

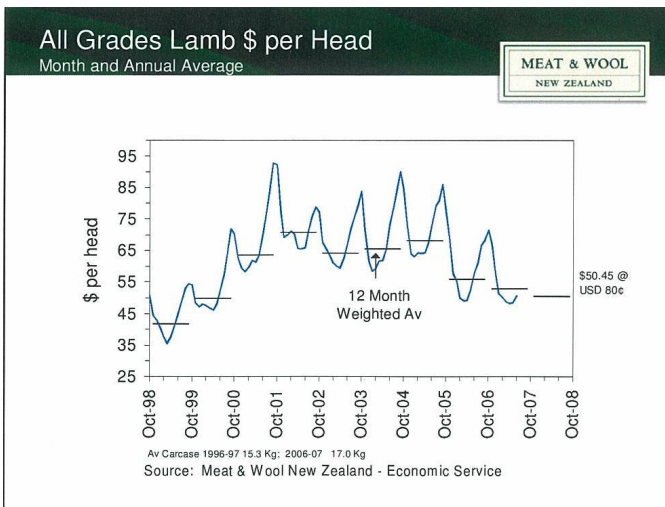
Sheep for Profit [®] Newsletter October 2007



CONTENTS

- **Marketing lambs – big changes required but who drives the change?**
- **Refugia is the buzz word but take it slowly!**
- **Productivity is another buzz word, but what does it mean?**
- **Spring surplus – it may still happen!**
- **A reminder why early lambs are worth more – they aren't easy to produce!**

Who wants to milk cows?



The picture tells it all, not that we need a reminder.

There's been plenty of debate and comment about this important issue which tend to come from different angles.

The marketing angle is all about improving supply chain management to build a stronger link between the producers and the consumers.

The processing angle sort of talks about the first one but the key issue is most likely the overcapacity in both islands – about two times excess over supply.

The two major processors are co-operatives, owned by farmers. One of the success factors in the dairy industry is the substantial investment by its farmers in Fonterra. Sheep and beef farmers have a relatively small investment in their co-ops which makes it very easy for them to take the best price on the day.

If farmers are serious about wanting change they must consider what role they need to play and what sort of investment they need to make.

Supply chain management at the producer level demands the constant supply of a product that has a consistent quality which meets the needs of the customers.

The call for premiums is loud and clear, but who wants to pay more for their lamb racks?

Currently NZ provides 75% of the global lamb trade so has a major influence on pricing.

The OECD sheep meat outlook for 2005-2014 projects 37% increased consumption and 40% increased production by non-OECD countries.

NZ will never be able to meet the increasing demand so its pricing power will decrease. Perhaps NZ needs to do it better just to retain our current position. 35% of our GDP, or 80% of our foreign exchange earnings, is enviro-based. We use lots of cheap power to produce lots of cheap products but we are running out of cheap energy.



Enough customers believe in climate change so whatever we think, it is a reality. Isn't the customer always right?

UK supermarkets are now basing their advertising on environmental issues.

eg. Why choose Anchor butter that's shipped frozen when you can choose Country Life?

Advertising is all about "free range", "from the farm" "cleaner air", "carbon foot prints", "whole foods, whole people, whole planet".

These environmental issues are likely to become a normal customer expectation, not something that will demand a premium price.

We hear that one NZ processor had a supply arrangement with a UK supermarket which included some of the "quality" aspects like farm assurance. Another NZ processor then undersold the same product with the same "quality" assurance. These supermarkets are huge, have a powerful influence over their customers and will always look for lowest cost.

Whether we like it or not lamb racks from one processor are the same as those from another processor – special cuts from "clean" lambs sourced from a NZ farm where there is some sort of documentation about animal health treatments.

The future may depend on using creativity and innovation to pioneer new business models and skills that focus on value. Producers need to get more control by taking a very different role in the value chain which will present some new but exciting challenges:

1. Effective marketing will require reviewing and acting on the aspects that are important in the customers' minds.
2. Customers need to feel that **their** lamb is being grown for **them**. If you demonstrate you care about them they will care about you.
3. Adopting sound business relationships based on win-win, trust and discipline. It's all quite transparent and no rip-offs!
4. Incorporating supply systems based on quality control, supply contracts and product specification.

