

WHERE TO FOR BEEF THIS SEASON?

By Mel Croad

BEEF PRICES RIDING ON A HIGH

The beef industry has enjoyed a phenomenal start to 2017, buoyed by a shortage of good quality cattle, excellent feed levels and firm international demand. Prices for both store and slaughter cattle have stormed ahead in recent months as a result, with record prices being achieved for this time of the season.

The high store prices have failed to deter buyers over the last eighteen months, an indication of the level of demand for store cattle and the lack of quality stock on offer. This has again flowed onto the weaner beef fairs across the country this autumn.

WEANER CALF PRICES ENJOY SUCCESS

Weaner fair prices to date have outpaced records set in 2016, which was unexpected given the height the market surged to last year. At two of the largest saleyards in the country, Angus cattle dominated in numbers and often in prices. Angus weaner steer numbers have dropped by 1,000 head at the Temuka Saleyards autumn calf sales since 2014, while the price has nearly doubled from \$550 to the current average of \$1046. It has been a similar trend at the Feilding weaner fairs, although sales will still continue into May. Numbers remain in decline and prices continue to lift, with the current per head average sitting at \$1009 for Angus steer calves, up from \$791 a year ago.

NEW DRIVERS TO INCREASING BREEDING NUMBERS

Unfortunately there seems to be little incentive to rebuild herd numbers, despite solid weaner prices over the last three selling seasons and strong beef prices at slaughter. This is in stark contrast to the US and Australia that have or are in the process of rebuilding herd numbers and ultimately increasing production to a level where they can once again provide a consistent supply of beef to global markets. If NZ continues to rest on their laurels by enjoying higher beef prices due to tighter supplies there will come a time that NZ may be overlooked for a larger market player that can meet the volume requirements needed in the future. At what point does our national beef herd become too smaller a player?

There are now more buyers targeting a smaller pool of good quality beef cattle as farmers switch from breeding cows to beef trading policies. This has been clearly evidenced in store cattle prices over the last 18 months that have been driven by demand and higher slaughter prices. These farmers are unlikely to make the switch back to a breeding operation, despite the current record returns but it does present an opportunity to those breeders that have stuck it out, to increase herd sizes if they know the buyers are there.

BUOYANT OVERSEAS DEMAND – BUT WILL IT LAST?

On the overseas front, market demand has performed above expectations this year and follows on from very solid demand and pricing since mid-2014. The question is will it continue? Current NZ beef exports of all beef classes come in at just under

500,000t annually which is less than a third of Brazil's beef exports and about half of the US's expected volume in 2017. These two players, especially the US have only really started to push export volumes in recent times. They are making inroads into key markets including Japan and Korea and for Brazil into China. Their asking prices are lower than what NZ can achieve and as a result their export volumes have been absorbed into these markets, often at the expense of NZ and to a certain extent Australian product.

The outlook for prime beef remains solid in the short-term. Farmgate prices tend to firm from here to a spring peak, supported by seasonal improvements in Local Trade prices. Current prices are at record highs for this time of the season which may slow further upside, unless export market demand remains robust. We are facing an increasingly congested global environment for beef meaning further pressure from these larger global beef players within key markets is inevitable. How this is managed will determine pricing levels in the future.

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The infographic features a large green 'J' shape on the left. The main text is in white and green. It includes a small screenshot of the AgriHQ Livestock Outlook report, which shows a table of forecasts for lamb and beef prices from April 2017 to September 2017. The table has columns for 'Lamb' and 'Beef' and rows for 'Apr 17', 'May 17', 'Jun 17', 'Jul 17', 'Aug 17', and 'Sep 17'. The lamb prices are generally higher than the beef prices. The infographic also includes a photo of sheep in a field and a quote from a farmer about market confidence.

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INTRODUCTION

Greetings everybody from the team here at Totaranui.

