

# merino INC. newsletter

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## From the chairman ...

### Facing the challenges

Recent media coverage of merino issues has tended to focus on the negative, with destructive rather than constructive connotations, and although I would normally not reply to journalistic commentary in the weeklies, I have been sufficiently incensed this year to briefly enter the fray.

The merino sector is apparently entangled in controversy, yet this is the sector which came together in an attempt to progress their enterprise. In spite of internal and external conflicts and criticism, we as a group have not lost sight of our key objective: that is, to drive the merino industry forward. I find the criticisms levelled by the CEO of the Wool Exporters both arrogant and ironic; promoting the old tired systems whose failure to deliver resulted in the growers' decision to form Merino Inc. and its subsequent bodies.

The next challenge comes from animal welfare groups targeting farm management practices. It is interesting to note that pressure is being applied by lobby groups on both sides of this argument: the animal welfare sector is using a variety of coercion tactics in an attempt to force growers to change their management system, while within the merino grower sector, some advocate for immediate change, and others claim that they must maintain the status quo in order to continue

farming merinos. The decisions made by Merino Inc. will not suit everyone, but I believe that gaining time for the industry to adjust is the only responsible solution, and will lead to sound management practices in the long term.

The third challenge is that from competing merino wool and other fibres in the market place. We can not protect merino, but we can protect the attributes of our NZ Merino fibre; attributes which are difficult for our competitors to duplicate. To this end, Merino Inc. has invested in the Argos and Life Cycle Analysis projects, which aim to identify and, where possible, quantify, features of our farming systems for the commercial sector to absorb and market. The qualities we can protect include the New Zealand 'story' and our farming routines; the geographical nature of our properties and our management systems. These are unique, and we must make the most of them in the marketplace.

My final concern relates to Meat & Wool New Zealand's development of a Wool Industry Network.

The objectives of the Network will be to co-ordinate resources in three areas:

- Research and development
- Skills and education
- Market support



While I fully endorse co-ordination of resources for the first two areas, I have reservations in the area of market support. Self-interest of the contributing organisations may well stifle the desired outcomes, and furthermore, the merino sector already has the opportunity to contribute 4% of their wool income to market development—growers could find themselves paying twice for market support. With this in mind, Merino Inc. has requested the opportunity to have input in the development of the Network strategy.

These challenges are not insurmountable, but their resolution requires industry-wide unity and commitment and a willingness to look forward with enthusiasm and optimism.

*Ross Beech*

# merino Inc. newsletter

## Moving away from mulesing

A three step research project that will assist growers to cease mulesing is underway and progressing well. The project is focused on assisting growers to manage this change successfully.

The first stage of the project, which involved a series of on-farm case studies, is now complete. These in-depth studies of twelve properties (six that mules, six that don't mules) focused on animal husbandry and farm management practices. Their findings will be used to help growers identify and understand various options for the management of non-mulesed merinos.

The next stage of the project involves a focus and management validation

group that includes growers, vets, industry representatives and wool processors. The role of the group is to identify and work through the hurdles associated with ceasing mulesing and to act as an advisory and discussion panel for the project. The first meeting of the group took place in early February and generated some valuable input and insights. This group will meet regularly throughout the project.

The third stage of the project will involve providing the wider merino grower community with the information, tools and advice that they will require to successfully cease mulesing and manage non-mulesed merinos. This material will be made available

through workshops, written information and web-based material. Growers will also have the opportunity to discuss any problems they are having with ceasing mulesing through regional discussion groups and workshops.

The *Best Management Practice—Cessation of Mulesing* project is being managed by The New Zealand Merino Company and is jointly funded by Merino Inc, The New Zealand Merino Company, Meat and Wool New Zealand and MAF Sustainable Farming Fund.

If you have any questions regarding the project please contact Mark Stevenson on 03 377 7990 or [mark.stevenson@nzmerino.co.nz](mailto:mark.stevenson@nzmerino.co.nz).

## Crossbred sheep not the answer

A typical high country property converting from merinos to crossbred sheep will suffer a decrease in revenue. That is the key finding of a study into the economics of crossbreds versus merinos carried out by consultant Graeme Ogle on behalf of Merino Inc.

The study found that while the shift to crossbreds would produce more income from livestock sales and reduce animal health and shearing costs, these benefits would be outweighed by a large fall in wool revenue. It all comes down to the efficiency of the two breeds in converting grass to dollars; and crossbreds (10.2 cents gross margin) earn less per kg of dry

matter consumed than merinos (10.6 cents gross margin).

Graeme's study was carried out using a computer model developed on Stockpol 6 which enabled him to analyse the data using several wool and lamb prices. What he found was that even with excellent crossbred performance and reasonably conservative wool price expectations merinos still come out the best.

"We found that only if wool prices remain at their current very low levels will crossbreds do slightly better than merinos. Even then the advantage of \$23K per year only amounts to a 3%

improvement in gross margin. With merino wool on a cyclical low and lamb markets on a cyclical high there seems little long term advantage in changing breeds.

"Merino businesses considering a move to crossbreds need to assess the value of modest improvements in lambing percentage, hogget finishing and improving wool weight. If these are achieved, the value merinos can generate for each kg of dry matter they eat is difficult to beat."

For a full copy of the report go to our website [www.merinoinc.co.nz](http://www.merinoinc.co.nz) or contact Allison Brook on 03 365 0881.

## Board resignation

Our independent director, Geoff Mavromatis, tendered his resignation from the Board, taking effect from January. He has taken on additional work in the Pacific Islands, and these commitments preclude his being able to fulfill his responsibilities as an Inc director.

