

PGP - The New Zealand Sheep Industry Transformation Project

Quarterly Report Summary. April to June 2012

Overall

Progress against project milestones is going well. We recognise, however, that there is much to do, particularly in production science and this will be a priority for the new financial year.

Highlights for year two of the PGP programme are:

- The volume of Merino fibre sold through fixed term contracts with brand partners is up on the target for the year by 53%.
- Formation of a new joint venture company (Alpine Origin Merino Limited) to develop markets for premium Merino meat, and uptake of the SILERE brand by a significant number of New Zealand restaurants.
- Long-term supply contracts with growers for the Alpine Origin Merino programme.
- Completion of the livestock management trials.
- Completion of the first of the forage trials.
- Completion of a report to guide the acceleration of genetic improvement in the New Zealand Merino industry.

Project One -Transforming Demand for Fit-For-Market Fibre

Two key developments over the last quarter have influenced how the tool-kit will evolve in the coming year to generate greater value for Merino fibre:

- the outcomes of the Leisure Trends research; and
- the ZQ Merino brand partner summit held in Biella, Italy in May/June.

NZM enlisted the skills of Leisure Trends Group, the US leader in specialty retail market intelligence, consumer research and relationship marketing solutions. Leisure Trends Group has 2.8 million consumers on their books. The research identified a significant opportunity to evolve the ZQ Merino toolkit (both in terms of collateral and messaging) to better connect with active outdoor consumers and grow sales volume and value for our brand partners as a high quality component brand. This became a key discussion point at the ZQ brand partner summit held in late May/early June.

The concept of a point of sale application that better empowers retail staff to sell New Zealand Merino to consumers has been well received by brand partners and this is currently being trialled by an overseas partner.

Following the success of the brand partner summit held in September 2010 in Palo Alto, a follow up summit was held in Biella, Italy in late May 2012. As with the Palo Alto summit, the key objective was to determine and evolve thinking around how NZM and brand partners can work cooperatively to take the next steps in enhancing the value of Merino fibre and products made from it.

Fibre forward contract volume (kilograms of clean wool) to brand partners now exceeds pre-NZSTX targets.

Project Two – Meat and Other Products

The biggest challenge on the supply side at present is getting consistency of supply against contract, both in terms of timing and also animal specification. This has been exacerbated in the June quarter due to weather issues holding up delivery of animals.

The domestic market for SILERE products continues to grow, with more top-end New Zealand restaurants adding SILERE to their menus this quarter following the 'full launch' in February.

We have had three New Zealand Merino leather handbags made up as prototypes for use as sell-in tools for potential brand partners, as well as to engage with growers. These have been very favourably received. Work on the New Zealand Merino leather brand has been ongoing.

The wool grease research that we initiated with AgResearch has now been completed. Analysis of all grease results taken from this work indicate that Merino and strong wool types can be differentiated.

Project Three – Production Science

The first year's forage trials (aimed at increasing the feed supply in marginal high country environments through improved forage species and management) have been completed on two high country properties – Glenmore Station near Tekapo, and Bog Roy Station near Omarama.

The lucerne trial results are promising, with indications that lucerne may be successful in soils that have historically been considered unsuitable for growing lucerne (low in pH and high in aluminium). If lucerne is able to grow successfully in these soils, which are common in the New Zealand high country, it will open up large areas (>50,000 ha) of acidic soils in the Mackenzie/Omarama basins for improved forage development.

On Bog Roy Station near Omarama, lucerne has been grown on shallow soils previously considered marginal for lucerne development. Lucerne has grown between 200 and 300% more dry matter than the undeveloped controls.

As part of the genetics / trait acceleration programme, we have established two draft indices for farmers wishing to breed fit-for-market sheep in two key micron brackets that are projected to experience increased demand (i.e. a 19 micron fleece for active outdoor markets and a 23 micron fleece for hosiery markets). These conclusions are the culmination of considerable modelling of the farm types that these two sheep types will be run on.

The report has also recommended a high level design of how NZM can assist the acceleration of superior sires. This involves the establishment of a gene finder flock to accelerate trait leader genetics into young sires and a genetics mapping project to benchmark all New Zealand Merino studs. This will redesign the way Merino genetics are developed and benchmarked in New Zealand. It would lead to significant clarity for growers in chosen rams, particularly for traits that are currently not quantified when buying rams, such as fecundity, lamb survival, carcass muscling, disease resistance, and flystrike resistance. These are all traits of significant importance in breeding a modern Merino that can be farmed outside the traditional Merino domain.