In a troubled world it is becoming hard to pick what's going to happen around the next bend. We didn't pick Brexit right, John reckons he got Trump right - most didn't, but one thing we can get right is Angus is still the right breed to be aligned with! There is so much happening from both the breed and market's point of view we really believe Angus has a very strong outlook.

It's here now and it's real. Premiums for quality beef, programmes that connect the breeder with the consumer. Our marketers that have put these programmes together need to be congratulated from every angle, they have added significant value to the industry and paved a profitable pathway forward. Angus Pure, FarmPure, BN Ranch and Meat EQ are examples of these programmes. We submitted forward steers into one of these programmes just recently and were rewarded beyond expectation, mainly because our cattle hit the marble score targets and these steers were finished on steep hill country out at Makuri. It's fair to say that the premium was well ahead of the day's schedule. The catch is, beef has to marble and the beast must grow. And this is the type of animal at Totaranui we have been breeding for a long time.

Of our sires, Totaranui 238 is one performer of note. In the Beef and Lamb Progeny Test, against 48 sires across 5 breeds, Tot 238

came 4th for weaning weight, only beaten by 3 Simmental sires. In the Australian bench marking progeny test cohort 5, against 48 Australasian sires, he came 13th for weaning and yearling weight, and 11th for birth weight. Docility data from his progeny have given him a docility ebv in the top 10% of the breed. There are plenty of his sons in the June sale to look at.

Pregnancy testing has gone well, with over 400 females being AI'ed. This is very exciting for our genetic trends as the AI sires John bought back from the US are full of promise. Cow numbers are up, so the selection base is wider, our ability to select for structure and genetic merit just gets stronger. We have 150k all of the female progeny and the R2 sale bulls, utilising new technology to improve the estimation of genetic merit. While this is expensive, and not many studs are doing it, it provides us and our clients' confidence that we are at the front of the game and doing all we can to enhance estimated breeding values.

The bulls are looking great this year. Please feel free to call in and view them. We trust you are enjoying the autumn and look forward to seeing you here in June.

Kind regards
Daimien, Tally, John and Mary-Anne.

FROM THE BOSS

The USA Angus Semen Trip, April 2017

John Jackson

I have been back to the USA in April visiting AI studs and herds. The USA is green with lots of grass. For the first time we visited Panhandle in Texas (a significant beef breeding area) which looked like a dairy farm with green grass everywhere, after 5 years of drought.

On the beef front, USA prime, top grade, has a minimum IMF score of 8 to 10.9, choice 5.0 to 7.9 select 4 to 4.9. Finishers are paid a premium on the IMF grade score. Now, we are finally getting this premium in NZ.

Bull sales in the USA have held up even with a large increase in bull numbers. Cow numbers have stayed static. 500 bulls at Shaffs averaged nearly \$16,000. 500 bulls at Gardeners averaged \$9,000. Quality bulls with good figures made excellent prices.

A lot of the high priced bulls are already in AI centres.

We also visited Angus headquarters and their development company CAB (Certified Angus Beef - selling more than 1 billion pounds of beef). This is where ongoing meat cuts and development takes place. CAB is very important for adding value

to beef. On the last day, we met a new genomic company, Beef Tech that is set to rattle the cage with lower cost genomic tools and faster reporting times. As usual, Guy Sargent put together a well organised trip of Angus cattle, technology, good steaks and red wine.

I talked to a fair amount of people on the trip, the general feel is there is a lot of support for Trump from the people we met - get on with the changes they say.



BREEDING TECHNOLOGY

Sharl Liebergreen, Beef+Lamb New Zealand Genetics

I'm blown away by the capability of breeders. Having time to be in touch with new technology, peek at the direction the red meat sector might be headed, circulate around NZ visiting customers for their take on challenges and opportunities, as well as farm their own operations. It's no mean feat.

