

NZ perspective on lamb markets

By TRINITY GOLDING

NEW Zealand Alliance Group chairman Owen Poole was called to the stand at the LambEx conference last Thursday to give producers an insight into New Zealand's challenging sheep meat industry and a quick history of the Alliance Group.

Mr Poole said New Zealand had a somewhat unique supply profile with more than 90 per cent of production exported to world destinations as opposed to Australia which is about 55pc domestic.

"What's the difference, you have a secure market at home, you get paid quickly, you don't have vagaries of market movement and most importantly you have no vagaries of foreign exchange movement," Mr Poole said.

"Sheep meat in New Zealand is extensively farmed as one drop a year and is seasonally produced but sold over a 12 month period.

"So there is a reasonable market risk prevalent."

Mr Poole said producers and exporters had a high cost of production and were vulnerable to in-market price movements and the vagaries of foreign exchange relativities.

"We have got land use change in New Zealand on a reasonably big scale, dairy on the flats and forestry on the hills," he said.

"So trees in the hills are centrally being subsidised.

"We need to extract more value from the market through product form enhancement and ongoing development of new market opportunities," Mr Poole said.

"We need to extract more from co-products, particularly stronger wools."

Mr Poole said meat alone carried farmers' expectations for on-farm profitability.

"Wool is at the point where it is barely worth the cost of harvesting it and if it wasn't for animal fret you probably

wouldn't," he said.

"This is a major concern because 20 years ago wool and meat was a great combination."

Mr Poole said they were processing over capacity, due to this year's favourable growing conditions early in the season.

"On-farm cost structures in New Zealand are out-stripping inflation," he said.

"So while revenues are up, costs are going up at a faster rate.

Mr Poole followed with a quick brief of the Alliance Group which was opened in 1960.

"Alliance Group has always been farmer-owned and for most of its history it has been a co-operative," Mr Poole said.

"From the early beginnings, Alliance Group has grown from a one plant operation in Southland to the largest sheep meat player in the world with a wider geographic spread of assets across New Zealand.

"Alliance Group produced 116,824 tonnes of sheepmeat in 2009 and it is owned by 5500 producers and employs 5600 people during peak production periods."

Mr Poole said the group exported about 16pc of the world's cross border trade in sheep meats.

"In addition to a sheep meat kill of eight million head, our company also processes 200,000 cattle, 150,000 pigs, 100,000 deer and 150,000 bobby calves," he said.

"Growth has been both organic and by acquisition."

Mr Poole said the company's aim was to consolidate more of the production under farmer ownership for advantages.

"In 1997 we developed a strategy to better meet changing consumer requirements and improve farmer returns," he said.

"The process was outlined in a booklet called Securing the Future and it was a start point for our farm-to fork strategy.

"The central progeny test



□ New Zealand Alliance Group chairman Owen Poole

was also conceived.

"The aim was to have various breeds objectively evaluated against pre-determined criteria and make this information available to farmers.

"These tests now take place over three farm research sites and involve five industry research companies."

Mr Poole said the company has also introduced an objective quality grading system to provide accurate feedback to farmers and developed a payment system to farmers based on quality and yield.

"The quality payments are paid at the time of processing," he said.

"The company took advantage of this new quality product and has pushed ahead with its branding strategy and now has the strongest lamb brand presence in Europe and Asia."

Mr Poole said the most successful model is The Lamb Companies Group, which markets sheep meat on behalf of its owners.

"The company is a co-operative and is owned by four Australian exporters, Tatiara, WAMMCO, Southern Meats and Castricum and three New Zealand exporters, Alliance Group, Silver Fern Farms and ANZCO," he said.

"The Lamb Companies group is the single largest importer of sheep meat products in both the US and Canadian markets."

Mr Poole said that the producers of Alliance Group enjoyed a competitive weekly schedule price and an objective quality payment of up to \$5.25 per head.

"They also share a pool surplus distribution from profit at year-end, increase in total share value through issues of bonus shares, shareholders' return on investment of 7.1pc per annum as well as a capital growth of 7.7pc per annum," he said.

"Farmer ownership and a large proportion of our livestock on committed supply are fundamental to our business and provide the platform for the future."