

QUARTERLY PROGRESS SUMMARY: April – June 2016

THE NEW ZEALAND SHEEP INDUSTRY TRANSFORMATION PROJECT (NZSTX)

Summary of progress during this quarter

Fibre

Note: PGP investment in the fibre component of NZSTX ended on 30 June 2015.

- This quarter NZM and Reda released a \$45 million, five-year, 2,500 tonne contract for 15.8-19.2 micron fibre. Renowned globally for wool suiting fabrics, Reda diversified into active wear with their launch of sports brand Rewoolution in 2012. Now their innovative active fabrics are used in sportswear, as lining for ski boots and helmets, in board shorts, and waterproof jackets and footwear. Superfine New Zealand Merino wool woven by Reda is also used in the production of the Allbirds Wool Runners. The Reda contract is the result of not only a long-standing relationship between Reda, NZM and New Zealand fine-wool growers, but a targeted investment through NZSTX to accelerate Reda's innovative approach. The deal demonstrates the value of building long-term relationships through the supply chain, and of strategic in-market support of brand partners to develop new market opportunities for New Zealand's primary producers.
- We have undertaken significant in-market travel in the USA and Europe this quarter, involving both the luxury fashion sector and the active outdoor market. We are experiencing good demand for 2016-17 from both existing and new clients.
- We note that there is a heightened awareness of animal welfare and sustainability issues, with brands seeking clarity about the on-farm standards that are in place, and the traceability of fibre through the value chain.

Meat and Other

Note: PGP investment in the Meat and Other component of NZSTX ended on 30 June 2015.

- Despite meat processing volumes being down across New Zealand, the SILERE alpine origin merino programme continues to capitalise on the brand development work done in the market, as well as the significant improvement made by growers in providing animals in specification.

Production Science

- The fine-wool central progeny test (CPT) remains a valuable resource for the New Zealand sheep industry, particularly for refining the genomic breeding value (gBV) for footrot resistance and establishing genetic correlations between footrot resistance / susceptibility and other traits. It is also enabling genetic linkage across New Zealand's fine-wool rams, and between New Zealand and Australia's stud sectors. We have undertaken a fourth mating at the CPT (for the 2016 breeding season), with new fine-wool sires being entered from across the industry. The progeny from these rams will be born this spring and we will start measuring their performance across all production and animal health traits in the late spring / early summer.
- The end of year six sees the NZSTX forage initiatives down-scaling due to the retirement of our agronomist, Dick Arnst. Dick has made a considerable contribution providing a forage advisory service to fine-wool growers and supervising several on-farm forage trials. Dick brought formidable expertise working with farmers to develop and manage forage in extensive sheep production systems.
- During 2015-16, we have continued to provide assistance at the demonstration site at Charles Hope, and have released a case study and video on www.perfectsheep.co.nz. We have also established two

demonstration sites in the North Island (using fine-wool rams in a strong-wool system). We will assist all three demonstration sites in 2016-17, helping the growers to collect data and evaluate the performance of the finer-wool progeny against their stronger-wool counterparts.

- The initial results from the lamb survival trial being undertaken in collaboration with Murdoch University in Australia indicated that mob density has a significant effect on lamb survival (i.e. by reducing the number of ewes in a given area, farmers can improve lamb survival rates). During year seven, the focus will be on validating these results through on-farm trials, as well as collecting further lambing data from the CPT and commercial farms.

Key highlights and achievements

This quarter's highlights and achievements:

- A key highlight this quarter was the release of the Reda contract – details above – which is a game-changer for the finer part of the New Zealand wool clip.
- The initial pilot run of NZM producer groups has been highly successful with excellent feedback from attendees and strong commitment to continue with the group concept into the future. We plan to establish more groups during 2016-17, in both the North and South Islands.
- Surveys of our producer group members have highlighted the ongoing productivity gains that are being made on fine-wool sheep farms as a result of investment in forage development and genetics.

Upcoming

- Genotypic, phenotypic, pedigree and production data are currently being analysed to refine the genomic breeding value (gBV) for footrot in fine-wool sheep (FeetFirst project). We expect the results of this analysis (and to be able to provide footrot breeding values to ram breeders) during Q1 / Q2 of 2016-17.
- Next quarter the progeny at the North Island demonstration farms, where fit-for-market genetics are being used in a strong wool production system, will be born. We will monitor the progress of the progeny, and look forward to sharing the results with other strong-wool sheep farmers that are interested in integrating fit-for-market sheep into their production systems.
- Animal health workshops and the development of a benchmarking service have been on hold during year six. Developing these two services will be a priority in 2016-17.

Investment

Investment period	Industry contribution	MPI contribution	Total investment
During this Quarter	\$0.4m	\$0.4m	\$0.8m
Programme To Date	\$15.76m	\$15.76m	\$31.52m