I have been fortunate enough to spend some time with Daimien and Tally recently. Totaranui has an ear to the ground and realises the need to be flexible in what seems to be a quicker paced breeding and farming environment of the future. Totaranui have begun to invest in genomics. Genomic technology allows Totaranui to make more accurate and better selection decisions, therefore providing a more reliable genetic package to commercial farmers. Genomics includes parent verification, enabling mob mating and further pressure testing of sires in commercial conditions. In the not too distant future, Totaranui's investment in genomics will be able to be leveraged by their commercial bull buyers wanting to make informed decisions on their replacement heifers. Intelligent, informed decisions rather than simply working with size, type or condition.

Involvement in the B+LNZ genetics Beef Progeny Test program and the Australian Sire Benchmarking program will also allow Totaranui to keep up with important developments in industry. Whether it be new breeding values for Body Condition Score, Stayability, new reproductive indicators or improved carcass predictors, being associated with these programs means

Totaranui can keep up, ultimately for the benefit of commercial farmers and their customers. Consumers are increasingly impacting the decisions of protein producers globally and being able to thrive in amongst demand driven innovation is going to be important. Animal welfare, environmental responsibility, food safety, traceability are all real aspects of farming from NZ. I'm comfortable that Totaranui are conscious of these and many other factors and that leadership in these areas is somewhere that Totaranui want to be.

Sharl has done a lot of work with Totaranui in his previous role at Zoetis. He now makes his experience more readily available to the industry in his new role at B+LNZ Genetics.



FARM PURE

Pierre Syben, Farmpure

'Year of the Breeder' - that's been the thought of every farmer who has kept his cows and taken advantage of the high weaned prices. It's also been on the mind of the guys who have been buying the weaners.

At the forefront of every farmers mind will be is this a game changer or is this just a wave & how long can we surf it? These prices are a culmination of whole lot of things really, maybe that wave will last longer than we think;

1. 3 years of successive droughts through the east coast of both islands with every other part of the country having a taste of drought as well in some shape or form.
2. Lack of beef available in Australia. Our farming friends across the Tasman have suffered right across the eastern seaboard & that initiated the massive slaughter of capital stock starting in 2014 & going through to the middle of 2016, this has resulted in a number of Australian beef plants & feedlots closing, some permanently & Australian beef almost vanishing from supermarket shelves.
3. Shortage of Beef cattle available in NZ. This shortage has been created by a combination of Beef cow numbers continuing to fall but also the lack of dairy beef reared via our dairy industry 3 years ago. If we go back 3 years the industry was experiencing record payouts & 100kg Friesian & Kiwicross heifer calves were fetching \$700 for live export as well as supporting the growth in dairy conversions in the South Island as opposed to a 100kg bull calf at \$350, simple math really. You only have to look in any beef slaughter plant in NZ on any given day and you will see that 70% of the animals have been derived from our dairy industry.

4. Last year's cow kill was a record for NZ & many dairy farmers did 2 years of culling in 1, some to simply reduce the vulnerability to high input systems & some just for cashflow. This continued right through to October 2016 when the payout started to lift again.
5. Continual decline in Ewe numbers. The NZ ewe flock has decreased on average by 1 million ewes per year for the last 20 years, that's 3000 ewes per day for every day of the year. Something has to eat that grass & whilst feeding the remaining ewes better has taken up some of the slack the balance has gone to grazing cattle of some sort.
6. Availability of Prime Cattle. It's not rocket science to see that there has been a marked increase in the number of calves left entire this year. These animals will all end up in the US manufacturing beef market further reducing the availability of Prime beef for both domestic consumption as well as export. Adding to this in the last 12 months around 10,000 Beef animals have been exported live out of NZ, mostly heifers which will have a huge impact on our domestic supply.

CONCLUSION - so if we consider all of the above and consider that schedules are largely driven by supply & demand, you would have to think that the medium outlook is clearly positive.

So if I was to put a stake in the ground on schedules going forward, Beef this winter, \$6.50 plus Breed specific premiums which will take us towards \$7.

New season lamb should start the new season on October with \$7 in the front.

This is our time, let's bring it on I say.