We don't have to get **out** of the sheep farming mentality, we just need to change it.

The underpinning challenge is to create a **brand** that differentiates your product from the others. Central to that brand will be a unique story which creates a link between the consumer who purchased and the farmer who produced. It will most likely involve a clear demonstration

that the product was produced in a healthy environment where animal welfare is an important focus.

Sheep for Profit farmers already have the information to demonstrate the excellent health and welfare their animals are

provided. All we need now is a story.

Refugia – a tool to delay drench resistance

The latest M&WNZ/Wormwise R&D Brief discusses the results of a trial comparing the build up of resistant larvae on pastures grazed by mobs of lambs where 0%, 10% & 20% were not drenched. The mobs were drenched twice at 7-week intervals and put onto "clean" pasture.

The trial definitely shows the concept has the potential to work but it is only a single trial so it is too early to transfer these results onto other farms.

The concept is based on making sure lots of eggs from worms that have not been exposed to the drench are passed out onto the "clean" pasture – hence in THAT particular paddock the susceptible larvae should outnumber the resistant ones. In many cases lamb finishing may be confined only to a small area of the entire farm and for a few months of the year so it wouldn't take long for the ewes to reverse any refugia that may have been created.

A different trial published in 2006 showed leaving 10% lambs undrenched had minimal impact on the liveweight across the whole mob. However, the concept should be avoided if lambs are not grazing high quality finishing pasture and if they cannot be moved onto "clean" pastures after drenching. At each drenching select the heaviest lambs using scales.

The concept relies on the drench being effective.

Eg. Theoretical proportions of susceptible & resistant eggs passed from mob of 500 lambs over 21 day

"Get out of sheep farming mentality, get into a dairy farming way of thinking and learn from good operators."

Country Wide September 2007

period after drenching. Assume 750g faeces passed per day.

% drenched	Drench 100% effective		Drench 80% effective	
	Suscept (000,000)	Resistant (000,000)	Suscept (000,000)	Resistant (000,000)
0%	0	0	0	60
10%	630	0	504	126
20%	1,260	0	1,008	252

Our recommendation is to incorporate some other options until we have a better understanding of leaving some lambs undrenched:

- Talk to your veterinarian.
- Make sure the drench is effective.
- Manage to minimise the number of ewes that need drenching at any time of the year.
- Manage sale lambs to reduce the time they are on the farm.
- Run undrenched ewes behind lambs.

Productivity or production or profit?

“Productivity” has been a business catch word for several years and is an assessment of the difference between outputs and inputs.

Productivity is important in any business but how it is measured or improved may be a bit of a mystery for 700 businesses that responded to a recent

generates. Cash is a fact, profit is an opinion. Our approach has been developed from the way Rabobank assess financial performance and we believe the cash surplus concept is a powerful way to assess productivity because it is simply the difference between cash in and cash out.

Another farmer survey shows farmers are becoming less focussed on “productivity” and more focussed on “profitability”, suggesting they may be confused by the terminology.

Annual financial performance reviews are important to assess how the money is being spent. But rather than look at it as a cost cutting exercise, use it to assess the returns received from each investment. By now most of you will have an excellent idea of what the key drivers are in your business. Some of those drivers appear in your accounts as expense items when in reality they are ongoing investments in your businesses which are providing significant returns.

Every year the Sheep for Profit farmers in the top quartile for cash surplus/ha have the highest gross farm income **and** the highest expenses. These farmers are targeting and measuring productivity in the correct manner.

Getting the financial information has been a huge struggle ever since Sheep for Profit started up. Yet, if you are in the business of farming and are aiming for continuous productivity improvement how do you measure how you’re going?

Sheep for Profit Financial Performance reports are designed to help you review your productivity performance.

PricewaterhouseCoopers Clever Companies survey.

