QUARTERLY REPORT – 31 DECEMBER 2014

EXECUTIVE SUMMARY FOR PUBLIC RELEASE

This paper is an executive summary of the formal quarterly report made by The New Zealand Merino Company (NZM) to the Ministry for Primary Industries (MPI) regarding the New Zealand Sheep Industry Transformation (NZSTX) project for the quarter ending 31 December 2014.

Fibre – As reported last quarter, global wool prices remain low, particularly in the sub-17 micron categories. Our focus on differentiation and innovation to provide bespoke stories and offerings to market niches continues to build the profile of New Zealand Merino fibre, with several new businesses successfully trialling New Zealand Merino fibre this quarter.

Meat – Overall carcass demand is being dragged down by softer demand for shoulder items in the Middle East and China, along with less demand for frozen product, mutton and offal at present. These in-market factors, combined with the extremely dry conditions being experienced throughout much of the South Island and some North Island regions, has led to significant easing in the meat schedule (i.e. the commodity price).

The focus of the Alpine Origin Merino / SILERE programme remains on:

- continuing to improve the quality and consistency of animals supplied to the programme;
- increasing sales (especially in key international markets) and carcass utilisation; and
- ensuring that sufficient numbers of animals are contracted to the programme to meet steadily increasing market demand.

Leather – As reported last quarter, progress with the leather programme has paused as we work to resolve supply chain issues.

Production Science – We remain on track for key targets in the production science programme:

- Forage – The on-farm forage trials continue, with reports due by 30 June 2015.
- Trait acceleration – The emphasis this quarter was on collecting and preparing the data from NZM's central progeny test for the *Designer Genes* field day (see below) held in December, and supporting stud breeders who are transitioning to EBVs to prepare their data for the genetics workshops held in the week leading up to the field day.

  In addition, the nucleus flock progeny (from both the 2013 and 2014 seasons) continue to be measured and monitored.
- Animal health – As reported last quarter, good progress has been made with the *FeetFirst* project (development of a genomic breeding value (gBV) for resistance to footrot in fine wool sheep). We are in the process of transitioning to the next phase of the project, which will involve enriching the initial data set through further progeny testing (as part of NZM's central progeny test) and performance recording by stud breeders in their own flocks. As emphasised in previous quarterly reports, this work is of critical importance to the New Zealand fine wool industry.
- Adoption – The two highlights of the production science adoption programme this quarter were the *Designer Genes* field day held in Cromwell on 12 December 2014, and the genetics workshops held with stud breeders and their commercial clients in the week leading up to the field day. Both the field day and the workshops were well-supported by the industry, with over 100 attendees at the field day and more than 50 growers participating in the genetics workshops.

  The field day was a showcase of the breadth of work being undertaken as part of the production science programme, with a particular emphasis on the trait acceleration and animal health components. Videos of the presentations can be found at www.perfectsheep.co.nz (see 'Designer Genes Field Day', along with the latest results from NZM's central progeny test.

  The genetics workshops provided a deep dive into the breeding objectives of each stud and their respective clients, and were an opportunity for clients to apply their understanding of

estimated breeding values (EBVs). This was the first time that some of these studs have had EBVs available for their rams (an exciting development for the New Zealand fine wool industry), which is attributable to the considerable breeder support work made possible through NZSTX. Based on the success of the workshops, we plan to hold similar workshops with other fine wool studs and their clients in 2015.

The production science team has continued to work closely with both stud and commercial growers, using one-on-one consultations and small group formats to address forage / nutrition, genetics and animal health issues. While both of these approaches are resource-intensive, they are delivering excellent results for the growers involved.