



## EXPERT COMMENT



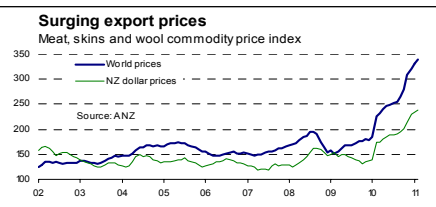
### KEY POINTS AT A GLANCE

- **Growth in demand from developing countries has forced prices higher**
- **Climate related events have contributed to price hikes**
- **Debt the real squeeze on spending**

## High commodity prices and high financing costs – how permanent are they?

- Comment by leading economist; Gareth Kiernan (Infometrics)

Infometrics has been upbeat about the prospects for food commodity prices over the last four years. Back in 2007, we looked at rising international prices for dairy products and could see good reasons for those increases to be sustained, and to be replicated in higher meat prices as well. Those fundamental positive drivers are still largely in place today.



The most obvious driver of rising food prices has been the demand growth for our products from Asia, particularly China. Table 1 shows that the proportion of our exports going to China has doubled since the end of 2008, and the country is now our second largest export market.

Export statistics	Year to Dec 2008		Year to Feb 2011		
	\$m	% of total	\$m	% of total	
Beef	China	1.8	0.1%	8.2	0.4%
	ASEAN	169.3	9.0%	254.4	12.7%
Sheep meat	China	90.4	3.3%	132.0	4.9%
	ASEAN	43.8	1.6%	85.4	3.2%
Wool	China	183.5	31.6%	288.9	44.9%
	ASEAN	12.6	2.2%	10.2	1.6%
Dairy products	China	520.9	5.7%	2060.1	19.4%
	ASEAN	2197.1	23.9%	2142.2	20.2%
Forest products	China	347.0	15.9%	1042.9	34.4%
	ASEAN	178.3	8.2%	232.9	7.7%
Total exports	China	2516.2	6.1%	5188.7	12.2%
	ASEAN	4547.4	11.0%	4191.4	9.9%

% of total indicates the percentage of NZ's total beef exports going to China, for example  
Source: Statistics NZ

Dairy and forest products have been two of the highest-profile areas of export growth – with good reason, as Table 1 shows. And although Table 1 reveals that the Asian markets for beef and sheep meat are still relatively small, they have enjoyed their own share of growth as well. Furthermore, the recent renaissance in wool prices can also be traced back, at least in part, to Chinese demand. Even for those commodities where Chinese demand can hardly be considered as the primary driver of the improved fortunes, the importance of the trend in global growth towards developing economies should not be underestimated. Changing patterns of food consumption in these countries, away from traditional carbohydrate-intensive food towards protein-based food, has contributed to increased global prices for virtually all food commodities. As prices rise for lamb, for example, some consumers around the world will substitute to other meat such as beef, thereby pushing up beef prices as well. Increasing demand for food has only been part of the story. While

### Editorial

We are thrilled to be able to launch this brand new and independent report which is dedicated to whole farm management. It is the brainchild of the company directors and is the culmination of many hours of hard graft. There is no doubt you will see the benefits if you use these reports to assist and support you in the tactical management of your farming business.

So what is 'Navigator' all about and what does it involve? Essentially the report is made up of three sections. Firstly we have our 'Expert Comment'. Leading authorities have been sourced both nationally and internationally to provide their views and specialist advice on a whole raft of topics. It is expected they will highlight some key elements that could affect the functioning of your farming business or introduce new concepts to improve efficiencies and profit.

Next we have a network of farm consultants from around NZ. Each month our consultants will give an update on the feed and stock situation in their region as well as letting us know of any impending issues that we should be considering and what we should be doing about them. One consultant will then delve a little deeper into a particular farm management practice in order to give you a few new insights to increase overall performance and effectiveness.

Lastly we will have the 'Market Analysis' portion of the report. In this section we will complete some gross margins or farm budgets to indicate various options which could improve your bottom dollar.

We kick off the first edition with some inspiration from expert of the month Gareth Kiernan (Managing Director of Infometrics) and AgFirst Northland consultant Bob Thomson. We hope you will find this information valuable and thought provoking. Any feedback is always appreciated.

Tracey Faram



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### MEET THE EXPERT

Infometrics Ltd offers a range of economic consulting and forecasting services on a commercial basis (Directors; Gareth Morgan, Adolf Stroombergen, Andrew Gawith, Andrew Whiteford). Our expert, Gareth Kiernan is the Managing Director of Infometrics and is chiefly responsible for the forecasting side of the business.



global demand for food has been rising strongly, the international supply of food has not been able to keep up. Biofuel targets and regulations internationally have diverted land and crops away from feeding people to effectively feeding cars. The availability of water around the world has become an increasingly critical issue for the agricultural sector, with sustained pressure on the water supply in Australia, China, parts of the US, and others. And reductions in government subsidies to farmers across large parts of Europe have resulted in a substantial reduction in sheep numbers across the continent, positively affecting lamb and wool prices.



Admittedly, international commodity prices in 2008 became overblown, pushed up by very high costs for inputs such as fuel and fertiliser. This time around, we're convinced that more of the price surge is sustainable.

However, there are reasons to think that some of the recent lift in prices is a bit excessive. A quick glance around the world shows that drought in Russia, floods and cyclones in Australia, and poor growing conditions in parts of Africa and South America have contributed to the seemingly relentless lift in food commodity prices.



Assuming that these climate-related events are temporary and that the weather returns to "normal" ahead of the next growing season, it seems inevitable that some of the recent surge in commodity prices will be reversed.

