

merino inc. newsletter

from the chairman ...



The positive vote by growers to support a commodity levy for SheepCo signals that there is widespread recognition of the importance of R&D to the industry.

Merino Inc is heartened by this response, which confirms our view that all parts of the industry should be proactive and support industry good research, innovation and training.

We are already in discussion with SheepCo to ensure that the needs of merino growers are understood and

new structures and programmes. Meanwhile, Merino Inc will continue to develop its own merino specific programme.

Looking to the future, the Merino Inc directors are reviewing whether the present Merino Inc Board structure is appropriate for its ongoing responsibilities. As an organisation, Merino Inc has moved from a development and setup phase to implementation of its research and training programmes. With a research manager in place, the role of the board is now clearly one of

setting, strategic planning and oversight. We need to ensure that the Board represents and speaks for all growers, while also being cost-effective. We will shortly be circulating a discussion paper through the Regional Associations looking for feedback on our ideas for streamlining the organisation. Your directors look forward to hearing your views on your organisation.

Rob Mathewson
Lake McKay Station
Chairman

on-farm sustainability: ARGOS project

ARGOS: agriculture research group on sustainability

Merino Inc is a partner in a major research programme that will provide a multi-dimensional study of farms and orchards in order to improve the long-term sustainability performance of New Zealand agriculture. Recently approved for funding by the Foundation of Research, Science and Technology (FRST), the six year programme will have several components, including sheep and beef farm systems.

The project will provide information on management strategies to enhance sustainability (economic,

accurate information on agri-environmental indicators for the New Zealand sheep industry to assist in responding to market demands.

Merino businesses will be specifically included in this study. A Sheep and Beef Field officer will be appointed shortly to work with both the researchers and the farm families that decide to participate.

For further information contact Claire Mulcock or the ARGOS Project Leader - Jon Manhire (phone 03 365 6806 or email jon@agribusinessgroup.com).

merino study groups: update

Two new merino study groups are up and running. They are being managed by RFT Ltd, with Graeme Ogle providing his expertise as farm systems analyst. One group is looking at the options to profitably increase feed supply, while the other is focusing on the options to profitably improve late winter / spring stock performance, thereby minimising lambing losses, improving fleece weight and weaning weight.

If you are interested in joining either of these groups, then contact: Ben Aubrey 03 435 0579

top italian textile students hosted

A group of young postgraduate students, destined for the top of the Italian textile and fashion industry, have been learning first hand about the merits of New Zealand Merino in a visit hosted by Merino Inc and NZ Merino Co. The quartet, Ilaria Gariazzo, Sebastian Crosa, Silvia Torselli and William Nai, are completing the 16-month Biella Masters in Noble Fibres. Familiar with the quality textiles and garments produced in the mills and fashion houses of Northern Italy, their course includes a world tour.

In New Zealand for just one week, they visited Central Otago and Mackenzie Country Merino properties to come face to face with Merino sheep and their producers. Their next stop was Christchurch and The New Zealand Merino Company where they saw the variety of garments made from New Zealand Merino, from thick and thirsty work socks to the finest knitwear, from tough outerwear to fashion sportsgear. They also learned of the New Zealand Merino industry's new research initiative into developing textiles for specific end uses with new test methods to analyse and describe textile performance.

The students, who had already visited Australia, were impressed by the pride and sense of ownership that New Zealand Merino producers display –

including the development of personal relationships with the heads of the European fashion houses. "You are proud of your country and you try to put that into your garments," they said. "The farmers are proud of what they produce and where it ends up, and their association with top of the line brand names. Here Merino is more than just a business, it's a passion."

With career objectives that range from brand management to marketing, administration and planning company strategies, the students are likely to end up in diverse managerial positions on completion of their training. All are passionate about fashion and textiles – and now they're passionate about New Zealand Merino as a product.

Even more importantly, it has given them an insight into the changing future of the Merino wool industry, where the focus will be on innovation and functionality and where Merino will become an aesthetic, high value, specifically designed product with a small but extremely important niche in the textile market.

