

## **PGP - The New Zealand Sheep Industry Transformation Project**

### **Quarterly Report Summary. January - March 2011**

#### **Canterbury Earthquake**

The most significant event that has occurred since the previous quarterly report is the earthquake of 22 February 2011. While we are pleased to report that the NZM team are all safe and generally in good spirits, the earthquake has clearly impacted some of the team emotionally and a number of the team have also had substantial physical damage to their homes. The impact of the earthquake on the NZM team and the constraints of the temporary premises have had a material impact on productivity and capability in the short-term and this has had an impact on the NZSTX project in the latter part of the quarter. It is likely that this will continue to have a negative impact on the project for the remainder of this financial year as planned activities have been delayed, with a resultant impact on milestones.

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

Good progress is being made with the brand partner toolkit, and we are pleased to advise that the i-Phone app is now live and available through the i-Tunes store.. Another key focus at present is the 'messaging' around the Merino fibre.

NZM is making good progress and is on target in terms of the achievement of the proposed fibre forward contract volume (kg clean wool) to existing partners and 1 quality new partner. We have had success in our two target micron brackets – 16.0 to 17.9, and 22.0 – 25.9, with both recording a lift of around 20% on pre-NZSTX projections.

We are also pleased to report that around 25 tonne of wool has been sold to a new brand partner. As well as the new contract volumes being purchased, NZM has also successfully introduced two new buyers into their auction catalogue this season.

NZM continues to work with a number of brand partners around blue ocean opportunities, although we see much of this work being pushed out now to year two.

#### **Project Two – Meat and Other Products**

NZM has made good progress with Silver Fern Farms over the past quarter and has reached a point of agreement on all substantive issues relating to the set up of a joint venture between NZM and Silver Fern Farms. The joint venture entity will invest in marketing, branding, differentiation and commercial sales activities for sheep meat and co-products, largely funded by a marketing and innovation fee on all animals purchased from growers. The joint venture entity will also be responsible for facilitating direct supply contracts with growers. The PGP programme will help fund innovation and generic market research activities for fit-for-market meat and other products, which are consistent with New Zealand's obligations under WTO rules.

Another series of grower roadshow meetings was held during late January/early February, this time to raise farmers' awareness of the concepts and details behind the proposed joint venture with Silver Fern Farms.

NZM has initiated a specific 'meat reference group' to drill into specific detail about the proposed meat programme. This group has met several times during the quarter and has provided invaluable input.

NZM continues to make progress with the development of opportunities for co-products such as leather and lanolin.

### **Project Three – Production Science**

Good progress is being made across most production science projects, although it is becoming apparent that as project work develops, timelines will need to be extended to ensure the best possible outcomes on the projects.

Further to the previous quarterly report, there has been progress on the development of the three models that will be used to assist growers with production gains (farm systems model, market model and farm management model).

Work will commence shortly on the development of a stand-alone software package that will be available for NZM Area Managers to use with growers to compare their current production system with alternative sheep production systems.

AgResearch has completed the initial modelling of the genetic pathways that could be utilised to transition properties from traditional production to fit-for-market production.

Two demonstration farms have now been established. These farms are doubling as scientific trial properties (On-Farm Research, Poukawa, Hawke's Bay and Bonavaree Farm, Seddon, Marlborough).

It is anticipated that NZM will hold a grower meeting before 30 June 2011 in the North Island to raise grower awareness of the NZSTX programme and will hold some other industry stakeholder meetings during this time.