So in making investing and spending decisions, farmers need to bear in mind that although much of the lift in commodity prices over the last 18 months appears to be long-lasting, some of the spike is probably temporary.

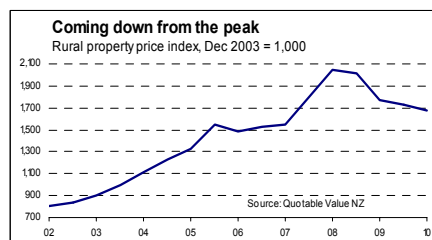
## Debt may be the real squeeze on spending

There is little evidence of the resurgence in commodity prices having much flow-on effect through into the rest of the economy yet. But is confidence the constraining factor on spending, or are there other factors at play? We know that the availability of credit across the economy has been significantly reduced following the global financial crisis in 2008. Banks are much more cautious about loan-to-value ratios (LVRs) of more than 80% on residential property. Activity in the construction sector has been pummelled by the disappearance of the finance companies. Interest rates faced by businesses have failed to drop anywhere near as much as wholesale rates or even residential mortgage rates. And with farm values having fallen around 20% since their peak in 2008, many farmers are faced with high financing costs and explicit pressure from banks to reduce debt and get their LVRs down.

How long will this financing squeeze last? In the case of residential mortgage lending, it was up to a year after the financial crisis before conditions started easing. In terms of the construction sector, there is no relief in sight and it seems that firms will need to innovate and develop new channels of funding to facilitate property development. Lending to farms and other businesses lies somewhere between these two extremes.

The pressure to reduce debt is likely to ease as banks become more confident that farm prices have stopped falling. And if prices start to rebound again, the lift will automatically result in lower LVRs. The latest reliable data on farm prices we have is only up to mid-2010, when Quotable Value showed that prices were still down 5.6% from a year earlier.

More recent median sales price data from the Real Estate Institute suggests that farm prices may have bottomed out in the second half of last year and could even be starting to improve again.



Furthermore, financial reporting from the trading banks over the last few months suggests that the worst of the pressure on their balance sheets is over. Banks are making less provision for non-performing loans, and as the amount of bad debts being dealt with by the banks reduces, we would expect to see an increased willingness to lend again. Assuming the banks' financial positions are secure, their primary responsibility to shareholders is to generate returns on their capital – a goal that will only be achieved by lending out the funds they have available.

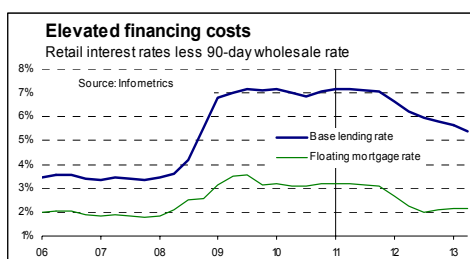
But what about the interest rates faced by farmers and other businesses? The expanded margins being charged by banks have been a source of frustration in the agricultural sector over the last couple of years. Part of this expanded gap has been driven by the banks' need to make increased allowances for bad debts as mentioned above – there had been very little allowance made in previous years as the economy's strong performance rolled on and on. With less provision for bad debts needing to be made going forward, it suggests that part of the reasoning behind the higher lending rates is temporary.

The permanency of two other drivers of the expanded margin is less clear. Firstly, the fact that wholesale interest rates are at such low levels means that they are probably not providing a true indication of the funding costs faced by banks. The Reserve Bank has placed pressure on the trading banks to have a more balanced mix of funding than might have been the case in the past. Banks have been forced to source more of their funding outside the international wholesale market and make greater use of more expensive funding sources such as domestic retail deposits.

Term deposit rates, for example, have also been much higher than wholesale interest rates over the last couple of years as banks have tried to attract funds in a very low interest rate environment. It is likely in 2012 that, as the official cash rate rises from its extremely low level, retail deposit rates will not rise as rapidly, and the discrepancy in costs between funding from the wholesale and retail money markets will be reduced. We would expect that reduction to flow through into some shrinkage in the margins being charged by banks on their lending to farmers – although we note that the final interest rate faced by farmers at this time is likely to be increasing.

The other factor contributing to the increased margin is prudential regulations introduced by the Reserve Bank in 2008. New capital adequacy requirements put a much lower risk weighting on residential mortgage lending than on most other lending types. Banks have effectively been forced to be tight-fisted to ensure that demand for funds from businesses, including farmers, does not push the banks' capital adequacy ratios outside the regulated requirements. This final driver of increased lending margins is unlikely to disappear as long as the current regulations remain in place.

Given that the introduction of the regulatory changes coincided with the global financial crisis, there is still massive uncertainty about how retail interest rates will evolve as the economy and financial markets eventually return to "normal" – even within the banking sector itself. The forecasts in the graph on our left shows the gap closing, but it's not hard to find others suggesting that the gap could permanently remain at around current levels.



## Farm Strategy Briefs

Pasture quality going into winter will need to be monitored carefully. With high pasture covers in many areas, how much of your farm is currently in a “growing state”? While there may be increased roughage around the hills at present, it could mean that 15-20% of your farm is not actually growing (and won't until this is cleaned up). This needs to be factored into the winter feed budget.

**Darren McNae (AgFirst)**

Some areas in late March experienced grass staggers, which affects young stock growth rates and is likely to have decreased ewe conception. Staggers is caused by endophyte in the ryegrass (mainly found in leaf sheaths, stems and seed head of ryegrass plants, the endophyte is concentrated in the bottom 2cm - 4cm of the sward). If no safe pastures are available then keep stock moving as animals will avoid ingesting contaminated mixed pasture given the ability to choose. Safe grasses include cocksfoot, tall fescue, phalaris and native pastures, lucerne and forage crops.

