



## ***Loyalty Payments***

As part of our programme to recognise and reward committed supply, we will shortly pay out more than \$6 million to farmer-shareholders under our loyalty payments initiative. This covers the second quarter of the year for cattle, sheep and deer. Platinum and gold farmer-shareholders are paid a loyalty payment for each stock species they supply to Alliance Group. For instance, farmers supplying 100 per cent of their lambs will be paid an additional 10c/per kilogram per animal. This loyalty payment strengthens our competitive advantage, building on our efficient livestock processing position and market penetration. Keep a look out for your statement in the mail. The funds should be in your account by Monday 1 May.

---

## ***Pricing***

Last week we lifted the 14.5-21.2kg weight range by an additional 10 cents in the South Island lamb schedule. The increase in this weight range recognises that the strong store market is attracting lambs that would otherwise be killed. This weight range is attractive to our customers rather than having the lambs go into the store market and be killed at a later date at heavier weights. I want to take this opportunity to explain in more detail how we calculate returns to farmers. We have lifted the CPK price this week by a further 15c across all grades.

The table below is based on an 18.5kg lamb and shows the overall return for a lamb. It's important to remember we do have a floor in our pricing should the situation arise where a line of lambs yield less than the published cents per kilogram (CPK). No shareholder will be any worse off than the CPK pricing as a low yielding line will be made up to the CPK price. I encourage you to talk to your Livestock Representative about how the Alliance Yield Schedule delivers value to your operation and whether there are opportunities to modify your farming system to lift lamb yields.

	<b>AGL Yield Grading Shareholder \$/kg</b>
Schedule (inclusive of 1kg wool pull)	\$5.43
Yield	\$0.14
Loyalty	\$0.10
Bellied Premium	\$0.10
	<hr/> \$5.77
Profit Distribution 2015/16 (\$1.50/hd)	\$0.08
	<hr/> <hr/> \$5.85

PURE SOUTH  
**TE MANA LAMB™**  
NEW ZEALAND HIGH COUNTRY BRED

### ***Introducing Te Mana Lamb***

As you may know, Alliance Group is a key partner with Headwaters and the Ministry for Primary Industries (MPI) in the Omega Lamb Project, a Primary Growth Partnership (PGP) programme, which is producing a new kind of lamb. I can now reveal this lamb will be known as Te Mana Lamb. The name is inspired by *Manna* from the Old Testament, meaning 'Food from Heaven', and from *Mana*, from Māori, widely used in New Zealand to describe authority, power and prestige.

The original intent of the programme was to explore the development of healthier sheep better able to endure the rigours of higher altitude pastures. That meant putting fat back into animals. The result has been the development of lamb with a new kind of fat; good fat – a polyunsaturated *intramuscular* fat, rich in Omega-3. Leading chefs who have trialled Te Mana agree it's a different kind of meat, which cooks differently and has a delicate taste and mouth feel profile. It provides opportunity for chefs to develop new dishes and to attract a new generation of 'foodies' to lamb. A very special dining out experience, Te Mana Lamb is now on the menu at a number of premium New Zealand and Hong Kong restaurants.

The project is an example of Alliance Group's proud history of processing and marketing innovation as well as our business strategy in action as we seek to capture more market value for farmer shareholders. It will also have wider benefits for all co-operative shareholders including processing technology, strengthening market relationships and a long-term objective to extract greater margin from differentiated products. Te Mana Lamb is already opening the door in the food service sector for other Pure South products

Te Mana Lamb is currently being served at the following restaurants:

- Ostro Brasserie and Bar, Auckland
- SIDART, Auckland
- Cassia, Auckland
- Langham Hotel, Auckland
- Woodpecker Hill, Auckland
- The Barnacle. Auckland



- Cable Bay Vineyards, Waiheke Island
- Matterhorn, Wellington
- Chillingworth Road, Christchurch
- Minaret Station Alpine Lodge, Wanaka
- Wanaka Gourmet Kitchen, Wanaka
- Jack's Point Clubhouse, Queenstown
- Rata, Queenstown
- Blanket Bay Lodge, Queenstown

---

### ***Cattle processing***

As the seasonal mix of livestock supply changes, we have been moving processing capacity over to beef. The later lamb season means we are facing challenges bringing on sufficient beef processing capacity quickly enough to match the supply of beef. As you would expect, we are giving priority to Platinum and Gold shareholders for space. Our beef plants are also working overtime to process greater numbers. We expect space will start to free up from the third week of May.

---

### ***Clarifying requirements for bellied premium***

There has been some confusion about the requirements for bellied premium. The co-operative's current standard, introduced in 2015, sets out how bellied premium should be presented. Stock classification criteria A requires animals to be well-presented, requiring nothing more than a spray wash as preparation for processing. This means belly wool must be no greater than 60mm up to and including the top of the brisket. Belly wool containing faecal or mud dags must be fully removed regardless of wool length. Crutching and belying may be done immediately prior to sending stock for processing. The full belly must be removed and socks removed correctly.

Animals which are otherwise well-presented will be classified B Grade if any of the following occur:

- Rewashing required to remove dust or dirt
- Faecal stain
- Dirty bellies
- Greasy wool
- Scouring
- Minimal leg, anal, scrotal or mud dags
- Socks left on when shorn or bellied or not emptied out.

For further details on the requirements, please refer to the Farm Alliance website or talk to your local Livestock Representative.

