

Long time between BBQ's

After a couple of weeks spent cursing the weather, Hawkes Bay and Gisborne farmers will be looking to shove the swannie back in the cupboard and get back into some work as the rain eased up this week. Further south in Wairarapa the hay and baleage contractors are still going flat-tack. The rest of the island has had their fair share of rain and even parts of Northland welcomed 40-80mm in the last week but still need more. NIWA reckons the dry run will likely continue in the far north, through to April. The East Coast can also expect less rainfall over the next three months which is probably not too much of a concern right now. Near normal summer rainfall is expected in all other regions.

Get that wool off

While the wet weather has slowed shearing, any wool that is being sold will have benefited from stronger prices in recent weeks. Prices at the weekly auctions have been quietly but quickly gathering momentum as demand outstrips supply. In particular the lamb's wool indicator has hit a six year high. While the high prices and improving world demand are welcomed, it comes with a word of caution. Aussie wool prices saw a relatively big price correction last week following some resistance from China after prices lifted too quickly through Jan.

M&W Economic Service reinforces the picture

The Meat & Wool Economic Service mid season update this week reinforced the impact the higher exchange rate is having on farmer operating prices. They noted the rising exchange rate was the largest factor impacting on farm-gate prices and profitability. While global demand for lamb and beef products will underpin export prices, the higher position of the NZ\$ is effectively reducing returns. Since Aug M&W expectations for average lamb prices for the season have slipped from \$78/hd down to \$72/hd.

NZ in prime position to target UK market

UK consumers will hopefully be eating more NZ lamb this year. The UK breeding flock is forecast to contract by a further 4% this year to around 2 million head. This will lead to a smaller lamb crop in 2010 and place greater reliance on imports of lamb to meet demand. Last year a weaker UK£ against the Euro assisted the UK export lamb trade. This year it is assumed the UK£ will remain weaker. With tighter lamb production in both Ireland and France, it is expected the UK will favour lamb exports over supplying the domestic market. This is positive for NZ lamb exports to the UK. NZ's market share between Jan -Nov 09 stretched to 77% with a growing volume being sent chilled.

Market Snapshot

\$/kg		Chge	Next Week	This Week	Last Month	Last Year
Cattle						
M2 Bull	300kgCW	+10c	3.25	3.15	3.23	3.55
P2 Steer	300kgCW	+10c	3.40	3.30	3.37	3.60
Store R3yr Bull	500kgLW	n/c	1.67	1.67	1.77	1.80
Store R3yr Steer	500kgLW	n/c	1.85	1.85	1.90	1.95
Sheep						
Lamb M	16 kgCW	+5c	4.67	4.62	4.60	5.10
Store Male Lamb	32kgLW	+5c	2.30	2.25	2.05	2.20
Deer						
AP Stag	60kgCW	n/c	6.35	6.35	6.50	7.70
Wool						
Coarse Xbred Indicator		11	326	293	294	

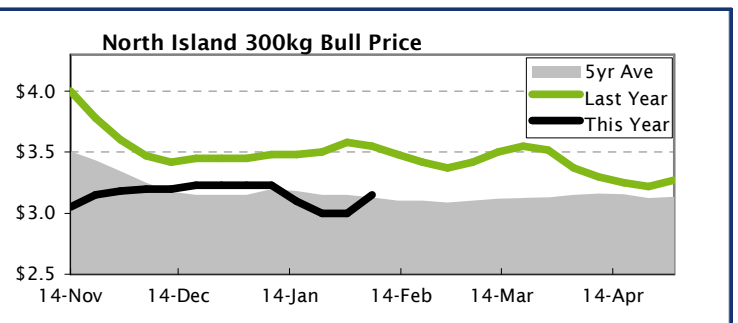
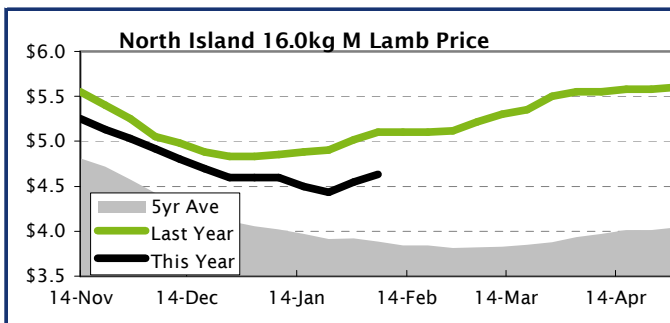
Currency