With lambs achieving \$20 to \$30/hd more than last year, farmers should seriously be considering hogget mating. Make sure they are around 60% of mature ewe weight by 1<sup>st</sup> of May when you are selecting them to be mated. Vaccinate with Toxovax at least 1 month prior to mating. Also vaccinate with 5:1 and consider selenium and iodine supplementation pre mating.

**Andrew Trolove (AgAdvice)**

Increased returns are likely to see banks start to put some pressure on loans that have been interest only payments for an extended period, with the need to make some principal reductions being seen as a reasonable priority.

**Ross Bishop (The Gumboot Guru Ltd)**



Finishing operations will need to be aware of having sources of replacement stock in hand. At some stage the procurement war will end – but will it end before you need to stock up for next spring? Buying as you sell will be a prudent approach.

**Peter Keeling (Stantiall & Keeling Ltd)**

Nitrogen applications over the late autumn early winter will be a good strategy to help lift pasture covers now that the rains have finally arrived. This needs to be booked in as many farmers had to wait 4 to 8 weeks to get nitrogen applied last winter.

**Neil McLaren**

Despite much improved sheep meat and wool prices, the pressure to change land use to dairy in Southland remains. Conversion is likely to continue although at a more subdued pace as dictated by banks. This poses an on going threat to the sheep processing industry.

**Graham Butcher (Rural Solutions Ltd)**



## KEY POINTS AT A GLANCE

• **Solid heifer and cow condition is obligatory for positive repro. results**

• **Bull capability test and BVD vaccination a must to be successful**

• **Scan early and be proactive with the results**

## Beef Cows do Matter – but ‘profit or perish’ could be the catch-cry as popularity drops

- by AgFirst rural consultant; Bob Thomson

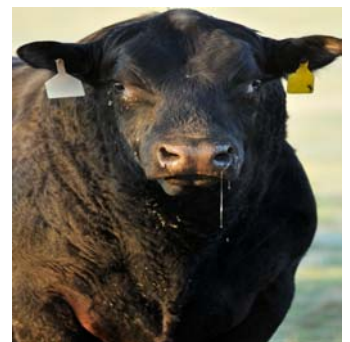
Recently I have been writing a few articles about increasing beef cow production and profit. These articles have been precipitated with my facilitation of three focus farms spread across three regions in NZ. There are some 30,000 cows with performance being benchmarked and a total of 2,600 cows on the actual focus farms in the program called ‘Beef Cows 4 Profit’. One of the spin-offs from delving into beef breeding has been the myriad of promptings and rediscovery of things that make a difference. So in this article some jottings, memory joggers and observations are included for your ‘rumination’.

*Good cow/heifer weights and condition are required for good reproduction rates:*

Probably first and foremost the girls have got to be in the mood for mating and unlike their human counterparts they need ample weight, condition and tucker if they're to be ‘up to it’. There is good information on this (and most other beef related topics relevant to this article) on the Beef + Lamb website or you could contact your regional B+L representative.

*Bulls need a health and mating capability sort out for successful reproduction:*

Followed closely behind the girls’ requirement to be fit and healthy are the boys. The human counterpart of the bull – namely man has a requirement for some sort of help around mating time if the TV ads are anything to go by – and bulls are just the same. The herd monitoring programme should include the often forgotten ‘bull capability test’ however, unlike us blokes, there is no wonder drug assistance for bulls and our observations thus far indicate that a significant number of bulls are simply not able to ‘do the job’. Coupled with the ‘not able to do the job’ is the fact that they have not had their vaccinations for those nasty venereal type diseases that can cause abortion in pregnant heifers and cows. BVD is the number one culprit and an annual BVD booster is required for all breeding bulls.



*How does the calving percentage melt down from PD in-calf cows and heifers?*

Have you ever wondered where the ‘lost’ calves go? If we have look at our national calving percentage we can see we've been struggling for 20+ years without making any headway. On average 10-12 calves out of

## MEET THE CONSULTANT

Bob Thomson has over 30 years experience in agricultural extension and consultancy. He was the cofounder of the NZ Beef Improvement group, initiated Sheep & Beef farm monitoring in Northland (1988) and was the co-coordinator for Northland Beef Council for 9yrs. In 2010 he won the Grassland Regional award for his contribution as a rural advisor.



every 100 pregnancy tested in-calf cows and heifers vanish – many are not seen and most of us don't know where they go so some monitoring and checking can help:

- Scanning should take place early and when heifers and cow and heifers are mated for 2 and 3 cycles most vets will recommend around 6-weeks after bulls out. By scanning at this time the foetus can be aged to the cycle pregnant and therefore your calving pattern determined – much easier than counting calves at calving. This is your first indication of reproduction success or failure and your first chance to be proactive.
- If calving percentages are less than 90% then breeding females should be second scanned a couple of months after first scan to see if calves are lost in the early stages of pregnancy. If this is the case, as we've found with heifers in particular, then your Vet will advise on next steps. One of the likely culprits will be BVD.



- Each cow death over winter sacrifices a calf as well so these must be kept in check – even a paltry 2% cow deaths over winter is too many.
- Cow and calf deaths at calving is another hassle. Some paddocks are safer than others and work done by David Mossman on Cricklewood Station way back in the 1970's showed how important it is to know marking percentage for each paddock so safe paddocks are used for calving. Better still the cows should come down off the hills for calving and be break fed and then returned to the hills when the calf is securely linked to mum and is robust enough to tackle a rougher environment.



