

WAMMCO LAMBLINE

September, 2014

Issue 26

CHAIRMAN'S COMMENT

As we wind up and complete audits of last year's accounts following a very successful year at both the Katanning and Goulburn plants, our thoughts turn to the future and look at what is needed to keep that momentum going for the foreseeable future.

There are areas of course that we can't control like seasonal conditions, foreign exchange and interest rates but we can look at where we can improve our processing efficiency. This will not only reduce the cost of processing but also produce a better and more acceptable product to meet the ever increasing demands of the high end markets of the world. These are markets that WAMMCO need to be in to receive the best possible nett returns for our product.

The Board is currently looking at a number of capital projects which we believe will help increase processing efficiency and also produce product that is of the highest standard. Two of these projects require substantial amounts of capital and are being thoroughly investigated, by both Management and the Board, before being signed off on. Final details of these projects should be available to be released on the 22nd October at the Annual General Meeting.

I am thrilled to see that we have four candidates standing for the one position on the Board at this year's election. The WAMMCO Board is a skill based Board which is one of the reasons that it has been so successful over the years. Each of the nominated candidates has different skills and experience in the industry. They will all bring different strengths to the Board and will complement the skills already there. Further details about the candidates will be mailed to members soon.

With gross consolidated revenue in excess of \$270 million for the 2013/14 financial year, we need very skilled and competent Directors to ensure the successful continuation of the Co-operative. I urge all current Shareholders to exercise their right to vote and elect the candidate that you think best suits the future required skills for the Board.

I look forward to meeting as many of you as possible at this year's Annual General Meeting in Perth and sharing and discussing what looks at this stage to be an extremely bright future for sheep meat production and WAMMCO.

A NEW SEASON — COLL MACRURY

High world lamb inventories have been keeping prices a little soft since WAMMCO reopened in August, but we are expecting steady improvement in the market once these overseas stocks clear.

In the meantime there has been unprecedented speculation, particularly in WA, of red meat shortages, driven by new demand from China and a spate of proposed WA processing partnerships.

As they begin to estimate likely supply/price possibilities for the coming season and beyond, it is appropriate for all WA producers to keep a number of key points firmly in mind:

WAMMCO has spent millions of dollars over the past decade cultivating and securing a wide range of markets for a wide range of lambs. Our North American consumers reward our heavyweight lamb producers. The Middle East, Asia and Europe provide the premiums on lighter weight lambs. At

the moment China is not price competitive for premium cuts, but provides valuable, increasing support on lower value product.

WAMMCO has found that setting a competitive weight and grade schedule for producers then rewarding them with an annual bonus based on the trading outcome, is the fairest and best way to share buoyant trading conditions.

WAMMCO is keen to work in long term partnership with producers, getting together with you well before the annual turn-off to ensure that we achieve common goals - including your guarantee of processing space at Katanning when oversupply periods threaten.

Traditionally, many WA lamb and sheep producers have sought an involvement in downstream processing and marketing of their product. As a modern producer co-operative in strong, producer hands, WAMMCO is now a unique Australian model. As a producer, you have a rare opportunity to share in the success of a global trading entity, based on the world's most advanced meat processing technology, a highly strategic national processing/marketing entity, a highly skilled and stable workforce and privileged market access.

I have raised the above points because I believe they are increasingly relevant in a rapidly changing sheep meats industry. The producer alternative to the WAMMCO options above will still be to 'go for the highest bid on the day.'

There is a better way and we would like you to share it with us. WAMMCO shares come with participation and our dividends are much bigger than financial.

WAMMCO DIRECTOR ELECTION AND AGM

WAMMCO Chairman Dawson Bradford is pleased to announce four candidates have nominated for the vacant position of Producer Director on the WAMMCO Board.

The candidates are;

Dr Kelly Manton-Pearce, Yearlering

Mr Bill O'Keeffe, Gnowangerup

Mr Brad Ipsen, Manjimup

Mr Tony Boyle, York.

The ballot papers will be mailed to be members on Monday 22nd September and completed ballots must be returned by Thursday 16th October 2014.

The result will be announced at the WAMMCO AGM to be held at Fraser Suites, East Perth on Wednesday 22nd October 2014.

KATANNING UP AND RUNNING

WAMMCO's Katanning processing plant re-opened early in August after a major program of repairs, maintenance and upgrades, and with an expanded, revitalised workforce.

The seasonal workforce from New Zealand began arriving at the plant last week, joining the core staff and 48 other new permanent recruits, including a complement of ex-Australian army interpreters from Afghanistan.

The Afghans migrated to Australia on completion of their contract with the army, and we were able to make a case for them to come to Katanning with offers of training employment and accommodation. They have adjusted quickly and most are already in training for higher end positions. The list of new recruits also included a number of skilled workers from Tammin, who were attracted by the year-round consistency of work at Katanning.

WAMMCO has also been involved with the Katanning Shire, building company BGC and Keystart Home Loans to trial an affordable housing prototype in the town. BGC has successfully developed modular housing for mining company Rio Tinto, and we can see opportunities

for this style of accommodation to be used by our employees.

