



LAMBLINE

JUNE 2012 | ISSUE 19



MAXIMISING OUTCOMES
FOR CO-OPERATIVE MEMBERS

LAMB MARKETS UNDER PRESSURE

The global lamb market is seeing a turnaround in its recent strong sentiment with all markets now showing an easing in demand. For the past 2-3 years selling prices and livestock prices have been firm and rising, though at the present time we are facing challenges to our sales volume and margin as prices come under pressure.

There are several factors influencing the current situation:

1. A prolonged shortage of supply and a high A\$ leading to a dramatic increase in selling prices in all markets
2. Tough economic conditions in global markets, particularly the EU and USA, causing some changes in consumer and retailer behaviour towards lamb
3. The current seasonal increase in supply out of Australia & NZ seeing more product flow into the market



Through 2009-2011 there has been a good response from markets to pay higher prices for lamb to overcome a higher exchange rate and higher livestock costs. Both export and domestic markets have paid higher prices to secure

supply. In America, frenched lamb racks in 2011 were 51% higher than the same time in 2010; for Christmas 2011, chilled legs into the UK were 27% higher than Christmas the year before. Selling prices have set new records.

Unfortunately this has coincided with a difficult economic period in some of our core markets. High unemployment, falling property values and lower superannuation assets have led to some consumers being more conservative about how they spend their food dollars. When it comes to lamb they are buying smaller portions, they are buying lamb less frequently and they are trading down to lower value cuts. Even in the Australia there are signs of this with a 6% fall in lamb purchase occasions in 2011 (MLA).

And for these reasons, some supermarkets have not been as active in promoting the product because they don't get the same turnover or margin they might get from other proteins like pork or chicken.

Despite this, we've still achieved some good business into our traditional markets in 2012 with regular consignments being delivered into COSTCO Wholesale in America and ASDA Supermarket in the UK, along with our European customers in Belgium and Switzerland. We're also seeing the increasing importance of the Middle East which ranks as our largest market by volume and value.

In the current period, the market is under added pressure from seasonal increases in supply from Australia and New Zealand. Good growing conditions in eastern Australia means that lamb numbers are starting to build and there are increased numbers available in good condition. In New Zealand, processors have

been in the peak of their kill cycles and are pushing big volumes into the market. The result is that importers and customers have high inventories and there is reluctance to buy more while prices have been reducing.



All of these factors are having a downward effect on pricing and demand. In the near future we will continue to see the effects of the high A\$, customer resistance to high prices and a steady flow of product from Australia and New Zealand.

Amidst this difficult situation, MLA predict there will be opportunities for markets to grow and this will be helped by improved supply and more competitive pricing. A strong correction in prices is underway and lamb is anticipated to recapture some of its competitiveness while markets start to promote the product as a more accessible meal opportunity. Markets like the Middle East, South East Asia and China all have rising income levels, growing populations and demand for protein, while both the Domestic and North American markets offer potential for more sales as lamb becomes more affordable.

For more marketing information please contact Damien Giumelli – dgiumelli@wammco.com.au

Dawson's View



A champion ice hockey player, when asked why he was so successful at the game, replied "I skate to where the puck is going, not to where it has been".

Successful businesses are no different, they need to be constantly changing, adapting and reviewing where they are heading and make sure they have got it right. WAMMCO as a co-operative operates under the same guidelines.

The rationalization and restructure the Board implemented in upper management at WAMMCO, early in the New Year, is a part of improving efficiencies in the WAMMCO business. The position of CEO of WAMMCO was made redundant and the position of Group Chief Executive was created in its place to oversee and further co-ordinate and combine, where possible, both the WAMMCO and Southern Meats operations.

In this edition of Lambline we address the advantages of taking over management of Southern Meats at Goulburn. Coll MacRury our Group Chief Executive sums up the strength of WAMMCO and the resulting benefits to our members. We cover our

hugely successful WAMMCO Carcase Competition which has arguably developed into the worlds biggest. Most importantly we examine the marketplace and the effects of the current world economic conditions on both producers and our international clients.

We have changed the format of Lambline to better suit the needs of our Shareholder readers to be an easy reading publication that contains information that is both beneficial and interesting to producers and allows them to better understand all facets of our great industry and Cooperative.

And hopefully help them to be able to "skate to where the puck is going and not to where it has been".

Dawson Bradford, WAMMCO Chairman

ADVANTAGES OF A STRONG LAMB COOPERATIVE – WAMMCO

The cooperative model provides members with a strong link from the farm gate to the market. There is no doubt that WAMMCO are able to link closely with their supplier members to ensure they are optimising their returns by giving them a clear picture of the market opportunities that exist for their lambs. The heavy lamb focus has proven to be very successful with strong incremental year on year returns to suppliers over the past 5

or 6 years. Our major investment in the Lamb Cooperative in the USA has provided unequalled

the development of a truly world class lamb production system. On top of this the cooperative has lifted the lamb price paid to suppliers every year since the 2005/06 season. Members have seen the price lift from \$2.93/kg in the 2005/06 season to \$5.14/kg in the 2010/11 season. This can only be achieved by working together to develop a world class business model and something every single WAMMCO member should be very proud of.

