

QUARTERLY PROGRESS SUMMARY: July – September 2015

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.

- Commodity prices remain at relatively low levels, and the market remains highly volatile following the significant lift and then rapid fall in prices experienced during May and June. These market dynamics reinforce the benefit of NZM's contract model for both brand partners and growers – offering stability and certainty throughout the value chain.
- The NZM contract model and continued focus on differentiation and innovation to provide bespoke stories and offerings to market niches has helped both growers and brand partners to remain profitable and sustainable through these price fluctuations.
- New contracts have been either secured or negotiated in the last quarter with a range of new and existing brand partners. Further, our relationships with potential new brand partners continue to strengthen on the back of successful trials of New Zealand Merino fibre.

Meat and Other

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

- Commodity markets continue to be subdued and the outlook for lamb is quite uncertain outside of the chilled Christmas and Easter trade windows. While the interest from China appears to be improving, there has been little in the way of changes in commodity prices to date.
- The overall number of lambs available throughout New Zealand continues to be low. This is particularly true in the South Island, where the drought earlier in the season meant many lambs were processed earlier than usual. There has been a flow-on effect from the drought, with the next group of young stock, which would usually be ready in early winter, not being at desirable weights in time, and needing to be held over until the grass started growing again in early spring.
- On a positive note, new forward contracts for SILERE alpine origin merino have been released, reflecting sales growth in key international markets.

Production Science

- The drier than average conditions across a lot of the South Island have impacted on the numbers of sheep in these areas with a lot of ewes sold to slaughter
- Reproduction records from the ewes born in the 2013 CPT have demonstrated a difference of 100% in pregnancy scanning between the lowest and highest sire groups demonstrating the enormous opportunity to improve fine wool sheep.
- Strong interest in the grower community to transition to fit-for-market sheep types.
- Prototype producer groups have been established and have shown that they are an excellent forum for information transfer to growers
- Monitoring, Evaluation and Extension strategies have been developed and implemented ensuring work streams are focussed on activities that result in practice change.

Key highlights and achievements

This quarter's highlights and achievements:

- Forward contracts for New Zealand wool have been negotiated and / or secured with a range of brand partners this quarter.
- International sales of SILERE alpine origin merino are on a strong growth trajectory, which is reflected in new supply contracts for growers.
- The range in reproduction in the CPT 2013 drop demonstrates the massive opportunity to improve the performance of fine wool sheep and breed them to be the most profitable option in some land-classes.

Upcoming

- Significant gains in the work to develop a new genetic test for footrot are expected in the next quarter as the data from the 2014 drop CPT is generated, added to the database and analysed.

Investment

Investment period	Industry contribution	MPI contribution	Total investment
During this Quarter	\$0.61m	\$0.61m	\$1.22m
Programme To Date	\$14.71m	\$14.71m	\$29.54m