There are no silver bullets when it comes to good calving percentages and good performance but attention to detail is what makes the difference between great performance, good performance and ordinary performance.

Breeding cows are much maligned when it comes to profit making. Certainly we don't help the breeding cow cause when we have lousy performance – the catch-cry for breeding cows may well be 'performance or perish'. But many of us forget that on most sheep and beef properties breeding cows also perform an essential pasture grooming support role to other more profitable enterprises - high performance sheep would be a good example of a primary benefactor!

Parameter	High Perf. Ewes	Bulls 18-30 Month	Prime Finishing	Breeding Cows
Gross Margin Rank	1st	2nd	3rd	4th
Cents per kgDM	12.5	11.5	9	8

## Thinking Ahead *On farm issues and advice*

A key issue leading into mating is the feed quality on hand. In many cases there has been insufficient stock on hand to utilise all available feed. As a result, when growth slows, ewes are forced onto poorer older growth in the sward base potentially impacting ovulation rate. To counter this, better areas are targeted for a slow round up until 10 days prior to mating at which time the shift rate can be sped up. Feed quality is higher in the resulting regrowth and the feed saved on the slow round can be fed achieving a rising plane of nutrition at mating. Tied up in this equation is the decision to market the later lambs. With store prices high, there are options to move tail end lambs to the advantage of breeding ewes.

**Simon Glennie (AbacusBio Ltd)**

Those 10% of farmers who bother doing budgets and updating their cash flows are finding that their financial forecasts are looking a lot better than they did last September. Those whose lambing didn't get caned last spring and who haven't got an overdraft monkey on their back restricting good decision making are/will have an absolute roiler. Optimism and confidence is slowly creeping back into the industry which is great as it needs a serious shot of feel good in the arm. Already more fertiliser is going on and stock numbers are slowly rebuilding. Budgeting for next year is a bit of a challenge. My approach with clients has been to start with stock or schedule prices for next Nov -Dec at around 80% of current values and apply normal or historical seasonal trends from there. As long as buy/sell relativities are right you'll end up with a reasonable income forecast. Expenses will be higher – probably at least 10 -15% overall (Fertiliser, Shearing and Vehicle will probably be the high flyers and the staff may be expecting a pay rise) But this increase in costs should not even come close to matching income increases. Forecasts for next year put Farm Expenses at around 60-65% of GFI. Tax may be an issue for some.

The improvement in product prices is starting to influence land values which could right now be described as sticky up rather than sticky down. We may see a stagnant land market moving again. This will be a good thing as it will allow those who have become disenchanted with farming to exit and productivity to increase on these farms. If product prices hold at levels about 80% of current then we could start to see the 7-8% returns on capital from Sheep & Beef farming we saw 10-15 years ago. Those thinking of growing their business by expansion should be doing serious due diligence at the moment. Land is probably at its cheapest right now.

**Peter Fraser (AgriVision)**

Porina caterpillars caused a huge amount of damage on farms either side of the Tararua and Ruahine Ranges last year. Those with previous experience monitored and sprayed but some farms were decimated and had to de-stock in spring. A number of workshops have been planned by Beef + Lamb NZ to raise awareness and outline the costs and benefits of spraying or doing nothing. The percentage of pasture lost over the feeding period is equal 40% of the burrowed population (eg. 50 caterpillars/m<sup>2</sup> X 40% = 20% of pasture lost over the feeding period). If the daily feed allocation is 15 kgDM/ha/day, then 20% = 3 kgDM/ha/day. This equates to a big reduction in stock that can be carried through late winter and spring. Persistent and careful monitoring and spraying early if required is important to head off this potential threat.

Cash is king - In times of so much uncertainty, extremes in climate and high debt levels, achieving a cash surplus for the business is a high priority. Using the surplus to reduce overdraft and term debt is the next priority in most cases. Farm business need to significantly reduce debt so they can start moving forward and spend on productive inputs such as fertiliser again.

Fertiliser - Spending money on "alternative" fertiliser mixes is far from prudent management. The spending of tens of thousands of dollars on this stuff by some farmers is sickening. The fertiliser requirements of pastures were well-researched by scientists before the commercialisation of science occurred, so the data is unbiased and was replicated many times. Unfortunately the art of soil sampling and interpreting pastures appears all but lost, so many soil test results indicate "all is well" when careful observation clearly shows this is not the case. If soil test results go unchallenged this provides fertile ground for the marketers of the alternatives to move in. If the budget does allow for fertiliser, make sure all your decisions are sound, and if necessary, use independent consultants.

**John Stantiall (Stantiall & Keeling Ltd)**

Differential feeding of lighter ewes will yield good results at mating. Lucerne grazing for 2 weeks pre mating and 4 weeks during mating can potentially boost numbers of lambs scanned by 20+%. Grass feeding at higher covers (3-4cm) will also improve conception rates but not to the same extent.

Finishing farmers looking for stock for winter are facing possible shortages and may need to be quite aggressive to get the numbers planned. Good relationships with end processors and agents will help, but ultimately dollars talk – so good accurate assessments of margins and cost structures will give confidence as to how much can be paid.

**Geoff Dunham (Agribusiness Group)**

Farmers in high FE risk areas should continue with their treatment (zinc bullets and pasture spraying) and management precautions (leave higher residuals, use 'safer' paddocks). Those in the worst areas should be using facial eczema tolerant rams to go over their breeding ewes as this is by far the best long term strategy.