60% of the businesses think productivity is “revenue generated”. Revenue generated is more about volume or scale, or in farming terms production or outputs.

Businesses tended to set productivity targets relative to their own historical performance and few rate themselves against industry benchmarks. 78% of the businesses said continually improving their processes has the largest impact on their productivity but only 14% were actually doing it. The survey concluded that businesses know what to do but may not know how to do it.

One of the potential benefits of Sheep for Profit is the financial reporting where we analyse end of year accounts to show the amount of cash the business

Send in your financial accounts for the past 2-3 years. The results may not be flash but give us a chance to impress you with our reports!

Managing the spring surplus

Not much sign of a surplus for most of the country yet, but it could still happen and whatever pasture there is out there will still want to go to seed. We have hope this article from the Agricom “Pastures for Profit” serves as reminder to keep an eye on pastures and to act early.

The surplus of grass that normally occurs on most farms during the spring is an important event in the pastoral calendar.

The rapid increase in dry matter production that leads to a surplus is the forerunner to seed-head production and a reduction in pasture quality – see table below.

Ryegrass Pasture Quality	Young leaf	Seed set
Water soluble sugars (g/100 gDM)	14	10
Protein (g/100 gDM)	15	6
Cell Wall (g/100 gDM)	40	60
Digestibility of DM (%)	86	62
ME (MJME/kgDM)	12	8.9

Adapted from *Livestock Feeding on Pasture*, New Zealand Society of Animal Production, Occasional Publication No.10.

The sugar and protein levels fall as seed set occurs, and the non-digestible cell wall component increases, resulting in lower digestibility and metabolisable energy.

Seed head production will be influenced by several factors:

- Grazing pressure – controlled grazing will delay seeding and hasten the plant back to vegetative growth.
- Moisture/temperature – hot and dry weather speeds up the onset of seed-head production.
- Fertility – seed-heads often appear faster in pastures with poor fertility.
- Heading date – late-heading ryegrasses have delayed seeding and a reduced seeding period.

The critical factor in managing the spring surplus is identifying the point at which it arrives so the extra growth can be controlled.

For example, as little as 100 kgDM/ha extra pasture cover across a 400 ha farm (only 1-2 cm increase in pasture height) represents approximately 80 round bales of hay!

On many farms identifying surplus feed occurs too late, resulting in reduced pasture quality across the whole farm. Correctly identifying the occurrence of the surplus allows paddocks to be taken out of grazing on time for silage/hay or forage cropping, and feed quality maintained on the rest of the farm.

- By Dereck Ferguson, Sales Manager, Eastern North Island

Early lambing

The difficult season has highlighted why early lambs get a bit of a premium – they are not easy to produce!

When it goes right it is a good system, but getting it right all the time can be a challenge. It is common to see the early ewes weaning 15-20% less than the main mob which means the early lambs must be priced at least 15-20% above the main lambs.

The three common factors that reduce the potential benefits of early lamb production are:

1. Decreased scanning due to ewes mated before breeding season
2. Increased lamb wastage due to increased ewe wastage and decreased lamb survival
3. Decreased lamb growth rates so sale date is not earlier

Early ewes are nearly always the old ones which adds to the risk.

For pregnant ewes the key factor is feeding – is the pasture growing fast enough to allow them to eat what they need? These results from a study in Southland demonstrate how lambing date impacts on the daily intake of ewes. To feed two good lambs the ewe needs at least 3kgDM/day.

	Residual (kgDM/ha)	Allowance (kgDM/ha)	Intake (kgDM/ewe)
6 Sep	294	2.5	1.45
23 Sep	432	3.6	2.1
6 Oct	885	6.5	3.3

From McEwan et. al. (1983). NZ Soc Anim Prod.

AgriNetworks
49 Benson Road
Te Awamutu 3800
Postal:
PO Box 45
Te Awamutu 3840

Phone: 07 872 0247
Fax: 07 872 0246

www.agrinetworks.co.nz
www.agrinetworks.co.nz/forum/