Currency	Chge	This Week	Last Week	Last Month	Last Year
NZD:USD	-2.2%	0.689	0.705	0.733	0.511
NZD:GBP	+0.2%	0.438	0.437	0.460	0.355
NZD:EURO	-0.6%	0.503	0.506	0.512	0.399
TWI	-1.1%	64.00	64.71	66.80	51.74

Weather

Weather	Rainfall (mm)			Soil Temp (°C)		
	This Week	Last 4wks	vs Ave	This Week	Last 4wks	Trend
Northland	41	58	Low	21.5	20.1	Up
Waikato	55	129	High	21.2	20.5	Up
King Country	36	141	High	21.3	19.4	Up
Bay Of Plenty	57	126	High	20.1	19.7	Up
Gisb./Wairoa	137	240	V.High	20.2	20.1	-
Taranaki	5	70	Low	18.8	17.2	Up
Mana./Wang.	2	61	Ave	20.1	18.7	Up
Taihape	21	76	Ave	n/a	n/a	n/a
Hawke's Bay	69	187	V.High	19.4	19.1	Up
Wairarapa	30	139	V.High	19.8	18.4	Up

Rainfall and soil temp calculated over 7 days to Wed - provided by NIWA



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Lack of cattle sees prices lift

Export cattle prices firmed this week on the back of much tighter supplies. 300kg cwt bull has lifted to average \$3.15/kg while 300kg steer is stronger at \$3.30/kg. Both P and M cow prices have also firmed. Some Local Trade plants reportedly ran short and this saw prices lift mid week for some. In general 230kg Local Trade prices have firmed to \$3.28/kg. The January rain has well and truly put paid to any further spike in the cattle slaughter for the time being. With grass bolting out of the ground in some regions, farmers aren't in any hurry to offload. The general consensus among farmers is to hold cattle back until there are some good upward movements in prices. Night shifts are being dropped across the island to compensate for the tighter kill numbers. With overseas demand firm and the NZ\$ dropping it looks like there will be more upside for prices next week.

Farmers close the gate

The store cattle market has been fairly inactive this week as the volume of cattle for sale dries up. The grass in most regions has now responded to the January rain and many farmers are staring at a wall of feed ahead of them. Despite the higher prices on offer farmers seem more concerned about controlling the feed in order to tidy up and set up for the winter months. There has been no let up in demand for cattle and anything that is coming on stream is having no difficulty finding a new home. The big problem (as noted above) is actually finding decent lines of cattle. Buyers are turning their attention to weaner bull calves as there still seem to be reasonable numbers trading. But this spike in demand has pushed the prices of these up considerably in the last week. A strong dairy weaner sale at Stratford this week saw 180kg Friesian bulls range between \$470-\$480/hd while 120-130kg types varied from \$380-\$420/hd. Buyers in the lower North Island are also looking to source cattle out of the South Island, but the market there is also struggling to find decent numbers. The drier parts of Northland are still benefiting from good demand from the south and prices there remain firm. The weaner beef calves are starting to pop out in parts of Northland as many find they have to wean early. Despite tighter numbers coming forward this week cattle fairs look to be a feature next week. Early advertised entries at Dannevirke show close to 3,000 steers will be on offer over two days while Matawhero has 1,200 lined up for their fair. It won't be long before the first of the traditional and exotic weaner fairs get underway either with demand expected to be strong.

Lower bull calf retention having an impact

Finally the bull beef industry is starting to feel the effects of less rearers. M&W's mid season report shows that last season the national bull kill slipped to 480,000 head, a long way off the 558,000 that were slaughtered in 2007-08 and well down on the 2005-2008 seasonal average of 536,000 head. Data shows that since the 2007-08 season the number of bull calves retained to be reared and farmed on has started to slip. And the outlook is no better, this season it's expected only 477,000 bulls will be slaughtered for the export market. The concern now is will NZ have the beef supplies to take advantage of the strengthening US demand?

