

QUARTERLY PROGRESS SUMMARY: October – December 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 for wool remain highly volatile, although recent weeks have seen some price improvement, assisted by the weakening New Zealand and Australian dollars against the US dollar. As noted in previous reports, this volatility continues to underscore the value of The New Zealand Merino Company (NZM) model, which is based on supply contracts with long-term brand partners.
- This quarter has seen NZM strengthen relationships with both existing brand partners, as well as potential new brand partners, with successful New Zealand visits from both existing and potential new brands aligned with NZM's core values.

Meat and Other

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

- Lamb production volumes remained strong throughout Q2, partly driven by the dry conditions created by El Nino, which saw many lambs going to slaughter earlier than usual as farmers prepared for the anticipated dry summer. However, the first signs of a slowdown were beginning to emerge at the time of writing this report, with plenty of rain hitting many dry areas of the South Island. Those with lambs on hand are now in a position to opt for weight gain, rather than offload stock to preserve feed.
- International demand for lamb remains relatively subdued.
- The SILERE alpine origin merino programme has enjoyed continued growth in key international markets, with sales 7% above those for the corresponding period last year.

Production Science

- Estimated breeding values (EBVs) for the progeny from the 2013 and 2014 fine-wool central progeny test (CPT) have been generated by SheepGenetics, and the results are available on the "Unlocking the perfect sheep" website (www.perfectsheep.co.nz).
- A successful road show was run in Q2, which was designed to help stud breeders with implementation of breeding values and update them on developments in the FeetFirst project (a project that is developing a new genetic test for footrot resistance in fine wool sheep),.
- Dry weather conditions have continued to hinder collection of on-farm data for the FeetFirst project. Nevertheless, significant progress has been made in refining the current prototype of the test, by focussing on cross-validation of the existing dataset.
- Paddock-scale trials using gibberellic acid were concluded in Q2 and the results were made available to the industry through www.perfectsheep.co.nz. These trials were successful in demonstrating to fine

wool farmers the potential of gibberellic acid to improve pasture growth at key times of the year (e.g. for late-winter feeding of breeding ewes).

- The grower community continues to express significant interest in transitioning towards fit-for-market sheep, with increasing interest in the North Island. We will undertake a significant artificial insemination programme at a North Island property in Q3 using fit-for-market genetics in a strong wool production system. We also have a natural mating programme planned for another North Island strong wool property later in the season.
- We have piloted a new discussion group format in the South Canterbury area, with further groups planned for North Otago and the North Island next quarter. The initial pilot has proven to be successful, enabling a better flow of up-to-date information to growers. This builds on the success of the 'FFM Group', a discussion group established earlier in the NZSTX programme that focuses on production for the active outdoors and hosiery markets.

Key highlights and achievements

This quarter's highlights and achievements:

- A range of new data has been generated on the progeny from the 2013 and 2014 fine-wool central progeny test (CPT). This data has been converted to estimated breeding values (EBVs) and the results are available on www.perfectsheep.co.nz.
- Gibberellic acid has been demonstrated as a highly useful option for increasing the amount of pasture available to fine-wool sheep growers prior to lambing time, particularly in years where the amount of pasture available is unusually low.
- Market interest in NZM, and ZQ wool in particular, remains at an all-time high driven by brands' desire to position themselves based on the ethical and sustainability platforms that ZQ offers. NZM has hosted visits from several potential new brand partners in the last quarter to discuss future supply options.

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	\$0.31m	\$0.31m	\$0.62m
Programme To Date	\$15.02m	\$15.02m	\$30.04m