Lighter stock numbers since our re-opening, consisting of 60% old season and 40% new season lamb with some drafts of mutton have enabled us to settle in the new workers and to proceed with upskilling. We can therefore expect to be well prepared for the forthcoming lamb flush.

The extensive Repair and Maintenance program was one of the biggest undertaken at the Katanning plant for some time. It incorporated servicing and upgrades to the power supply, vacuum packing system, boilers, pressure vessels and cooling towers, together with a new slaughter chain, blood decanter and frenching machine installations.

Next on WAMMCO's capital investment agenda is a \$12 million product conditioning complex, plans for which are due for discussion at the September meeting of directors.

CONFIRMING LIVESTOCK BOOKINGS

In order to run our business as efficiently as possible, members and livestock agents are reminded that they need to confirm full details of their consignments as early as possible.

For Sunday – Tuesday deliveries, the Livestock Office must be notified of full consignment details by noon of the previous Thursday.

For Wednesday & Thursday deliveries; consignment details must be submitted by noon on Monday of the delivery week.

If you no longer require your allocations please contact the Livestock Office or one of the three Livestock Representative and cancel as soon as practical.

COMPLETING NATIONAL VENDOR DECLARATIONS

Feedback received by the Quality Assurance Manager at Katanning following an NLIS audit now requires members consigning livestock to the plant to add the WAMMCO PIC to the National Vendor Declarations.

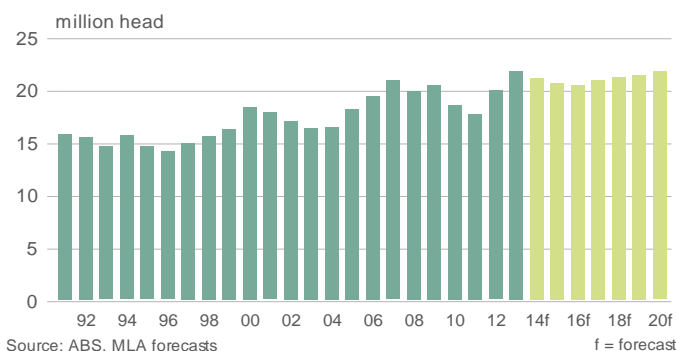
In the "Consigned to" section WAMMCO now requires "WAMMCO – WJAL0013".

MEAT MARKET OUTLOOK

The long stretch of strong demand and record high selling prices for lamb has slowed and several markets appear more subdued and cautious about forward sales. With the promise of increasing supplies out of Australia combined with lower livestock prices in the East Coast, customers are holding back on making purchase commitments. Customers report that markets are carrying inventories of product that was purchased at higher prices and sales have slowed.

Despite this situation, we are optimistic that conditions will improve in the near term. Already we are seeing some improvement in China with good forward sales recorded in the past few weeks. Similarly the Middle East is expected to increase demand as we head towards cooler months and more favourable conditions. In Europe we are approaching the build up to Christmas supply and demand for legs this year is expected to be positive with the view that NZ supplies may be lower. Similarly we expect to see improved demand in the USA and Canada in the lead up to Christmas.

From an Australian supply side, MLA figures indicate that the lamb kill in Australia is likely to be lower in the second half of 2014 and this may likely restrict the total volume of product available for sale. All-in-all the fundamentals for a good balance between supply and demand should see sales continue on a growth trend whilst selling prices and revenues are expected to be maintained at positive levels.



MLA forecast 2014 Australian lamb slaughter numbers to be down 3% on 2013 figures to total 21.2M head.

The recent strength in the USD against the A\$ has pushed the exchange rate to below 90 cents and sees the currency move into new territory. Any further moves lower would be a great boost to the competitiveness of Australian lamb products.

Mutton demand has recovered in recent weeks with some anticipating that kills out of Australia will be lower in the coming 12 months. Stronger demand from China has buoyed the market and we are receiving more inquiries for product compared with last month.

**Congratulations to;
Nathan & Karen
Walker, Cootarring
Grazing, Narrogin &
Jeff Brennan,
Elders, Wongan Hills
who won the
exclusive sports travel
packages to
Melbourne to watch
the AFL Grand Final**

RAM SELECTION — PERCENTILE BAND REPORTS

Many growers are now using Australian Sheep Breeding Values (ASBVs) to assist in their ram selection.

But how can you tell if the ASBVs are above average, average or below average for any particular trait? The percentile band report allows you to determine how an individual animal ranks relative to the rest of that style of animal for individual traits.

That is an individual Poll Dorset ram post weaning growth ASBV (PWwt) can be compared to and ranked against all other Lambplan tested Terminal sires in Australia.

An example:

Sire A has a post weaning weight ASBV = 11.0

Sire B has a post weaning weight ASBV = 15.5

Sire A's ASBV is equal to the 60th percentile while Sire B's ASBV is equal to the 4th percentile.