**Rob Hayes (AgFirst)**

## COMING UP

### DUCK SHOOTING

2011 duck shooting season will officially start on the 7<sup>th</sup> May so it would pay to get your eye in.



### BEEF EXPO

The national beef expo is to be held in Feilding from the 14<sup>th</sup> to the 17<sup>th</sup> of May with the Angus national sale scheduled for Tuesday the 17<sup>th</sup> May.

### MOTHER'S DAY

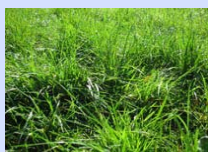
Don't forget – first Sunday in May!

### PARASITES

Have you carried out a faecal egg count reduction test recently?

### NITROGEN

Have you considered autumn nitrogen application? This remains the most cost effective 'supplementary feed' option (Bob Thomson) and will ensure a good boost in growth for those who have been unable to build pasture covers to date.



### WINTER FEEDING

Do you have a plan in place? Consider target liveweights over the course of the months ahead. How are you going to achieve this? What are your pasture cover objectives for each month?

### SCANNING

Have you considered your options? Do you need to book?



## Bulls a good buy despite high prices

Weaner and 18 mth bulls are great buying at the moment. Weaner bulls have been trading at 52% of schedule which make them around 24c/kg LWT cheaper than what historical relativities would suggest. It's similar for the 18 mth bulls. These are hard to shift right now at \$2.15/kg for 400kg bulls. This is around 18c/kg LWT cheaper than what they historically should be.

Right now there seem to be a lot of 18 mth bulls on the market, but with slaughter numbers expected to be down around 20% on the volumes achieved 3 seasons ago, their availability is expected to dry up over the next few months.

Generally there is a lot of caution in the market, with farmers being healthfully pessimistic about price expectations going forward. Buyers are opting to take smaller lines on a weekly basis rather than fill their orders all at once to hedge risk. However, if the schedule continues to firm in line with usual seasonal trends there is the potential for store prices to correct sharply upwards. Don't get caught.

Word is that 100kg Friesian weaners will need to be \$400 to \$450 per head this spring to get the calf rearer's excited enough to do the job. Based on what happened this season, they may be difficult to source next Oct/Nov without a contract. Even at these prices, our weaner to 18 mth bull policy is forecast to give a \$758/hd trading margin.

Who knows what 18 mth bulls are going to be worth next Mar/Apr but if they were at \$2.40/kg for a 430kg bull our 18 to 30 mth bull policy would still give a \$500 margin. These margins are well above historical averages for both policies.

Both policies show a potential for a strong lift in value per head on the store market from July onwards. This is especially true for the weaner to 18 mth bull policy. There are good opportunities for short term trading late winter onwards for those who are less risk averse and for those who can back fast liveweight gains in their bulls in the spring.

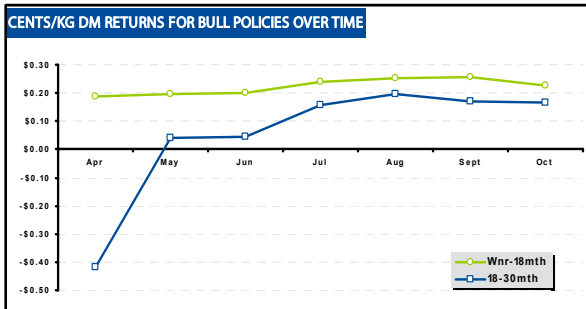
### Store and Slaughter margins

	This Week	May	Jun	Jul	Aug	Sep	Oct	Policy End Date
Wnr - 18mth	Forecast Store price (\$/kg)	\$2.40	\$2.40	\$2.40	\$2.55	\$2.60	\$2.60	n/a
	Forecast Store Margin (\$/hd)	\$151	\$192	\$235	\$325	\$397	\$458	n/a
	Forecast Works price (\$/kg)	\$4.60	\$4.80	\$4.95	\$5.05	\$5.15	\$5.20	\$4.95
	Forecast Works Margin (\$/hd)	n/a	n/a	n/a	n/a	n/a	n/a	\$848
18 - 30mth	Forecast Store price (\$/kg)	\$2.15	\$2.25	\$2.25	\$2.45	\$2.60	\$2.60	\$2.50
	Forecast Store Margin (\$/hd)	-\$43	\$10	\$20	\$104	\$167	\$181	\$227
	Forecast Works price (\$/kg)	\$4.60	\$4.80	\$4.95	\$5.05	\$5.15	\$5.20	\$4.95
	Forecast Works Margin (\$/hd)	n/a	n/a	\$48	\$69	\$91	\$115	\$192

Forecast store prices are based on the current and expected trend in prices. The premise of these forecasts comes from historical regression analysis and historical analysis of percentage of schedule figures. Information used in analyses is sourced from the iFarm database. Forecast works prices are based on our Market Outlook predictions – see Market Outlook report

Policy end date margins have assumed NZ dollar at US\$0.76 with 95CL bull price reaching US\$2.17/lb

Prices and forecasts shown here are based on current and historical information and are expected to be used as a guide only. While every endeavor has been made to ensure the accuracy of these forecasts, iFarm accepts no liability for any losses incurred as a result of



Store value margins will generally outpace works price margins at this early stage but keep abreast of prices from October onwards. The impact of a declining schedule on cattle per head values is reduced if cattle are growing faster.

Farmers are right to be pessimistic about how long the current price levels will hold. However, the facts are that 95CL prices in the States are at record levels and very tight global supplies mean that major falls are unlikely in the coming year. You have to admit that a \$4.50/kg schedule right now with the dollar nudging 80c US is pretty damn special.

