

### Heading for a warm winter

The SI has experienced pretty good weather over the past week which is a huge contrast to the wild weather that swept through the NI. NIWA's seasonal climate outlook released today indicates the SI is in for warm weather into winter. The East of the SI is likely to have average or above average temps, while all other regions will be above average.

### Heartland

A new rural bank is on the horizon after a successful merger of financial institutions in Jan to become Building Society Holdings (BSH). BSH released their new name today, 'Heartland' (HNZ). Heartland will focus on banking and financial services to small businesses and the rural sector. It's expected to apply for a banking licence around the middle of the year.

### OCR unchanged at 2.5%

The RBNZ held the OCR at 2.5% yesterday, where it's likely to remain for some time. The outlook for the NZ economy remains very uncertain following the Christchurch quake. Higher oil prices and the NZ\$ will have a dampening effect on economic activity.

### NZ dollar edging towards post-float high

A gloomy report released by the US Fed yesterday did not help the US\$ which continued to weaken. Currency traders were up to their usual tricks, selling the US\$ and investing in higher yielding currencies such as the NZ\$. The NZ currency was floated in '85, and is just shy of its post-float peak of US\$2.12 (Feb '08). The AU\$ passed its post-float high on Wed by hitting US\$1.08.

### Selling NZ overseas

On Tue, a Chinese agricultural company, Agria Singapore, declared its partial takeover for PGG Wrightson as unconditional. Agria Singapore will be jointly owned by Agria Corporation and New Hope, with an investment from Ngai Tahu and some financing from LIC. Agria Corporation is a China-based agricultural company while New Hope is one of China's largest agricultural and food corporations.

### SFF onwards an upwards

Silver Fern Farms (SFF) has entered into an agreement to buy Wallace Corporation's meat processing plant at Waitoa, but Wallace will retain its rendering tanning, farming and casualty stock collection business. SFF also plans to rebuild a new high-tech beef processing plant on its Te Aroha site, which was damaged by fire in Dec last year.

### Market Snapshot

\$/kg		Chge	Next Week	This Week	Last Month	Last Year
<b>Cattle</b>						
M2 Bull	300kgCW	-5c	4.20	4.25	4.40	3.10
P2 Steer	300kgCW	-5c	4.20	4.25	4.40	3.20
Store R2yr Bull	400kgLW	n/c	2.03	2.03	1.95	1.63
Store R2yr Steer	400kgLW	n/c	2.18	2.18	2.15	1.75
<b>Sheep</b>						
Lamb M	16kgCW	+10c	6.65	6.55	6.50	4.45
Store Male Lamb	32kgLW	+5c	3.40	3.35	3.15	2.20
<b>Deer</b>						
AP Stag	60kgCW	+10c	7.90	7.80	7.60	6.95
<b>Wool</b>						
Fine Xbred Indicator		-32c	<del>641</del>	641	698	378

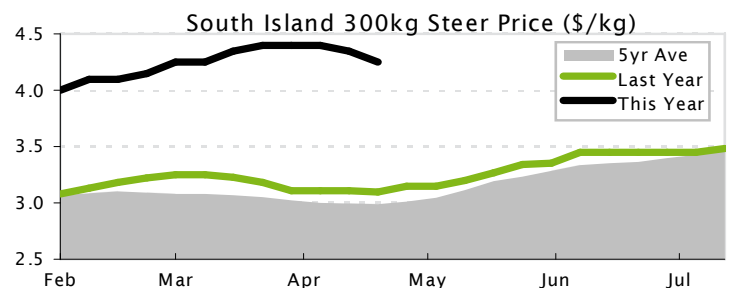
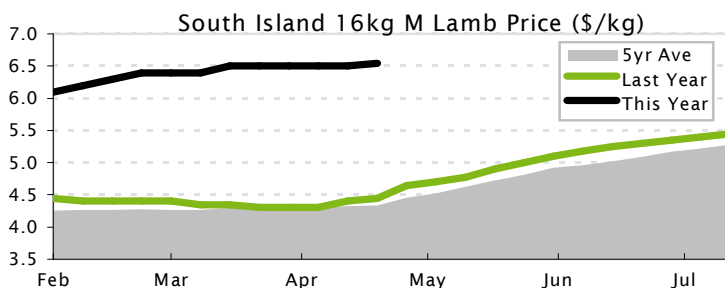
### Currency

Currency	Chge	This Week	Last Week	Last Month	Last Year
NZD:USD	+0.2%	0.802	0.800	0.761	0.726
NZD:GBP	-0.7%	0.481	0.485	0.474	0.473
NZD:EURO	-1.7%	0.540	0.549	0.537	0.548
TWI	-0.7%	68.19	68.68	66.73	67.62