---

### ***Farm Assurance and Animal Stock Declarations (ASD)***

Livestock farm assurance is a key requirement for our premium UK and North American markets. In order to maximise opportunities in these markets, it is critical that Alliance stock advice declaration forms are completed accurately and in full. This is especially important for "bought in stock" (stock not born on your property) where there are specific residency time requirements that must be met in order to achieve or maintain farm assurance status.

Residency requirements for farm assurance are as follows:

- Livestock purchased from a farm assured source must be held on your property for a minimum of 20 days
- Livestock purchased from a non-farm assured source (or in situations where the farm assured status of the source is unknown) must be held on your property for a minimum of 60 days.

These are market driven requirements and bought in/purchased livestock supplied without correctly completed AGL stock advice declarations must be downgraded by plants to non-farm assured.

Please assist us with maximising our market opportunities by carefully completing your Alliance stock advice declaration forms. If you are unsure of how to complete your ASD, please contact your local Livestock Representative who will be able to assist you.

---

### ***Livestock drinking water***

On another note, it's vital livestock are provided with a reliable source of drinking water in holding paddocks and yards at all times up until the point of preparation for loading onto transporter (with the exception of emptying of stock before shearing). This is important for the welfare of your animals and can also have an impact on carcass weight and meat quality. This has been identified as an issue during recent UK retailer audits of New Zealand farms.

---

### ***Smithfield investment***



You may be aware of newspaper reports of residents' complaints about an odour in Timaru and suggestions it originated from our Smithfield plant. We are committed to ensuring the amenity of Timaru residents so I am pleased to announce Alliance Group will be investing in a \$700,000 upgrade of the plant's odour and wastewater systems. Completion of this work programme will bring the Smithfield odour control systems to a practice standard which is as good as any comparable plant in New Zealand.

The investment will have the added benefit of generating more revenue by capturing additional fats and solids to improve yield of our co-products so this investment is good news for farmers and the environment. This underlines our commitment to our Smithfield plant, which is one of South Canterbury's largest employers and a major contributor to the regional economy.

## ***Still time to book for Women's Workshops***

Alliance Group's popular Women's Workshops get underway from 8 May so if you haven't done so already, now is the time to book your place. Attendees will receive an update on the latest developments for the co-operative, as well as hear from key speakers including Heather Stacy, Livestock and Shareholder Services General Manager, and Peter Russell, General Manager Marketing. This year's event will also include a talk on knife care, with an opportunity to purchase a high-quality knife.



<b>Region</b>	<b>Date and time</b>	<b>Venue</b>
Invercargill	Monday, 8 May 10:00 – 3:00pm	Ascot Park Hotel, Corner of Tay Street & Racecourse Road, Invercargill
Gore	Tuesday, 9 May 10:00 – 3:00pm	Heartland Hotel, 100 Waimea Street, Croydon, Gore
Gore	Tuesday, 9 May 6.30 – 9:30pm	Heartland Hotel, 100 Waimea Street, Croydon, Gore
Mosgiel	Wednesday, 10 May 10:00 – 3:00pm	Holy Cross Centre, 89 Church Street, Mosgiel, Dunedin
Dannevirke	Monday, 15 May 10:00 – 3:00pm	The Hub, 23 Gordon Street, Dannevirke
Taupo	Tuesday, 16 May 10:00 – 3:00pm	Suncourt Hotel & Conference Centre, 14 Northcroft Street, Taupo
Nelson	Monday, 29 May 10:00 – 3:00pm	The Honest Lawyer, 1 Point Road, Monaco, Nelson
Amberley	Tuesday, 30 May 10:00 – 3:00pm	Waipara Hills winery, 780 Glasnevin Road, Waipara
Geraldine	Wednesday, 31 May 10:00 – 3:00pm	StoneBridge function venue, 842 Winchester-Geraldine Road, Geraldine

For more information, visit [www.alliance.co.nz](http://www.alliance.co.nz)

---

## ***Market update***

### **Lamb**

The UK chilled market remains steady and frozen demand is strong on limited supply with prices firming, particularly for legs. The European market is also firm for all cuts with middle shortages continuing and prices reaching historical highs. Demand is firm in North America with strong demand for all cuts. In China, demand is steady as the market moves into the low summer consumption period. In the Middle East, reduced supply out of New Zealand and Australia is ensuring a firm market with prices improving.

**Mutton**

All markets for mutton remain firm on limited supply.

**Deer**

There is strong demand on limited supply.

**Beef**

US market prices have eased US 2-3 cents/lb in the past week as the main US importers attempt to pull prices down. However, despite the increased New Zealand kills, there are enough buyers remaining active and so we expect prices will not fall too far. Most New Zealand exporters are currently forward sold and with the peak New Zealand cow kill expected to be shorter than usual, we would hope to see some stability in the market short-term. Chinese demand has eased slightly as the summer months approach and prices are slightly lower than the previous week. Korea and Japan remain difficult while Indonesia has opened more import permits and seeks larger volume supplies for prompt delivery.

**Co-products**

Pelt prices are stable but we are pleased to see increased interest in lower grade material. There has been mixed demand for wool at the latest auctions but with the majority of the current kill being shorn pre-kill, we are now producing limited volumes. The market for cattle hides is firm although prospects for the upcoming bobby calf season look slightly weaker. The casings market remains unchanged.

Warm regards

**David Surveyor**  
CHIEF EXECUTIVE

For more information about Alliance Group, visit [www.alliance.co.nz](http://www.alliance.co.nz)

*Copyright © 2017 Alliance Group Limited. All rights reserved.*

Want to change how you receive these emails?  
You can [update your preferences](#) or [unsubscribe from this list](#)

This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error, please delete it immediately.