A lot of risk can be taken out of both bull policies simply by hitting feed and liveweight gain targets. Focus on achieving solid pre winter pasture covers so stock are well placed to make additional gains coming into spring.

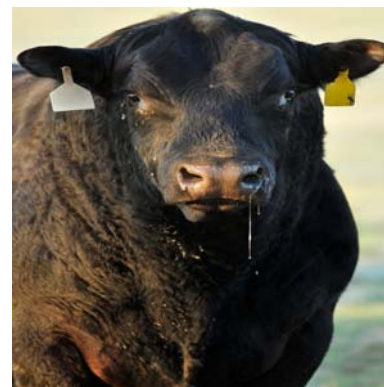
NB: Comments made on the 16 April 2011. Price predictions made at the beginning of April and based on Nth Is prices.

Assumptions for Cattle Margin Policies					
Policy	Purchase price/hd	Wt @ Purchase	Purchase Date	Wt @ Sale	Sell Date
Wnr-18mth	\$360	100kg	Oct-10	530kg	Apr-12
18-30mth	\$925	430kg	Apr-11	630kg	Dec-11

Growth Rate Assumptions (kg/hd/day)													
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Wnr-18mth	0.6	0.6	0.7	0.8	0.8	0.9	1.2	1.3	1	0.9	0.8	0.75	0.6
18-30mth	0.2	0.2	0	0	0	1.1	2	2.2	1.8				

*Any lucrative opportunities to sell before specified date (either store or slaughter) will be discussed in text*



## REGIONAL ROUND-UP

### NORTHLAND

#### FEED SITUATION

Feed covers have generally been static on sheep and beef farms this month so most have maintained quite good levels (around 1800-2100kgDM/ha). The recent sudden drop in ambient temperatures will help to reduce the possibility of a late season FE challenge but be vigilant. Also be aware of Black Field Crickets and Black Beetles which have been taking their toll on pastures in some locations.

#### STOCK CONDITION

Stock are in good condition with ewes reported to be at good weights at tupping and expected to continue to flush during mating.

Cattle are also in good shape with a significant number of farms not yet fully restocked after the drought of 2009/10. However stock weight has been behind normal so it has been taking longer to get to target.

**Bob Thomson (AgFirst)**

### BAY OF PLENTY

#### FEED SITUATION

The recent cooler nights do reinforce that autumn is here and this needs to be taken into account now. It is easy to become complacent in times such as this and find that pasture growth can slow rapidly and pre winter pasture cover targets are compromised. Have you set a 1<sup>st</sup> May pasture cover target and how will you ensure it is met? Pasture covers throughout the region remain as good as they have been for a number of years, many farms in excess of 2,000kgDM/ha – the impact of actually getting an autumn!

#### STOCK CONDITION

Stock condition throughout the region remains excellent. Most breeding stock are enjoying a late summer / autumn where feed quantity is not limited for a change. Ewes are putting back on the weight they progressively lost over the last few seasons but ensure the tail is being looked after (lifting the tail is the best way to lift the average!). With mating time on us it is crucial that the ewe flock becomes the number one priority now.

Cattle growth rates have been “average” over the last month with many cattle being fed a non limiting quantity diet and still only doing 0.5kg / day. This is the impact of reduced quality and increased drymatter. With weaning coming up remember to get a weight on the calves. This sets the scene for the production in the next two years. The focus must remain on feeding everything to capacity at present and if this means selling some finishing stock to relieve the pressure then so be it – the money will likely be above your budget figure anyway.

**Darren McNae (AgFirst)**

### WAIKATO/KING COUNTRY

#### FEED SITUATION

From the dry conditions in January the feed situation has generally improved through the late summer and autumn as “just in time” rain has arrived. Pasture covers are still variable through the district – ranging from 1,500kgDM/ha to 2,000+kgDM depending on the rate of stock sales that occurred earlier in the season.

Feed levels in the places that got very dry are still of concern – trying to make the most out of remaining sale stock combined with touch and

go rain and poorer pasture composition means some pasture covers are still up to 500kgDM below normal pre winter targets.

Planning the winter feed budget, finalising autumn stock sales, and assessing extra feed inputs (including nitrogen) should be done “yesterday” while there is still an ability to influence the outcome.

Some areas do have good feed levels which is great – planning the winter grazing rotations can then be concentrated on – even working on pasture quality is required in some paddocks!

#### STOCK CONDITION

On the whole stock condition is good considering the very tight feed conditions in December and January. Most breeding cows are nicely rounded and breeding ewes should be at that 60kg to 70kg liveweight range. However with the dry weather in the latter half of ewe lactation there is still a range of body weights amongst the ewe flocks. Those who mate later still have time to draft those lighter ewes off and preferentially feed – scales will work best for this but selection by eye is still worthwhile.

**Peter Keeling (Stantiall & Keeling Ltd)**

### EAST COAST

#### FEED SITUATION

Pasture covers have decreased in the cooler areas to around 1800-1900kgDM/ha. In the warmer areas they have been static at around 2000-2200kgDM/ha.

#### STOCK CONDITION

Cattle feed and condition is very good. Sheep are all generally in good condition. I consider flushing ewes to be a luxury of a good season this is one of those seasons.

**Rob Hayes (AgFirst)**

### HAWKES BAY

#### FEED SITUATION

Good rain towards the end of March has really boosted pasture growth rates. Even the drier areas of Southern HB have had rain and are starting to come right. Looks like we are going to have an autumn this year.