### Weather

	Rainfall (mm)			Soil Temp (°C)		
	This Week	Last 4wks	vs Ave	This Week	Last 4wks	Trend
Marlborough	6	61	Ave	12.0	11.9	-
Nelson	53	138	High	12.6	12.4	Up
Buller/Westld	40	220	Ave	11.1	11.7	Down
N. Canterbury	5	13	V.Low	11.9	12.4	Down
S. Canterbury	6	65	High	9.3	10.4	Down
N. Otago	3	55	Ave	7.9	9.2	Down
S. Otago	4	30	Low	11.1	12.0	Down
Clutha	2	57	Ave	9.0	10.4	Down
Southland	12	71	Ave	7.6	9.2	Down

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



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### Cattle prices dive over Easter

Cattle prices have taken a dive from the two short weeks and adequate supply from the increase in cull cows. In general, cattle prices have slumped 10-15c/kg over the last 2 weeks. Despite the fall in prices, they are still very good for this time of year. The NZ\$, which is over US80c, is also having a negative affect on schedule prices. The main driver though has been supply, and seeing it's not expected to stick around for long there maybe another turn around in prices in the near future. 300kg cwt bull and steer are now \$4.25/kg average, although \$4.30/kg is still achievable on good lines. Moving into next week, prices are likely ease further.

### Plenty of cattle tucker

There is heaps of winter feed about which is keeping demand hot for store cattle, in particular weaners. Unfortunately for some farmers, dairy cockies have backed out of winter grazing contracts due to the abundance of feed. This could lead to more farmers on the hunt for stock to keep a lid on grass growth. It was another successful week for calf sales around the SI, with prices maintaining their high levels. The calf sales give a good indication of where the market is seeing the majority of weaners head there rather than through private sales. Temuka's calf sale this week didn't disappoint, with the large yarding of 1400 calves being easily absorbed by the market. Prices were back a smidgen but all in all, calf sales in the region this season were all very strong. Traditional weaner steers at Temuka this week were generally between \$2.70-2.80/kgLW while heifers were \$2.35-2.40/kgLW. Throughput at the saleyards this short week was down and so were prices, but this is expected to be a short term glitch until the sales settle back into normal routine. Competition was lacklustre at Cant. Park this week so buyers had their pick of the bits and pieces on offer. Only 100 sore cattle were up for grabs, mainly older cattle and prices struggled to crack \$2.00/kg. It was another good day at the Temuka store cattle sale despite grass growth slowing around the region. The buying gallery wasn't particularly big however those that attended meant business with competitive bidding throughout the day. The 18mth steers sold exceptionally well with only a few lines making under \$2.00/kgLW. Prices for lighter cattle eased, but plenty of outside buyers kept competition heated with the locals.

### Own worst enemy

High cow prices are no doubt enticing more cows to slaughter that could have potentially been used for breeding cows. Works buyers have been frequent at the saleyard's this season, snatching up potential candidates to fill up processing plants. We are now seeing in-calf cows being sent to the works which is a new low, especially at a time when NZ should be focusing on rebuilding herds. Decent store cows are around \$1000/hd, which makes it difficult for farmers to come to grips with, while processing plants are hot on farmer's heels offering competitive slaughter rates for cows.

### US beef herd declining

US cattle supplies are expected to remain tight over the next few years which is good news for NZ exporters of manufacturing beef. The US cattle herd has been shrinking and despite improved prices, there remains hesitation in rebuilding herds. Steiner Consulting Group does not expect US beef production to start growing until 2013, possibly 2014. The weak US\$ and strong global beef prices have fuelled a surge in US beef exports. US beef exports are expected to be up 11.8% this year and increase by 5.3% into 2012. On the other hand, imports are constrained by the weak US\$ and competition from other markets.

### Slaughter Cattle Prices

\$/kg		Chge	Next Week	This Week	Range	Last Month	Last Year
M2 Bull	300kg	-5c	4.20	4.25	4.10 - 4.30	4.40	3.10
P2 Steer	300kg	-5c	4.20	4.25	4.10 - 4.30	4.40	3.20
P2 Cow	230kg	-5c	3.25	3.30	3.20 - 3.40	3.50	2.20
M Cow	200kg	-5c	3.15	3.20	3.00 - 3.30	3.40	2.15
Local Trade	230kg	-5c	4.10	4.15	4.10 - 4.20	4.30	3.30

### Store Cattle Prices

\$/kg		Chge	Next Week	This Week	Range	Last Month	Last Year
Wnr Bull	250kg	n/c	2.20	2.20	2.00 - 2.00	2.05	1.80
Wnr Steer	250kg	n/c	2.70	2.70	2.60 - 3.00	2.18	2.20
Wnr Heifer	230kg	n/c	2.25	2.25	2.20 - 2.30	2.10	1.80
R2yr Bull	400kg	n/c	2.03	2.03	2.00 - 2.10	1.95	1.63
R2yr Steer	400kg	n/c	2.18	2.18	2.00 - 2.30	2.15	1.75
R2yr Heifer	350kg	n/c	2.03	2.03	1.90 - 2.10	2.00	1.60