These reports can be downloaded from the Sheep Genetics Australia webpage (see link below) and are available for Terminal, Merino, maternal, shedding, SAMM and Corriedale sires. It is important to note that the percentile band reports frequently update so be sure you have the most up to date version before you head off to the ram sale.

For Terminal sires follow the prompts to the Percentile bands report using the following link -

<http://www.sheepgenetics.org.au/Breeding-services/LAMBPLAN-Home>

For Merino sires follow the prompts to the Percentile bands report using the following link -

<http://www.sheepgenetics.org.au/Breeding-services/MERINOSELECT-Home>

For more information on percentile band reports or the selection of sires for your joining programs please contact Rob Davidson on 0429380195.

2014/15 WAMMCO STATE PRIME LAMB CARCASE COMPETITION IS OPEN

The 2014/15 WAMMCO State Prime Lamb Carcase Competition is up and running and will remain open for lambs processed at Katanning until Friday 29th May 2014.

This year we have introduced a new category – New Season Lamb. This is defined as a 2014 born, crossbred unshorn lamb that is processed by 12th December 2014.

The competition continues its reputation as the largest and richest commercial carcase competition in Australia. Over the past 11 years over 210,000 lambs have been evaluated and over \$145,000 worth of cash and donated product have been distributed to the winning entrants.



Tom Grant (Beacon) recently received his 2013/14 WAMMCO State prime Lamb Carcase Competition Door Prize. The prize was kindly donated by Gallagher Animal Management and was a W610 weigh indicator.

Entry requirements:

- Open to members only
- A minimum of 100, 2014 born crossbred lambs per entry
- Entry fee is \$50
- Multiple entries are permitted and encouraged
- Please identify competition lambs on your NVD

Categories:

- Overall heavy weight (premium weight range 22.1-26kg)
- Trade weight (average consignment weight must be between 18.1 – 21kg)
- Large consignments of 300+ lambs
- Lambs from Merino ewes - traditional first cross lamb (Terminal sire over Merino dam)
- New Season lamb – unshorn and processed by 12th December 2014.

Entry forms are regularly printed in the Farm Weekly or are available from members of the WAMMCO Livestock team.

The 2014/15 WAMMCO State Prime Lamb Carcase Competition is supported by Farm Weekly, Primaries, Elders, and WAMMCO.

ANOTHER TEXEL/SAMM WIN FOR ALBANY PRODUCER

WAMMCO's August 2014 Producer of the Month, Lower King member George Clark, is confident that the Texel breed he helped to introduce to West Australia will have a continuing role in the evolution of the State's lamb industry. And he would like to see an increased number of younger farmers returning to sheep and lamb production.

"It was not so long ago that you were doing really well if you got \$20 for a lamb," he said.

"Today we have a marketing structure promising \$5 or more per kg on a regular basis, we have the genetics to breed profitable lambs in any environment, we have the pasture and feeding technology to achieve virtually whatever carcass we want, all for a relatively small investment.

"With such a positive backdrop, there is a ready opportunity for young farmers in particular to capitalise on the sheep industry."

George Clark retired from the pharmacy business in Albany to go farming in the mid 1990's, teaming up with stud Texel and Q Lamb pioneer, the late Alan Jarman and his associate Graham Sutherland.

"Our 'Braeside' stud was based on my 140 acre property at Lower King. We obtained some of the first Texel embryos to come to this State, later allowing us to supply the Dutch-origin Texel genetics to many West Australians."

Alan Jarman's early commitment to weight and grade selling provided an ongoing example for George, who has sold his lambs over the scales to WAMMCO for many years.

G.A. Clark Nominees won their first Producer of the Month title in June 2011 for a line of 104 Texel/SAMM crossbred lambs that averaged 24.54kg and returned \$150.17 per head.

The winning line for WAMMCO's August 2014 title consisted of 159 Texel/SAMM cross lambs that averaged 22.6kg and returned \$120.68 per head including skin. It was significant that all but one of the 159 lambs were fat score 2 or 3. "We have never sold a fat score 5 lamb off the property and fat control continues to be a major attribute of both the Texel and SAMM," George said.

With the help of retired former farmer Geoff Waters, he continues to run a flock of about 130 ewes comprising 50:50 Texel/SAMM genetics, on the highly productive property. "Both breeds have top credentials as prime lamb producers, but the Texel remains the more docile, reliable mother. They easily achieve a lambing percentage of 150% for us each season with relatively little trouble."



Breeder George Clark and assistant Geoff Waters with a Texel/SAMM mother and her triplets at Albany last week

WAMMCO Perth office

Tel: 92620999
Fax: 93550961
Email: info@wammco.com.au
Web: www.wammco.com.au

Livestock contacts

Peter Krupa 0427 810613
Wayne Radford 0429 944733
Rob Davidson 0429 380195
Or your local livestock agent

Disclaimer:

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Katanning office

Tel: 98212000 Fax: 98212731

Bookings

Judy Cameron 1800 199197