Pasture covers typically around the 1800-1900kgDM/ha mark with most confident about hitting 1 May cover targets. Some nitrogen has been applied on farms in the areas that have been dry to make this more of a certainty

#### STOCK CONDITION

Stock condition is mostly good overall although a few farmers have commented that stock has only just started to do in the last 2-3 weeks.

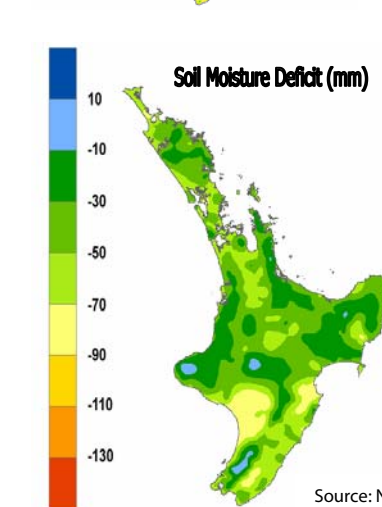
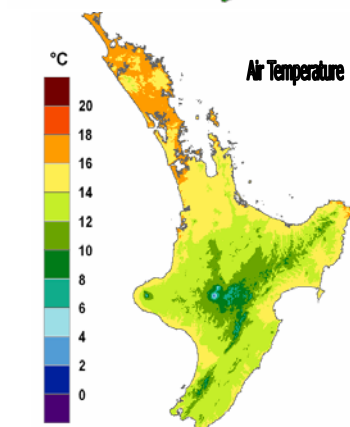
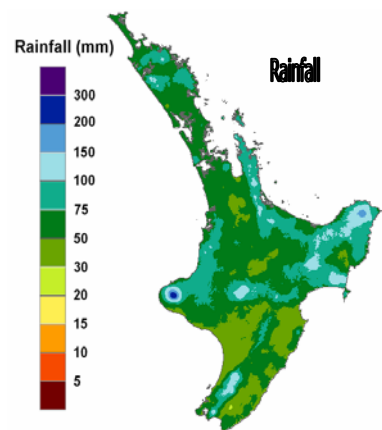
Poorer growth rates in 18mth cattle has seemed a common occurrence. Those that have drenched have seen visible responses. Copper has also been low in cattle especially cows on Hawkes Bay farms this autumn. Touches of Facial Eczema have been seen in some Hawkes Bay flocks around 3 weeks ago. This has hopefully been too late to effect conception rates in the early lambing flocks but could impact on those lambing later in August – early September.

**Peter Fraser (AgriVision)**

### CENTRAL DISTRICTS

#### FEED SITUATION

Rain in most areas in the lower western North Island in early March kept pastures growing, but lack of follow-up has resulted in pasture covers



Source: NIWA

just holding at about 1400-1500kgDM/ha on sheep farms and 1900-2100kgDM/ha on dairy farms.

A rain-shadow area including the top of Pohangina Valley across to the Parapara, up to Ohakune and across to the Western end of the Napier-Taihape Road has missed much of the rain this year. Pasture covers are low in this area despite selling stock early and grazing cattle off.

#### STOCK CONDITION

In most areas, ewe condition score is 3.2+ and breeding cows are 6.0+. In the rain shadow area mentioned above, on many farms ewes are 3.0+ because of the steps taken earlier to de-stock.

Lambs and young cattle are starting to grow faster, but nothing spectacular while weather conditions stay humid.

**John Stantiall (Stantiall & Keeling Ltd)**

## WAIRARAPA/WELLINGTON

### FEED SITUATION

The Summer Dry part of the Wairarapa (South of Masterton) had sufficient rains in late March/early April to get out of the drought mode. Pastures have greened up and are starting to grow but solid feed demand and a low initial base cover (less than 1000kgDM/ha cover) means that it will be a few weeks before average covers lift significantly. Most farmers in this region will struggle to build feed covers up to normal levels to take into the winter unless they restrict stock intakes a bit and/or apply some nitrogen. Cattle feed will be at a premium over the next 3-5mths.

The drought broke north of Mt Bruce (the Summer Wet part of the Wairarapa) with a good rain in mid Jan but has only just had sufficient rains to get some growth so does not have the normal pastures covers you would expect. This country is now growing well and should take near normal covers into the winter. Even with the rains received recently (70 to 100 mm) the soils are still very dry below the first 50 mm.

### STOCK CONDITION

Stock condition is just average. The summer wet country and some coastal country will now be able to maintain stock LWts and even have gaining condition. Stock on the summer dry country are struggling to maintain LWt. Many mobs of ewes would have been losing weight leading up to the rams going out in late March early April and this will negatively impact on the possible scanning potential. Stock in these parts usually struggle to gain weight until the early autumn pasture hardens up.

Finishing cattle are still well behind where they would normally be but with works prices so good can be sold for more than previously expected at these lighter weights.

**Neil McLaren**

## NELSON/MARLBOROUGH

### FEED SITUATION

The *east coast* has average pasture covers of around 1600kgDM/ha. Feed quality is sufficient for mating but lacking any bulk feed for cattle finishing. Most new grass and winter brassica crops have struck but could do with more follow up rains. Having experienced excellent pasture growth until Feb in the *Central regions*, there has since been little rain so many are facing dry conditions. Soil temperatures have dropped rapidly recently and with April historically a dryer month, feed conditions may tighten up into May. The *Nelson area* is mixed but most central and eastern areas are relatively short of feed. Recent rains should boost pasture growth and improve covers before soil temperatures start to diminish during autumn. *Western areas* have good pasture covers and are receiving regular rains.