US cattle numbers still declining

Last week's USDA livestock inventory report reflected the ongoing decline in US cattle numbers. The report noted that as at Jan 1 2010 all cattle and calves in the US totalled 93.7 million head, down from 94.5M in 09 and 96M in 08. Beef cow numbers were estimated at 31.4M. Over the past four years the US beef cow herd has dropped 5%. The number of heifers being retained is down 2% indicating that beef cow numbers will continue their slow decline through 2010.

Slaughter Cattle Prices

\$/kg		Chge	Next	This	Range	Last	Last
			Week	Week		Month	Year
M2 Bull	300kg	+10c	3.25	3.15	3.10 - 3.20	3.23	3.55
P2 Steer	300kg	+10c	3.40	3.30	3.20 - 3.35	3.37	3.60
P2 Cow	230kg	+10c	2.45	2.35	2.30 - 2.40	2.40	2.80
M Cow	200kg	+10c	2.45	2.35	2.30 - 2.50	2.30	2.60
Local Trade	230kg	+7c	3.35	3.28	3.20 - 3.40	3.33	3.55

Store Cattle Prices

\$/kg		Chge	Next	This	Range	Last	Last
			Week	Week		Month	Year
R2yr Bull	380kg	n/c	1.78	1.78	1.75 - 1.90	1.90	1.80
	330kg	n/c	1.85	1.85	1.80 - 1.90	2.00	1.85
R2yr Steer	380kg	n/c	1.95	1.95	1.80 - 2.20	2.15	2.00
	330kg	n/c	2.00	2.00	1.85 - 2.25	2.20	2.00
R2yr Heifer	350kg	n/c	1.77	1.77	1.75 - 1.90	2.00	1.80
	300kg	n/c	1.85	1.85	1.80 - 2.00	2.10	1.80
R3yr Bull	500kg	n/c	1.67	1.67	1.60 - 1.80	1.77	1.80
	450kg	n/c	1.67	1.67	1.60 - 1.75	1.75	1.77
R3yr Steer	500kg	n/c	1.85	1.85	1.80 - 1.95	1.90	1.95
	450kg	n/c	1.92	1.92	1.90 - 2.05	1.95	1.93
R3yr Heifer	400kg	n/c	1.68	1.68	1.60 - 1.90	1.80	1.80
	350kg	n/c	1.68	1.68	1.60 - 1.75	1.85	1.75

N.B: Slaughter values are gross operating prices available in the NI including premiums. Store values are ave gross on-farm prices available on a line.

Cattle Slaughter Trends

1000s	Estimated Weekly Kill:				Last week compared to:		
	Last	2Wks	Last	5yr	2Wks	Last	5yr
	Week	Ago	Year	Ave	Ago	Year	Ave
Cattle NI	40.0	51.1	41.3	37.9	-22%	-3%	+5%
Cattle SI	10.5	11.9	13.0	10.6	-12%	-19%	-1%
Cattle NZ	50.5	63.0	54.3	48.5	-20%	-7%	+4%
Bull NI	13.0	19.1	15.5	16.2	-32%	-16%	-20%
Bull SI	2.6	2.6	4.1	3.4	n/c	-37%	-24%
Str & Hfr NI	16.0	20.0	13.7	14.1	-20%	+17%	+14%
Str & Hfr SI	6.1	7.5	5.9	5.4	-19%	+3%	+12%
Cows NI	11.0	12.0	12.0	7.7	-8%	-9%	+43%
Cows SI	1.8	1.8	3.0	1.7	n/c	-39%	+6%

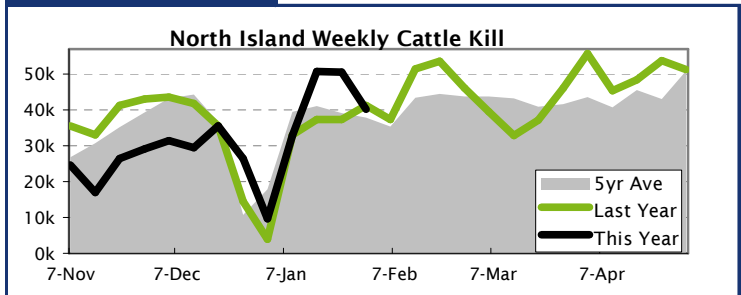
Beef Export Demand & Procurement Indicators

