

# WAMMCO LAMBLINE

September, 2012

Issue 20

## COLL MACRURY

Tight global conditions since the re-opening of WAMMCO's Katanning plant in August, continue to test the cooperative's role as major underwriter of the prime lamb industry in Western Australia.

We continued to buy both lamb and mutton during the five-week shutdown and this initially helped get the plant going with reasonable processing numbers. At this stage we have relatively good chilled lamb sales for about 12,000 of the 17,000 lamb units that we process weekly in peak season. However the real test will be to place the balance of the kill - which is likely to be frozen lamb and mutton - at viable prices, given the ongoing economic uncertainty in many of our markets.

At last there are signs that the US market may have bottomed and we are keen to explore some new opportunities for sales of heavier lamb into Canada after Christmas.

In the meantime and in view of the later WA lamb season, we have some good customer demand for the 18-22 kg lambs. We are expecting a greater focus on lighter lambs in the run up to Christmas.

Rapidly rising input costs at the processing end, and a disturbingly strong A\$ will keep WAMMCO lamb sales under pressure. Our investment in our markets, our experienced staff and in maintaining very reliable and up-to-date processing facilities in both Katanning and Goulburn are helping us greatly to 'hold our ground.'

## MARKETING REPORT

The strong demand and high prices for lamb over the past 2-3 years have succumbed during the last 6 months. High prices, tough economic conditions in core export markets, the high Australian dollar, as well as increased supply out of Australia and New Zealand have provided real challenges to our returns.

Many of these factors are still having an influence with the high Australian dollar back to levels around 1.05 to the US currency. Likewise demand in Europe and the USA is being held back by weak consumer confidence and a cautious approach to high cost proteins like lamb.

A key factor in lower demand levels has been resistance to high prices. This has resulted in lower buying frequency as well as a preference towards lower value cuts and lighter piece weights that have a lower unit price on the shelf.

Going forward there is some optimism that demand and prices will stabilise as lamb becomes more affordable and retailers start to promote the product again. The coming

months of spring lamb supply will allow us to present some top quality products to our key markets at a time when New Zealand supply tapers off and demand for lamb legs in Europe traditionally improves towards Christmas. This market typically requires lambs in an 18-22kg weight range. We will also have demand from North America through this period for a heavier style lamb. The current preference here is for a mid-range carcass in the 22-24kg weight range and we plan to continue regular sales to the COSTCO supermarket chain across the USA.

At the same time sales into the Middle East, South East Asia and China will continue where rising income levels, growing populations and increased demand for protein will favour increased consumption of lamb.



*WAMMCO Chief Executive Coll MacRury (2<sup>nd</sup> from left) and Goulburn Plant Manager Craig Newton (centre) pictured with representatives from a major US food service and restaurant supply business during a recent visit to North America*

## WAMMCO AGM

### WED. 31<sup>ST</sup> OCTOBER

### TO BE HELD IN

### BEVERLEY

### DETAILS TO FOLLOW...

# KATANNING NEWS

Katanning Manager, Tony Bessell reports that a small draft of 28 new season crossbred lambs from Patrick O'Neill of Tarin Rock were amongst the first lambs processed when the plant reopened after a five week shutdown.

Losing 25 workers from the plant was a legacy of the shutdown, but the arrival of 12 skilled workers from the South Island of New Zealand, under WAMMCO's annual New Zealand worker exchange system, helped to restore operating capacity. The re-start at Katanning was also trouble free, confirming the high degree of reliability now built into the plant.

The decision by WAMMCO to continue accumulating small stock during the shutdown, enabled a processing 'shandy' of lamb and mutton over the first few days of re-opening, offsetting a late start to the new lamb production season.

Bookings are already being taken through to December and producer members are invited to discuss their kill requirements with Judy Cameron at the Katanning plant on 98212000. Judy can also register entries for the annual WAMMCO prime lamb carcase competition.

## AUSTRALIA'S PREMIER PRIME LAMB CARCASE COMPETITION

The 2012/13 WAMMCO State Prime Lamb Carcase Competition has commenced with a number of entries already received.

This year, the weight and fat score grid has been modified to better reflect the current world lamb markets with premium points being awarded to the 22.1 – 24kg fat score 2 class rather than the 24.1 – 27kg fat score 2 class as in previous years.

### Details:

- A minimum of 100 XB lambs born in 2012 (minimum of 300 lambs for large consignment class)
- \$50/entry

- Multiple entries permitted and encouraged
- Skins don't influence result
- Long tail, ram lamb, pink tag (bought in) lambs all permitted.

### Categories

- Heavy weight – premium points assigned to 22.1 – 24kg fat score 2 lambs
- Trade Weight – average weight of consignment must fall between 18.1 – 21kg
- Large consignment – a minimum of 300 lambs to qualify
- Traditional first cross – best result for a Terminal sire over pure Merino dam

Entry forms will be published in the Farm Weekly, are available from WAMMCO's livestock team or you can download a form from

<http://www.wammco.com.au/images/docs/carcasecomp2012.pdf>.

The competition is sponsored by Primaries of WA, Farm Weekly and WAMMCO.

## LAMB & SHEEPSKINS

Matt Craig (Skins Manager) reports that we are currently operating in a volatile environment with numerous factors working against us. Impacting issues include;

- High Australian dollar
- Weak world economies
- World wool market has dropped 30% compared to this time last year
- The better styled skins are selling at fair levels
- Skins carrying faults are attracting limited interest
- The shoe lining market is the lowest it has been for the past 10 years
- We need a cold northern hemisphere winter to drive wool on garment production and sales
- In general the highs we have enjoyed in the past few seasons are currently gone and until the world economy improves there will be little movement in the skin market.

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### Katanning office

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### Livestock contacts

Peter Krupa 0427 810613

Wayne Radford 0429 944733

Rob Davidson 0429 380195

Or your local livestock agent

### Bookings

Judy Cameron 1800 199197

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