### STOCK CONDITION

Ewe condition throughout the region is good and in some cases excellent, although dry conditions in eastern and central Marlborough areas may impact on ewe condition during mating.

Lamb growth rates have varied from average to excellent depending on the region. As a rule the drier regions have experienced +300g/d growth while wetter regions +200g/d growth. Most replacement ewe hogget's are up to mating weight and will be mated on farms that haven't mated hogget's within the last two years. Cow condition is good throughout the region, but calf weights are likely to be back 10-20kg. The

condition of 2<sup>nd</sup> calving heifers is lighter than normal in the east coast region.

**Andrew Trolove (AgAdvice)**

## CANTERBURY

### FEED SITUATION

Feed covers are holding at worst on the drier stony soils with just sufficient showers to help grasses tiller. Although covers are increasing very slowly, they are greening up quickly so growth is likely to pick up more rapidly over the next 2-3 weeks. Lower than normal evapotranspiration rates are increasing rainfall effectiveness more than normally expected at this time of year. The lower frequency of nor'west winds is also helping. Better rainfall closer to the hills is allowing pasture covers to increase slowly – current covers remain in the 1000–1200kg DM/ha range.

### STOCK CONDITION

Stock condition remains good for most stock – certainly ahead of same time a year ago which was drought affected. Some beef cows on lighter country require weaning to prevent condition loss and more critically to allow a longer grazing rotation to start. Cows on steeper tussock country are generally in very good condition. Sheep being mated now are moving ahead albeit slowly, with later mated ewes expected to be in even better condition.

**Geoff Dunham (Agribusiness Group)**

## WEST COAST

### FEED SITUATION

Soil temperatures are beginning to drop away now as autumn conditions settle in but pasture growth rates are still above average levels. Pasture covers are reasonably static and supplements are starting to be fed as rotation lengths begin to extend. Typical pasture covers are 2100-2200kgDM/ha. Good growing conditions are helping achieve good responses to applied nitrogen which is helping boost pasture covers through autumn.

### STOCK CONDITION

Stock condition has been reasonably static for the past month, with dairy farmers looking to dry off any cows starting to lose condition. In the main, these would be the younger cows within the herd. Young stock are still being well fed with in-calf replacements able to be managed by grazing behind milking mobs. The majority of stock should head into winter at acceptable LWts and in adequate condition.

**Ross Bishop (The Gumboot Guru Ltd)**

## OTAGO

### FEED SITUATION

Feed covers are still very good, particularly on traditionally summer dry areas. Good summer moisture has meant that winter brassica crops are well advanced and are on track to yield very well. Farmers have also made additional hay and balage although the quality may well be questionable in some cases. April is normally a month where feed supply and demand is roughly balanced for sheep and beef farmers although this season, more finishing lambs have been carried on to heavier weights

### STOCK CONDITION

Given the amount of feed that has grown this season, all stock should be in top order. In most cases this is true however some ewes have been in clean up mode for a long period and a tail end can be seen. Farmers have bemoaned the slow

finishing of their lambs and have also noticed lower dressing % coming through. Aside from these comments, kill sheet weights have been very good at around 1-2kg better than normal. As a result average kill dates are much later than normal

**Simon Glennie (AbacusBio Ltd)**

## SOUTHLAND

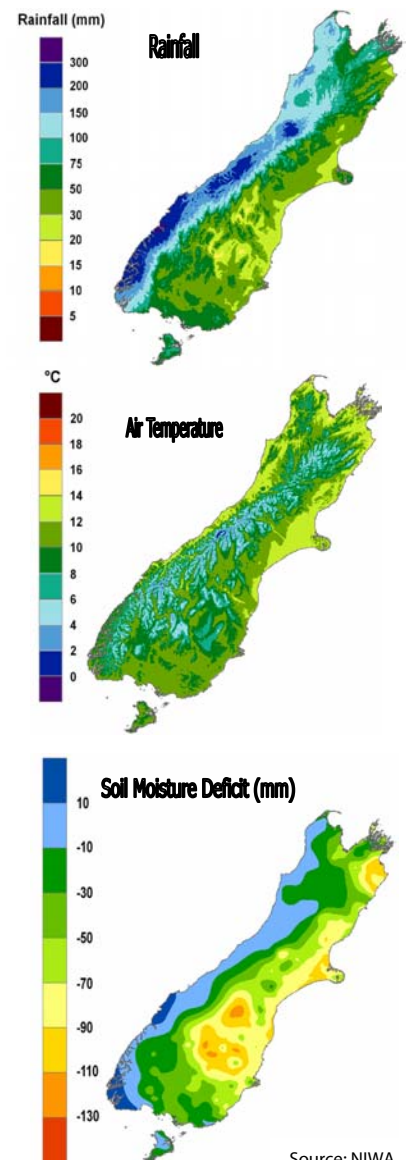
### FEED SITUATION

Autumn has so far been mild and grass growth has been above average, though not by much. The outlook for the coming winters feed is good with brassicas in good shape and silage/balage quantities adequate. Over the summer, lambs have been more difficult to finish, parasite burdens have been blamed over the cool moist summer, but the spring storms reduced lambs to finish so the impact on autumn conditions is minimal.

### STOCK CONDITION

Ewes and 2ths will be going to the ram in good condition and breeding cows are also in very good condition. Those more inland areas that are prone to dry summers have had a superb year. The issue in these areas has been to maintain pasture quality

**Graham Butcher (Rural Solutions Ltd)**



Source: NIWA