Our thanks to the families who looked after the students during the farm visits – you obviously made a great impression.

"cradle to the grave" analysis: enhancing competitive advantage

Merino Inc, in partnership with the New Zealand Merino Co and Tectra Ltd, has received support from the MAF Sustainable Farming fund to carry out a "life cycle assessment" (LCA) for NZ merino wool. LCA is a tool for quantifying the overall (cradle-to-grave) environmental impacts from a product, process, or service. It enables the best product or process with the least effect on human health and the environment to be identified.

The basis of an LCA study is an inventory of all the inputs and outputs of the processes that occur during the life cycle of a product. It shows how growers can identify changes in farm management that will enhance their competitive advantage in the market place. Marketers of merino wool products can also use this information in their marketing strategies.

The benefits of the LCA will be to:

- Enable greasy wool to continue to be exported to those countries requiring LCA as part of their market access arrangements. At this stage the EU is the region of concern.
- Use it for competitive advantage, if, as we anticipate, we can show that merino products are environmentally sound and compare well with other fibres and fabrics.

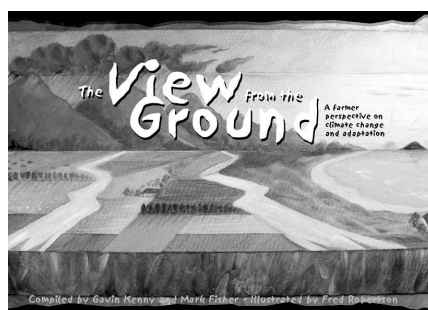
For merino wool we want to:

- Establish that our products are environmentally superior to competitive products made from other fibres or fabrics.
- Identify stages within the life cycle of growing the sheep or processing the wool where we can reduce resource use or emissions.
- Establish a baseline of information for fine wool products on overall resource use, energy consumption, and environmental loadings.
- Help guide farming practices, processing, or other activities toward a net reduction of resource requirements and emissions.

"the view from the ground – a farmer perspective on climate change"

Merino Inc is one of several contributors to an initiative started by a group of Hawkes Bay farmers on adapting to climate change in eastern New Zealand.

A colourful and very readable report has been produced on the results of the first part of the project which involved a series of workshops with farm families, including merino growers. To obtain in a copy, contact Allison Brook on 0800 merino or, to become involved in the project, contact Claire Mulcock.



above: cover of *The View from the Ground* by Gavin Kenny and Mark Fisher illustrated by Fred Robertson

recently completed reports

A summary of these reports will be made available to all growers shortly. For further information contact Claire Mulcock.

REVIEW OF THE NEW ZEALAND MERINO INDUSTRY

Merino Inc commissioned the Agribusiness and Economics Research Unit at Lincoln University to prepare a report collating and analysing information to establish the trends and issues in relation to the Merino industry in New Zealand. The report provides baseline information for Merino Inc and other industry stakeholders to understand the status and outlook for the merino industry. The information will also be useful for identifying key performance indicators for the Merino industry and benchmarks for these which can be monitored over time.

The study was a review and scoping exercise and primarily involved collation and analysis of published information on Merino production; economic trends and market trends.

The key issues identified for the industry include:

- Increasing supply into a traditionally small and inelastic market will require price differentiation, development of non-traditional markets, good customer relationships and attention to product quality to counteract significant price reductions, as international supply of superfine wools continues to increase in the medium term.
- The process of tenure review under the Crown Pastoral Lands Act (1998) will involve significant change for the merino industry. Property size and, therefore, stock numbers will be affected but it is not clear what the impact on total output or landuse will be at present.
- Significant issues, that the industry is addressing through its research programme, are animal health issues (primarily footrot) and low lambing percentage. These are believed to have contributed to the exit of some properties from the industry recently.

- The National Policy Statement on Biodiversity, which will shortly be issued in draft form, will lead, at best, to an increase in compliance costs for high country farmers and, at worst, to significant reductions in stock numbers as runholders are unable to clear regenerating indigenous scrub.
- There are several issues, common to all pastoral industries, which may affect the merino industry's success in international markets in the future. They include animal health and welfare, environmental sustainability and market access.