WAMMCO has focused strongly on optimising the lamb carcass and delivering superior value for its members. Our investment

in the VIAScan® technology has meant that we are able to provide our quality lamb suppliers the opportunity to

produce exactly what the market requires – that way we are able to pay these members a premium above our scheduled lamb grid. It has become well known amongst members and goes by the name of WAMMCO SELECT.

WAMMCO listened to suppliers and other market drivers when in the 2009/10 season we introduced a more flexible buying regime. Instead of only allowing members and other suppliers to sell their stock on the WAMMCO grid we opened up to buying lambs and mutton on the farm and agreeing to a price with the supplier on the spot. We realised that some suppliers wanted to take much of the selling risk out of their business and realise a

price for their stock upfront. We were able to help with this and this has certainly gone down well with many of our valued suppliers.

Another major competitive service advantage that the cooperative offers is its ability to offer farm consultancy/feeding and genetic services. With the work our Supply Development Manager Rob Davidson does many hundreds of members have found his services, regional based workshops and newsletters to be very proactive and profitable for their individual farming operations. Rob has a strong background in animal nutrition and given the various seasonal changes and challenges that Western Australia provides our members have been very appreciative of the services WAMMCO has provided.

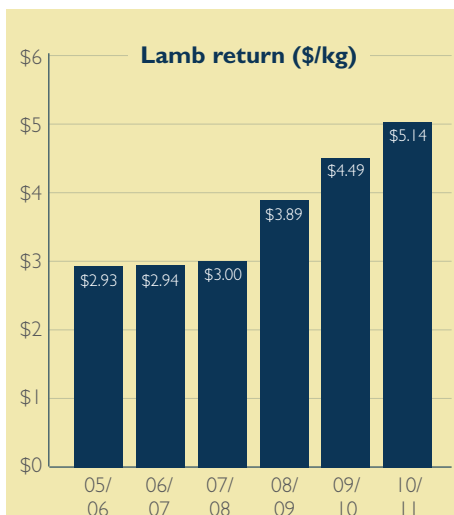


Coll MacRury

returns for certain cuts and lamb products over this time period. Our link with major retailer COSTCO has been very important in being able to provide this

opportunity to Western Australian supplier members.

The WAMMCO cooperative has provided loyal supplier members \$4,975,000 in rebates over the past 7 seasons which has underpinned





AROUND THE PADDOCK



Many WAMMCO members attended the Bred Well Fed Well workshops the Co-operative hosted in February this year. Our objective in promoting this workshop was to empower members with the knowledge to maximise lamb survival, minimize ewe deaths, understand the value of genetics and increase the overall profitability of the entire sheep enterprise. With ewes now lambing or in the last trimester of pregnancy it is critical to return to the key points learnt at the workshops. The following therefore applies to growers with ewes in the last 60 days of pregnancy.

About 70% of fetal growth occurs in the last third of pregnancy, dramatically increasing the energy requirement of the ewe. The increased energy demands are met by not only increasing the amount of feed offered but also improving the quality of feed offered to the ewe. So correct energy supplementation, be it by grain, pellet or green feed during the last 2 months of pregnancy ensures ideal ewe body condition score at lambing, optimum birth weights for increased lamb survival, maximum colostrum and milk production and promotes early lamb growth.

Most of the agricultural zone has experienced some pasture germination however the majority of ewes should still be offered supplementary grain to meet their energy requirements – but how much do I feed?

This is answered by a series of simple questions

- What is the current body condition score of your ewes – we need at least body score 2.5 – 3?
- Have the ewes been pregnancy scanned and separated into dry, single and multiple mobs?
- How much feed is in the paddock and what is its nutritive value?

EWES NUTRITION

How much to feed?

The quantities below assume the ewes weigh 55kg, are in condition score 2.5, are grazing very short new season pasture and are supplemented with a 70% oat: 30% lupin ration.

Day of pregnancy	Single bearing ewes	Twin bearing ewes
Day 100	600g/h/d	700g/h/d
Day 130	800g/h/d	1000g/h/d

These feed requirements will alter again when the ewe is lactating, or if the ewe is confined rather than being run in large paddocks.