Export Market Indicator Price					This Wk compared to:		
	Chge	This	Last	Last	4 Wks	Last	5yr
		Week	Week	Year	Ago	Year	Ave
US 90CL \$/lb	-1	1.42	1.43	1.18	+4%	+20%	+13%
US Dom Cow	-1	1.47	1.48	1.44	+4%	+2%	+1%
US 95CL \$/lb	-1	1.50	1.51	1.26	+4%	+19%	+13%
NZ\$/kg	+8	4.80	4.72	5.43	+11%	-12%	+11%
Margin CIF-FOP	-7	1.65	1.72	1.88	+55	-23	+45

Procurement Indicator - Schedule as % of US 95CL price

% Returned	+2%	65.6%	63.6%	65.4%	-9%	+0%	-7%
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In Focus





Hard job finding lambs to fill the orders

Despite the higher prices on offer, lamb slaughter rates dropped by 30% (or 90,000 head) last week. While some farmers are opting to hold onto lambs, others have found the quality and condition of lambs has dropped, reflecting the recent wet weather. There has been a struggle to secure sufficient numbers to meet overseas chilled orders and this has kept the premiums there this week. Prices have firmed again to sit just over \$4.60/kg (gross) on average. The cut off date for the Easter chilled Trade is the end of next week for most meat companies. It is expected that slaughter prices will ease back once these premiums disappear. But with hardly any lambs coming forward there may not be much option but to keep prices near current levels. Either that or capacity will reduce in line with the supplies coming forward.

Its all go – store lambs prices through the roof

Buyers are lining up for store lambs again this week. Maybe the spike in slaughter prices in the last couple of weeks has sparked some confidence in the lamb prices going forward, or maybe its just desperation to find mouths that is driving the current market. Whatever the reason, little seems to be getting in the way of store lamb prices. In comparison 12 months ago a 28kg male lamb was making \$2.10/kg while the slaughter price was over \$5.00/kg. Not surprisingly the iFarm 32kg store lamb price indicators are about 60-65c/kg over-priced based on 5yr average prices relative to schedule. The market has been described as red hot through to crazy in some places. The stronger prices are also encouraging the hill country breeders to offload lambs. There is strong demand out of the Hawkes Bay, Wairarapa and the Manawatu regions for store lambs where the feed has got away and crops are re-growing. Dannevirke recorded a very strong sale with coastal lambs making \$75 plus on Thursday. At Stortford 26-28kg males made \$2.35-\$2.40/kg while 23-28kg ewe lambs sold for \$2.40-\$2.50/kg. 9,500 lambs sold well at Feilding today with 26-30kg types making \$68-\$82/hd. Matawhero store lambs were also making similar money today. Prices in the paddock are lifting with 28-32kg lambs now ranging from \$2.20-\$2.30/kg.

A lot more lamb to export

One noticeable change to the M&WES report was the jump in expected export volumes for NZ lamb. Back in August it was forecast the 2009-10 lamb exports would reduce to 279,000 tonnes. But a higher than expected lamb crop last year to 29 million will push lamb production this season. Lamb slaughter is expected to lift by 1 million to 23.5M head, bringing it in line with 2004-05 slaughter levels. A 3.5% increase in production is now expected to lift exports to 315,000t which is 10,000t more than last season. While strong overseas demand will ensure this lamb is absorbed into the market without denting prices, the high position of the NZ\$ will ultimately have the last say.

Venison prices slightly easier

Softer overseas demand is continuing to hamper venison prices. An AP 60kg stag is back to an average of \$6.35/kg this week. Slaughter rates had been lifting due to the drier conditions, but this seems to have been short-lived.

Wool prices enjoy further lift

Wool prices are completely ignoring the currency and are being dictated by supply and demand. Prices are well up on this time last year despite the US\$ being 20c higher. The wet summer is keeping wool in short supply and underpinning prices.