Geoff has brought a diverse range of skills to the Board, including in-depth knowledge of primary industry infrastructures. His contribution was particularly valuable during the period of establishing Merino Inc's role in the post-

Wool Board environment. We are sorry to see him go, and wish him and Diane well in their new home and work.

Ross Beech

## Wool promotion must be targeted

All quality wool producers need adequate returns to counter the increased costs of production and to re-invest in their enterprises. It is obvious that at present we are not receiving anywhere near the returns from wool required to make our businesses bankable into the future. Thankfully there has been a small indication of a price rise for fine wools during the past few weeks in Australia...perhaps the graph has turned at last?

The sad reality is that everyone in the industry is feeling the pressure: producers, exporters and the trade. While I believe it is necessary and healthy to keep asking questions in our industry, recent media dialogue has been a negative reaction to the industry's plight. I would sooner see us

working positively and constructively to enhance relationships with all the companies and manufacturers that are using our wools.

My concern for the future centres around wool promotion and the possibility that wool producers from all breeds may push Meat & Wool New Zealand for a return to levy funded generic wool marketing. This is potentially dangerous for our industry. We need to ensure that any future promotion, for fine, medium or strong wools is aimed directly at those companies and manufacturers that use New Zealand wools.

For example, if a specific carpet manufacturer uses New Zealand wool then get alongside them with a marketing

brand similar to the NZ Merino branding. People who purchase carpets, drapes and clothes are looking for brands and they need the wool story to be told by a well informed retailer. If we can help the manufacturer to tell the wool story to the retailer, then our money is well spent. Any other scatter gun approach to marketing New Zealand wool would be, in my opinion, a step back in time.

I believe that most merino growers have a better understanding of this than our stronger wool colleagues. We need to take this message to them before precious grower funds are put to use. All wool promotion must be targeted.

*Simon Cameron  
Director, Merino Inc*

## Communications manager

Welcome to my first edition of the Merino Inc. Newsletter. My name is Anna Heslop and I am Merino Inc's newly appointed Communications Manager. I work up to 30 hours per month and have been employed to lighten Claire Mulcock's workload!

I am a partner in a Canterbury mixed-cropping farm and for the past 16 years I have worked part-time, full-time or on contract for MAF/AgResearch carrying out a range of media, tech transfer and public relations jobs.

My key role with Merino Inc. is to ensure that growers are in the information loop with regards to research and policy developments. I will be writing two newsletters each year, producing summaries from research reports and also working with the Directors to promote Merino Inc.

and the merino industry in the wider media. I met Regional Association representatives in Christchurch in January and gave them a brief presentation outlining how we can help each other.

I am setting up an e-mail alert system to notify you when new information is placed on the website or when other important information becomes available. I will be sending short messages only, not attaching large files. Obviously this means I need e-mail addresses from all of you that have them. If you have recently connected to e-mail or changed your e-mail address, can you please send your details to [admin@merinoinc.co.nz](mailto:admin@merinoinc.co.nz) and I will ensure you are included in the grower database. If you have previously submitted an e-mail address, but do not wish to receive such messages, please also notify me at the above e-mail address.

I'm looking forward to meeting more of you and helping you keep in touch.

*Anna Heslop*



**Merino NZ inc.**

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## Classer select

Remember that all wool classers and growers can access useful information on clip preparation on [www.classerselect.co.nz](http://www.classerselect.co.nz). Topics covered include quality standards, a classer communication checklist, and key messages about classing for contract or for auction. The Key Points for 2005/06 are still relevant, with the exception of specific references to the 2005/6 growing conditions.

Note that the information about new line descriptions for The New Zealand Merino Company, refers only to wool sold through the company in Australia. Existing New Zealand line descriptions still stand for wool sold here.

Following discussions by Meat & Wool New Zealand's Wool Quality Advisory Group last year, some changes to the Classer Registration Scheme are

proposed. Meat & Wool NZ has agreed to assist classers form and run their own independent industry organisation. This process is underway and it is anticipated that in the future Wool Classers will have more control over how their subscriptions are spent, and how mentoring, training and ongoing professional development is provided.



## Calendar of events

**31 March**

**Otago Association Field Day:**  
 Alan Paterson's property *Armidale*,  
 Ranfurly

**7 April**

**Marlborough  
 Merino Association AGM**

**11 April**

**North Island Merino Association  
 AGM, Napier**

**17-18 April**

**Marlborough 2-tooth competition  
 (to be confirmed)**

**17 April**

**National Golden Fleece Exhibition:**  
 Mackenzie Highland Show, Fairlie. Entry forms are from the secretary of the Mackenzie Highland Show, Woolbrokers, A & P secretaries, or the Royal Agricultural Society website [www.ras.org.nz](http://www.ras.org.nz). Fleeces must reach Fairlie by 20th March 2006. Late entries not accepted.

**24-25 May**

**Mackenzie 2-tooth competition**

**23 June**

**Clip of the Year:** Millennium Hotel  
 Queenstown. Otago Association AGM  
 may co-incide.

**12-14 July**

**AWI 7th World Merino Conference,  
 Perth**

## Directory

### Directors

|                        |                            |  |
|------------------------|----------------------------|--|
| Marlborough/North Is.  | Ross Beech (chairman)      | Ph (03) 575 7365   |
| Otago                  | Tom Rowley (vice-chairman) | Ph (03) 443 1744   |
| Waitaki/MacKenzie      | Simon Cameron              | Ph (03) 435 0791   |
| Canterbury             | Brian Hansen               | Ph (03) 314 4258   |
| Administration         | Allison Brook              | <a href="mailto:admin@merinoinc.co.nz">admin@merinoinc.co.nz</a>   |
| Research manager       | Claire Mulcock             | <a href="mailto:claire@merinoinc.co.nz">claire@merinoinc.co.nz</a> |
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