but not below.
- Fish and Game play holier than thou, yet are responsible for ruining the ecological balance in our rivers and streams with introduced fish species. The organisation is also responsible for introducing Canadian geese, now declared a noxious pest. Fish and Game is still protected by an Act of Parliament. That protection should be removed immediately.
- Why don't environmental lobby groups target Fish and Game or urban people? They get their funding largely from town folks, and Fish and Game adds to the united attack on relatively defenceless targets like farmers.

## What affects eating quality?

Genetics, forage quality, handling, IMF (intramuscular fat percentage), chilled or frozen, are all involved. Silver Fern Farms has concluded, after extensive taste panel testing, that chilled packaging has the effect of tenderising meat as it travels to market. In Australia, where nearly half the lamb is eaten locally, they favour a higher fat content, around double of ours!

Twenty eight years of experience with Lean Meats, and sampling the company's Captech chilled product, has convinced me that the packaging has the effect of making a twelve month supply, from milk lambs to ram hoggets, fairly uniform in taste and tenderness and 'slow cook' technology enables low quality cuts to compete at the premium end.

For frozen product, there is no doubt that a program of gentle handling such as Kumanu, can lift consumers' "highly favourable" comment from 70 to 95 percent. Where do we go with this? Will there be an ever increasing percentage of the expensive cuts going chilled?



*The sun is shining again on the sheep industry. Wairere ewe hoggets at mating, early May 2017*

**Price of land.** Despite the lack of stellar returns in pastoral farming, the price of land has moved up over the past couple of years. The lowest interest rates in 5,000 years have had a lot to do with that. It calls to mind a conference visit to the dairy farming enterprise of father and son Brian and Stuart Weatherstone in the south Wairarapa. Two aspects stood out: one was the production of 1,580kgMS/hectare from a milking platform with just 62 percent irrigated, complemented by a short grazing policy....no pasture is conserved or topped. This was being achieved with 2,800 cows, with some on once a day milking.

The second aspect was a comment by father Brian, "It's a journey, not a race." There are times in every farming enterprise when low product prices or a climatic hit will dent progress, but we need to take a long term view. Land will remain valuable as long as the world's population continues to increase. And it is surprising what new uses for land crop up along the way, eg, windmills, Manuka honey. It appears that dairy conversions will reduce in future, and there will be a progression from dairying to horticulture in some regions.



*Land use change: do we want New Zealand covered in pine trees? Wairere, May 2017*

## Change to breeding objectives?

At Wairere we have just experienced our second consecutive autumn with young stock facing a big internal parasite challenge. We decided to get off our idealistic hobby horse, and drenched the two tooth ewes ten days before mating. Our policy of keeping only those ewe hoggets which get in lamb, and an 80:20 sheep to cattle ratio with a high proportion of lambs summered and wintered, does make us more vulnerable to parasites than many farms. We will make that decision, on whether to drench two toothed or not, on a season by season basis.

Every year we debate our priorities in breeding and selection. We know that a high stocking rate, with all sheep run in large mobs on second class hill country with significant climatic challenge, is the foundation for the long running success of Wairere, the base for being the biggest ram breeder in New Zealand for the past thirty years. Poor doing sheep get squeezed out of the system. Good doers show up with exceptional growth rate, reflected by client feedback. For example, Peter Roberts, who managed a centre pivot block in Canterbury for thirteen years, finishing 500,000 lambs over that time, commented that the best growth rate which he recorded on a line of lambs was a line from Wairere South, which grew at 446 grams per day.

This year we will record the performance of around 11,000 ewes and hoggets on SIL, plus partial recording of the progeny of another 11,000 ewes and hoggets. This scale gives us the opportunity to cull hard.

We listen closely to your feedback to decide where to place most emphasis in selecting the sires which produce your future rams.

**Exciting progress.** Wairere started breeding a facial eczema tolerant flock in 2008. We have always retained half Wairere, believing that the interbred flock will have the qualities which farmers in FE prone areas want in their sheep. In February this year, 53 ram lambs were tested at .45 sporidesmin, with 42 showing nil response, 1 marginal, 8 slight, and 2 moderate. That's well on the way to FE Gold status at .6. We now have around 1,700 ewes in two FE tolerant flocks.

## Client success stories

### My holiday starts the day I set stock to lamb



*Dougal and Mary Cottier,  
South Canterbury*

"We have consistently produced 150% survival to sale for the last ten years, with at least half sold prime, and the balance sold store, due to our very short season. The ewes are shorn and set stocked, and I leave them to it. We have a very simple system

where all ewes, including two tooth, are run in one mob from February onwards. Any light ewes are mated to a terminal, but that's only about sixty two tooth and a few mixed age ewes".

Dougal and Mary Cottier run 2200 ewes on 980ha near Albury, South Canterbury. The property runs from 480 to 850 metres above sea level, and consists of mainly tussock hill paddocks.

**"The Wairere sheep are just easy to farm".**

### Wairere, the traders' advantage

Bill Herrick is a specialised lamb trader near Martinborough in the South Wairarapa. He annually purchases Wairere bred store lambs from White Rock Station on the Wairarapa's south coast. This year's weaning draft of 1800 Wairere Dominator / Romney lambs averaged 29kg, with a range from 26 to 38kg, when they arrived in mid-December. The first draft on the

January 4th saw 434 average 21kg carcass weight with the majority of the balance reaching the same average, in two drafts, by February 24th, with only 150 left to finish. "I know that I can budget on an average daily weight gain between 350 and 400gms a day, even in the Wairarapa summer heat".



*Bill Herrick, Wairarapa*

**"I will happily pay a premium for Wairere bred lambs"**

### We love the consistent performance



*John Wallace, Southland*

"We have been with Wairere for about 20 years and have seen continual improvement right through that time. We now average 150% survival to sale, for at least the last six years, with an average carcass weight of around 18.5kg for all lambs slaughtered.

These Wairere ewes are just no nonsense producers and great mothers. They have good lamb survival and high growth rate, and the easy finishing lambs make them the breed for us."

John and Nicky Wallace farm 350 ha on the edge of the Catlins at Mokoreta in Eastern Southland. Their 2700 Wairere ewes and 700 hoggets need to be able to handle the cold, wet winter before they get to the often slow springs, and still be able to bounce back.

**"They do it every year"**

### Wairere lambs are fast finishing

When Brian Coogan changed to Wairere Romney on his Taihape farm five years ago, he was lambing at 140% with half the lambs going prime at weaning, averaging 17.5kg. Lambing this year was 150%, with 85% POM at an average of 19.2kg. All hoggets are mated and are consistently lambing above 90%; this season 60% went POM at 18.2kg average. The overall average, including hogget lambs, will be over 19kg this year, with 80% of all lambs gone at weaning.



*Brian Coogan, Taihape*

There are a couple of secrets to Brian's management. First, he has strict body weight targets for ewe lambs as they grow into hoggets and two tooth. Second, he has enough feed crop to take all cattle through the late winter/early spring, freeing up more area for sheep at lambing and early lactation.

**"These sheep have performed well."**

Hope you winter well.  
Best wishes

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