

QUARTERLY PROGRESS SUMMARY: April – June 2015

THE NEW ZEALAND SHEEP INDUSTRY TRANSFORMATION PROJECT (NZSTX)

Summary of progress during this quarter

Fibre

- This quarter brings PGP investment in the Fibre component of NZSTX to a close.
- Commodity prices for fine wool lifted significantly during May and early June, before correcting later in the quarter. The speed and scale of both the price lift and its decent demonstrates the volatile nature of the industry and reinforces the benefits of The New Zealand Merino Company's contract model and continued focus on differentiation and innovation.
- During year five, contracted fibre volumes exceeded targets in total and most micron brackets (and increased on last year's volumes across all micron categories).

Meat and Other

- This quarter brings PGP investment in the Meat and Other component of NZSTX to a close also.
- Global commodity prices for sheep meat remain relatively low, despite the New Zealand dollar moving in the right direction against major currencies.
- Sales of branded Merino meat continue to grow steadily, albeit a little slower than originally hoped for.
- The Merino leather programme has been discontinued.

Production Science

- The Production Science component of the NZSTX programme is entering into a two year extension for years six and seven. The next two years will bring key projects to fruition (e.g. a new genetic test for footrot resistance for the fine-wool sheep industry in New Zealand) and ensure that the NZSTX programme reaches its full potential.
- **Forage:** The forage trials managed by Lincoln University have been brought to a conclusion, with a final report available on www.perfectsheep.co.nz. Forage extension work continues, with significant forage development occurring on fine-wool sheep producing properties, with agronomic guidance and support provided through NZSTX.
- **Genetics:** The third mating at both the fine-wool central progeny test (CPT) – including mating the 2013-born ewe progeny who will be assessed for reproductive performance – and within the Southern Cross nucleus flock occurred this quarter, with the 2015-born progeny due during Q1/Q2 of 2015/16. Gathering further footrot performance data from the CPT progeny (as well as the correlation between footrot resistance and other production traits) is a key aspect of the two-year Production Science extension.
- **Animal health:** Further analysis of the FeetFirst datasets has been completed during this quarter, helping to further develop the prototype genomic breeding value (gBV) for footrot resistance in New Zealand's fine-wool sheep.
- **Adoption:** Extension / adoption work continues across forage, genetics, animal health and production system support, with key updates being made available on www.perfectsheep.co.nz.

Key highlights and achievements

As this quarterly report marks the end of PGP investment in both the 'Fibre' and the 'Meat and Other' components of NZSTX, we would like to outline the highlights from the past five years:

- New branded contracts at both the fine and stronger edges of the fine-wool clip, new business prospects with potential brand partners and continued support from established brand partners.
- The development of a 'Conversion Tool Kit' of differentiators to assist brand partners with market positioning and market collateral.
- Increasing volumes of branded sales of Merino meat, both domestically and internationally, through the Alpine Origin Merino joint venture.

The Production Science work stream, which will continue for a further two years, has also made significant progress as a result of NZSTX investment:

- Increased understanding of how alternative legumes can be established and managed in sheep production systems in challenging high country environments, resulting in accelerated forage development amongst fine-wool sheep producers.
- A fine-wool central progeny test has been established, which is enabling estimated breeding values (EBVs) to be generated for the New Zealand fine-wool sheep flock.
- Significant uptake of EBV technology amongst New Zealand fine-wool stud breeders, with increasing awareness of the technology (and demand) from commercial breeders.
- A nucleus flock to develop an improved fine-wool sheep genotype (including improved carcass, reproduction and animal health attributes) has been established, with a group of seven breeders committing to continue the nucleus flock as a commercial entity.
- Improved understanding of the economic proposition for vaccinating fine-wool sheep against Johne's disease.
- Software for modelling production system comparisons between different sheep genotypes (e.g. fine-wool versus mid-micron or strong-wool) has been developed (and continues to be updated). This software programme is being used in consultations with sheep producers considering the transition to more fit-for-market sheep production systems.
- A prototype genomic breeding value (gBV) for footrot resistance in fine-wool sheep has been developed, and will be further refined (including prototyping of the commercialisation pathway) during years six and seven of the NZSTX programme.

Upcoming

- The performance of the progeny from the 2013 and 2014 central progeny test (CPT) will continue to be measured for a range of production traits. The 2015 lambing at the CPT sites will start during Q1 (and continue during Q2), marking the arrival of the progeny from the third CPT mating.
- Further data collection and a range of analyses to further develop and refine the gBV for footrot resistance in fine-wool sheep will be undertaken during the next quarter.
- Best-practice guidelines for establishing and managing legumes as part of a fine-wool sheep production system in a high country environment will be finalised and made available to growers during Q1.
- We will continue to provide agronomy support and advice to growers looking to improve production within their fine-wool growing systems. This work is ongoing.
- Next quarter, an animal health workshop focusing on ewe health will be piloted with a group of vets before being trialled with growers.
- During Q1, initial data will be collected for the lamb survival study (e.g. mob behaviour, lambing density and lamb survival). This work will be ongoing.

- An extension strategy and implementation framework (including monitoring and evaluation) for years six and seven will be developed during Q1.
- An implementation plan for a production benchmarking system will be put in place next quarter.

Investment

Investment period	Industry contribution	MPI contribution	Total investment
During this Quarter	\$0.621m	\$0.621m	\$1.241m
Programme To Date	\$14.16m	\$14.16m	\$28.32m