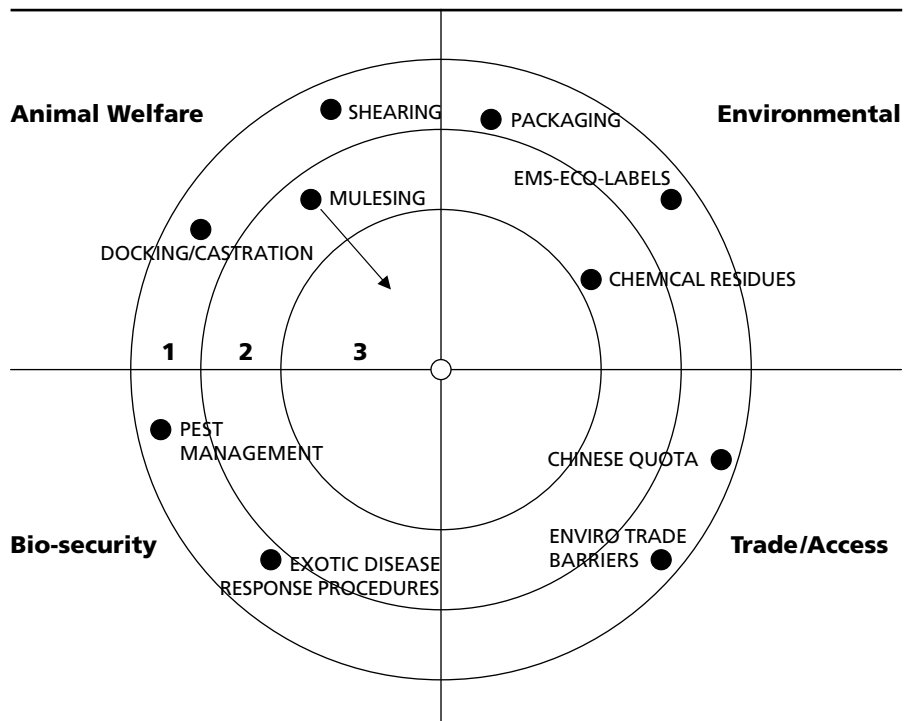
The analysis identified four main categories of risk: animal welfare, environmental, trade/access, and biosecurity. Within each category a range of issues has been identified and a "risk radar" was produced (see below) to provide a comparison between the different issues and their relative risks. The radar concept can be seen as ongoing. The present analysis represents one "sweep" of the radar.

No issues appear in the 'requires intensive intervention' category. However the unpredictability of animal rights activist groups sees Mulesing identified as having most potential to move quickly into the high-risk area. The majority of risks identified fall into the 'develop interventions & increase awareness' or 'observation' categories. This is comforting but identifies a need to maintain on-going surveillance to track existing risks, identify potential new threats, and ensure that mechanisms are in place to intervene where there is increasing threat. Important areas for research are also identified.

NZ MERINO INDUSTRY: PROTECTING MARKET REPUTATION

To ensure that research funds are directed to key merino specific issues, Merino Inc commissioned Tectra Ltd to prepare an analysis and develop a strategy for protecting market reputation in the New Zealand merino industry.

THE MERINO RISK RADAR – 2003



IDENTIFIED RISK CATAGORIES

- 1: maintain observation – explore opportunities
- 2: develop interventions – increase awareness
- 3: intensive intervention required



merino inc directory

Please note our new phone number: 0800 Merino (0800 637 466)

Thank you

Thank you to Donald McKenzie, who stepped down as a Director at the AGM in July. We appreciate the commitment, energy, and critical appraisal that he brought to his role as Waitaki/MacKenzie Director.

As no one was nominated to replace Donald, the position is currently vacant.

Directors

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NORTH ISLAND	Lyn Finch	Ph (06) 354 0276
WAITAKI/MACKENZIE	<i>Vacant, contact Richard Burdon</i>	Ph (03) 443 1554
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