

QUARTERLY REPORT – 31 MARCH 2015

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 March 2015.

Fibre – Global wool prices continue to remain at historically low levels, particularly in the sub-17 micron categories. Despite this, NZM's continued focus on differentiation and innovation to provide bespoke stories and offerings to market niches has seen a number of new contracts (and existing contracts renewed).

Meat – The global market for sheep meat has remained soft this quarter, with a significant drop in demand from China. Beef+Lamb reported a 2.9% decrease in the total volume of lamb exported for the period from October 2014 to March 2015, compared with the same period last season. This tough market environment is providing challenges for the Alpine Origin Merino / SILERE programme; however, we remain confident that the programme will continue to strengthen and grow. 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 carcass utilisation and sales (especially in key international markets); 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 has been on gathering ram nominations for the central progeny test (CPT - which is increasing from 40 sires to 50 sires this year, to enable the prototype genomics-assisted breeding value (gBV) for footrot resistance to be further developed – see *Animal health* below). The 2015 CPT breeding programme will be undertaken in Q4. In addition, ram and breeding ewe selections have been made for the next nucleus flock mating in Q4.
- Animal health – The focus of the *FeetFirst* project (development of a gBV for resistance to footrot in fine wool sheep) is shifting from the collection of DNA samples from commercial flocks to increased progeny testing of sires through an expanded CPT (see *Trait acceleration* above) 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 highlight of the production science adoption programme this quarter was the *Realising Ewe Flock Potential* field day held at Glenaan Station, in collaboration with Farm IQ, on 30 March 2015. The field day showcased the extensive forage development programme being undertaken at Glenaan (with a strong focus on dryland lucerne production), and the management changes that have been made to realise the potential of the improved feedbase available. Further information about the changes being made at Glenaan Station can be found at www.perfectsheep.co.nz.

Throughout Q3, 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.