Things for consideration;

- Be aware of the symptoms and act quickly if you suspect the stock are suffering from either hypocalcaemia (deficiency of calcium) or pregnancy toxemia (inadequate energy intake)
- Lock up ewes to reduce energy expenditure and to promote pasture growth
- Don't introduce new or increase supplementary feeding levels too quickly to the ewes
- Vaccinate ewes with their booster 3 in 1 vaccine at least 4 weeks before lambing
- Offer a complete mineral mix to ewes – where not available, offer calcium, sodium and magnesium supplements
- Experiment with lick feeders
- Provide adequate shelter where possible
- Conduct adequate predator control with surrounding properties
- Consider lambing in smaller mob sizes (max 400 for mature single bearing ewes)

Ewes in low body condition in late pregnancy have, reduced mammary gland development limiting colostrum production at birth and milk



One of the local butchers with Vince Garreffa

WAMMCO IN MAURITIUS

Mauritius is the small resort island east of Madagascar which consumes approximately 2.5kg/hd per year of lamb and sheep meat. The market is now focusing on high value cuts with WAMMCO supplying lamb to approximately 80% of the exclusive resorts and supermarkets on the island.

Assistant Marketing Executive Ron Whyte recently visited Mauritius to attend the "Taste from the Aussie Grill" festival and further promote the WAMMCO brand. As part of the festival, Mondo Di Carne's Vince Garreffa conducted a series of training sessions educating butchers how to value add WAMMCO bone in lamb legs into five quality sub-primals.

As a result of the visit, WAMMCO has now expanded its product range into the country.

production over their entire lactation which impacts on early lamb growth. Low body conditioned ewes also have a higher mortality rate in late pregnancy and during lambing. Their lambs are lighter at birth with lower energy reserves and are more prone to death by starvation and exposure. The ewe lambs that are retained from ewes poorly fed during pregnancy produce fewer lambs and inferior wool in their productive life time than those from ewes well fed throughout pregnancy.

Members are encouraged to contact Rob (0429 380 195) to fine tune their ewe feeding requirements.

SOUTHERN MEATS OPERATIONS – GOULBURN

WAMMCO took over operations of Southern Meats Pty Ltd back in July 2011. This was done to support our investment in the WAMMCO model and ultimately provide our member shareholders with a strong strategic lamb processing facility in the Eastern states. Given the Western Australian numbers were in sharp decline we had to be sure we could continue to supply the major markets we had spent years developing. We also needed to ensure we could continue to remain profitable or else the WAMMCO model could have been put at risk.

We have now had 10 months of processing at the Goulburn facility and it has been 10 months of hard work. But we believe it is well worth the time and effort for WAMMCO. The lamb processing section of the plant is now operating very well. Given the big increases

of lamb forecasted in the years ahead on the East Coast we believe this operation will only continue to improve the benefits we can provide to our loyal supplier members in the West.

The processing plant is about the same size as the Katanning plant and can process 4300 lambs per shift. When combined with our Katanning operations, WAMMCO would easily be in the top 3 lamb processors in Australia on tonnage produced. This extra size certainly helps with market penetration and marketing options but also offers many other benefits associated with procurement and best practice management.



Aerial view of Southern Meats, Goulburn, NSW

WAMMCO STATE PRIME LAMB CARCASE COMPETITION

The 2011/12 WAMMCO State Prime Lamb Carcase Competition was a roaring success with a record number of lambs evaluated and enormous support from the Agricultural community to make it the nation's largest and richest prime lamb carcase competition. A total of 69 members consigned 30,369 lambs in 115 consignments to fight for over \$22,000 of cash and prizes. WAMMCO is extremely grateful for the support supplied by Primaries Livestock, Milne Feeds, Superior Livestock Services, Elders Livestock, CSBP, Advantage Feeders and the Farm Weekly. Congratulations to Ross and Pauline Taylor, Lake Grace for winning both the Overall competition as well as the 300+ lamb category and to Craig and Liz Heggaton, Kojonup who were successful in the Trade Weight category.

TOP 3 / CATEGORY

OVERALL

- 1st** Ross & Pauline Taylor, RW & PM Taylor, Lake Grace
- 2nd** Terry & Dale Cronin, Bunkin Farming Enterprise, Dumbleyung
- 3rd** Barry, Sheldon & Trent Kowald, Capemont Farms, Katanning

300+ CATEGORY

- 1st** Ross & Pauline Taylor, RW & PM Taylor, Lake Grace
- 2nd** Brendan & Pauline Tyrrell, Swandale Investments Pty Ltd, Esperance
- 3rd** Alan Orr, AR Orr, Newdegate

TRADE WEIGHT CATEGORY

- 1st** Craig & Liz Heggaton, Evergreen Grazing Co, Kojonup
- 2nd** Graham, Chris & Wayne Barrett, GH & CA Barrett, Jerramungup
- 3rd** Wes & Megan Leo, WM & ML Leo, Ravensthorpe

Photos courtesy of Farm Weekly



Overall winners



Winners of Trade weight category

Lambex 2012

Bendigo Showgrounds
Bendigo, Victoria
June 28 and 29, 2012
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