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

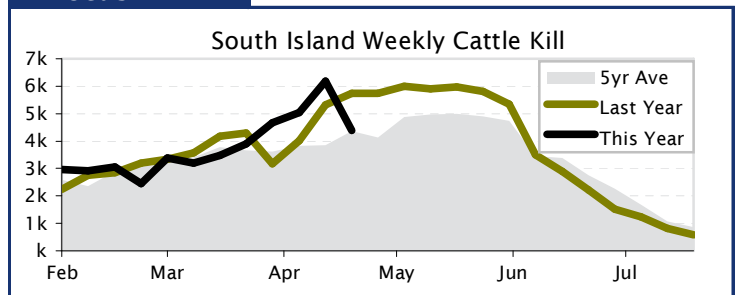
### Cattle Slaughter Trends

1000s	Estimated Weekly Kill:				Last week compared to:		
	Last Week	2Wks Ago	Last Year	5yr Ave	2Wks Ago	Last Year	5yr Ave
Cattle NI	43.6	58.5	55.7	47.4	-25%	-22%	-8%
Cattle SI	17.7	24.7	22.9	17.4	-28%	-23%	+2%
<b>Cattle NZ</b>	<b>61.3</b>	<b>83.2</b>	<b>78.7</b>	<b>64.9</b>	<b>-26%</b>	<b>-22%</b>	<b>-5%</b>
Bull NI	5.7	8.4	6.4	7.2	-32%	-11%	-21%
Bull SI	1.9	2.9	1.6	2.1	-34%	+17%	-10%
Str & Hfr NI	13.6	19.8	16.2	14.7	-31%	-16%	-8%
Str & Hfr SI	6.0	9.3	7.8	6.8	-35%	-23%	-12%
Cows NI	24.3	30.3	33.2	25.5	-20%	-27%	-5%
Cows SI	9.8	12.5	13.5	8.5	-22%	-27%	+16%

### Beef Export Demand & Procurement Indicators

Export Market Indicator Price					This Wk compared to:		
	Chge	This Week	Last Week	Last Year	4Wks Ago	Last Year	5yr Ave
US 90CL \$/lb	-1	1.97	1.98	1.70	-2%	+16%	+43%
US Dom Cow	n/c	2.03	2.03	1.72	+0%	+18%	+37%
US 95CL \$/lb	-1	2.07	2.08	1.80	-2%	+15%	+40%
NZ\$/kg	-4	5.69	5.73	5.47	-7%	+4%	+21%
Margin CIF-FOP	+6	1.44	1.38	2.37	-30	-93	-30
<b>Procurement Indicator</b> - Schedule as % of US 95CL price							
% Returned	-1%	74.7%	75.9%	56.7%	+3%	+18%	+12%

### In Focus





**Space easy**

Space is easy at SI meat processing plants as the lamb kill doesn't show any significant improvements. Schedule prices have a positive undertone to them, despite the NZ\$ being near record highs since it was floated in 1985. The strong farmer operating prices reflect excellent overseas prices and limited lamb numbers this season. This week, 16kg cwt lamb increased 5c/kg to \$6.55/kg on average (gross incl wool/short belly, prems etc), with up to \$6.70/kg being achieved.

**Winter feed crops going well**

Winter feed crops are growing well and are ready for grazing which has seen an increase in lamb buyers in the market. This is keeping the store market hot, especially seeing paddock sales are few and far between and there are limited numbers showing up at the saleyards. With frosts knocking on the door, farmers will start to offload lambs as we head into winter. This will cause the lamb supply to increase in the store market, but there will by no means be an abundance of stock as the numbers are just not out there. Lamb prices in Canterbury have a large range of \$3.10-3.30/kgLW. Farmers are tending to focus on a per head basis rather than a per kg basis which has resulted in large fluctuations in the per kg price between different weight ranges. In Otago and Southland \$3.20-3.30/kgLW tends to be the money. Throughput at Temuka was down to 1300 head but with demand strong, prices managed to maintain high levels. Mixed sex lambs 28-29kg were \$3.65/kgLW. 32-34kg mixed sex lambs was relatively steady on \$3.39/kgLW. In general, lambs 24-27kg lambs were \$95/head and 28-34kg were \$105-110/head. Cant. Park only had 800 store lambs yarded which were met with solid demand from the cropping guys. Heavier lambs were in demand with 30-34kg types fetching around \$3.50/kgLW. 28-29kg mixed sex lambs eased slightly to \$3.25/kgLW. Mixed age breeding ewes run with the ram were between \$102-136/head.