Slaughter Sheep Prices

\$/kg		Chge	Next Week	This Week	Range	Last Month	Last Year
Lamb M	13.5kg	+5c	4.40	4.35	4.20 - 4.45	4.25	4.92
Lamb M	16 kg	+5c	4.67	4.62	4.50 - 4.70	4.60	5.10
Lamb X	19 kg	+5c	4.66	4.61	4.50 - 4.70	4.59	5.10
Mutton MX	20 kg	n/c	2.40	2.40	2.30 - 2.50	2.35	2.10
But. Ewe	24 kg	n/c	2.30	2.30	2.20 - 2.40	2.30	2.20

Store Sheep Prices

Lambs - \$/kg		Chge	Next Week	This Week	Range	Last Month	Last Year
Male Lamb	32kg	+5c	2.30	2.25	2.00 - 2.25	2.05	2.20
	28kg	+5c	2.30	2.25	2.00 - 2.30	2.10	2.15
	25kg	+5c	2.45	2.40	2.30 - 2.60	2.15	2.10
Ewe Lamb	30kg	+5c	2.30	2.25	2.10 - 2.25	2.05	2.15
2th Ewe	\$/hd	n/c	140	140	115 - 160	100	110
MA Ewe	\$/hd	n/c	85	85	70 - 100	85	70
5yr Ewe	\$/hd	n/c	90	90	65 - 110	77	78

N.B: Slaughter values are gross operating prices available in the NI including premiums. Store values are ave gross on-farm prices available on a line.

Sheep Slaughter Trends

1000s	Estimated Weekly Kill:				Last week compared to:		
	Last Week	2Wks Ago	Last Year	5yr Ave	2Wks Ago	Last Year	5yr Ave
Lamb NI	212	304	228	272	-30%	-7%	-22%
Lamb SI	274	312	385	436	-12%	-29%	-37%
Lamb NZ	486	616	614	708	-21%	-21%	-31%
Mutton NI	66	81	115	87	-19%	-43%	-24%
Mutton SI	111	147	141	116	-25%	-22%	-4%

Lamb Export Demand & Procurement Indicators

Export Market Indicator Price	Chge	This Week	Last Week	Last Year	This Wk compared to:		
					4 Wks Ago	Last Year	5yr Ave
US F/Rack \$/lb	+25	6.00	5.75	5.75	+5%	+4%	n/a
UK Leg p/lb	+2	1.71	1.69	1.58	+1%	+8%	+32%
NZ\$/kg	+8	8.61	8.53	9.82	+6%	-12%	+14%

Procurement Indicator - Lamb schedule as % of UK Leg price							
% Returned	+0%	53.7%	53.3%	51.9%	-3%	+2%	+6%

Venison Price

\$/kg		Chge	Next Week	This Week	Range	Last Month	Last Year
AP Stag	60kg	n/c	6.35	6.35	6.20 - 6.40	6.50	7.70

Wool Market Indicators

		Chge	This Week		Prev. Week		Last Year	
			NAP/CHCH		NAP/CHCH		NAP/CHCH	
Sale Centre								
Date			04-Feb		28-Jan		Feb	
Coarse Xbred Indicator		+11	326		315		294	
Fine Xbred Indicator		+10	384		374		352	
Lambs Indicator		+11	411		400		368	
Bales on Offer (% sold)			13,961 (97%)		25,341 (94%)		16,671 (72%)	
NZ:US Exchange rate		0.3%	0.708		0.706		0.515	
Type	Descrp.	Yld		Clean Greasy	Clean Greasy	Clean Greasy	Clean Greasy	Clean Greasy
37F2D	Ewe Flce	4-6" 77%	+16	344 242	328 230	304 209	304 209	304 209
39F2D	Ewe Flce	4-6" 77%	+16	342 240	326 228	303 208	303 208	303 208
37F2K	2nd Shr	3-4" 78%	+17	337 240	320 227	311 217	311 217	311 217
35F2D	Hgt Flce	4-6" 77%	+4	358 253	354 250	320 221	320 221	320 221
30L1Q	Lambs	1-3" 81%	+12	418 313	406 304	379 282	379 282	379 282