**UK struggling for lamb supply**

According to the latest Sheep Market Outlook from EBLEX (organisation for beef and lamb levy payers in England), the shortage of lamb globally is expected to impact UK trade during 2011 and 2012. The drop in NZ lamb exports to the UK this year is taking its toll, causing UK domestic prices to reach record levels as competition heats up. From Jan to Feb, NZ supplied just 75% of its imports when the same period in 2010 and 2009 it was 80%. Australia has jumped in to pick up some slack by exporting 60% more lamb during that period, accounting for 15% of total UK lamb imports.

**Venison prices firm**

Venison prices have continued to strengthen over the past few weeks. They were \$7.80/kg this week for an AP 60kg stag and are likely to hit \$7.90/kg next week. When compared to the same time last year, prices are 12% higher. At this time of year, prices are usually around \$6.24/kg for an AP 60kg Stag, according to the 5yr average.

**NZ\$ too much for wool**

Wool prices weakened again at the combined sale in North and South Islands with the currency a major factor at play. Competition from buyers has been much quieter over recent weeks and a massive 38% of the 18,000 bales on offer were past in. It seems that processors and consumers are now starting to seriously balk at the current high price levels.

**Slaughter Sheep Prices**

\$/kg	Chge	Next		Range	Mont	Last
		Week	Week			
Lamb M 13.5kg	+10c	6.65	6.55	6.50 - 6.70	6.50	3.93
Lamb M 16 kg	+10c	6.65	6.55	6.50 - 6.70	6.50	4.45
Lamb X 19 kg	+10c	6.65	6.55	6.50 - 6.70	6.50	4.44
Mutton MX 20 kg	n/c	4.10	4.10	3.80 - 4.20	4.20	2.35

**Store Sheep Prices**

Lambs - \$/kg Sheep - \$/hd	Chge	Next		Range	Mont	Last
		Week	Week			
Male Lamb 32kg	n/c	3.20	3.20	3.10 - 3.30	3.15	2.10
28kg	n/c	3.25	3.25	3.15 - 3.30	3.20	2.15
Ewe Lamb 30kg	n/c	3.20	3.20	3.10 - 3.50	3.15	2.05
2th Ewe \$/hd	n/c	150	150	120 - 170	150	150
MA Ewe \$/hd	n/c	120	120	100 - 150	120	80
5yr Ewe \$/hd	n/c	110	110	80 - 120	110	85

N.B: Slaughter values are gross operating prices available in the SI 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	2Wks	Last	5yr	2Wks	Last	5yr
	Week	Ago	Year	Ave	Ago	Year	Ave
Lamb NI	191	232	282	249	-18%	-33%	-24%
Lamb SI	308	458	363	443	-33%	-15%	-31%
<b>Lamb NZ</b>	<b>498</b>	<b>689</b>	<b>646</b>	<b>692</b>	<b>-28%</b>	<b>-23%</b>	<b>-28%</b>
Mutton NI	13	16	26	40	-16%	-48%	-67%
Mutton SI	17	35	40	46	-52%	-59%	-64%

**Lamb Export Demand & Procurement Indicators**

Export Market Indicator Price	Chge	This Wk compared to:					
		This Week	Last Week	Last Year			
US F/Rack \$/lb	n/c	11.70	11.70	6.20	+1%	+89%	n/a
UK Leg p/lb	n/c	2.54	2.54	1.76	+1%	+44%	+83%
NZ\$/kg	+8	11.64	11.56	8.21	-1%	+42%	+51%

Procurement Indicator	Lamb schedule as % of UK Leg price						
% Returned	+0%	56.3%	56.2%	54.2%	+1%	+2%	+7%

**Venison Price**

\$/kg	Chge	Next		Range	Mont	Last
		Week	Week			
AP Stag 60kg	+10c	7.90	7.80	7.70 - 7.80	7.60	6.95

**Wool Market Indicators**

		Chge	This Week	Prev. Week	Last Year	
Sale Centre			NAP/CHCH	NAP/CHCH	NAP/CHCH	
Date			28-Apr	14-Apr	Apr	
Coarse Xbred Indicator		-29	608	637	315	
Fine Xbred Indicator		-32	641	673	378	
Lambs Indicator		-	-	-	405	
Bales on Offer (% sold)			18,600 (62%)	9,271 (69%)	17,359 (82%)	
NZ:US Exchange rate		2.1%	0.806	0.789	0.712	
Type	Descrp.	Yld	Clean	Greasy	Clean	Greasy
37F2D	Ewe Flce	4-6" 77%	-26	639 472	665 489	330 229
39F2D	Ewe Flce	4-6" 77%	-26	639 472	665 489	329 228
37F2K	2nd Shr	3-4" 78%	-35	620 464	655 488	326 229
35F2D	Hgt Flce	4-6" 77%	-30	635 469	665 489	352 246
30L1Q	Lambs	1-3" 81%	-30	625 486	655 505	409 306