



Brief Bytes

Email update from Alliance Group - your co-operative & partner in farming excellence



As part of our programme to recognise and reward committed supply, we have just paid out more than \$4.6 million to more than 2,500 farmer-shareholders under our loyalty payments initiative. This covered the January to March period for cattle, sheep and deer.

Platinum and gold farmer-shareholders are paid an additional 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.

Following the Alliance board meeting today (Friday 6th May), we will also be sending out statements of share contributions from livestock proceeds. We have also extended the deduction for the advanced payment to farmer-shareholders for a further week to allow those farmers who have been holding stock to maximise weights.

Pure South Conference coming up fast

Time is running out for you to register for the Alliance Pure South Conference in Queenstown from 25-27 May. We have a superb range of national and international speakers on the programme and the conference also represents a good opportunity to talk with Alliance Group directors and management. Register now at <http://www.allianceconference.co.nz>

We look forward to meeting many of you there.

Tapping heavier primal opportunities

On the subject of weight - we have increased our carcase weight range from 23kg to 25kg. The most common specification for world markets is lambs of 18 - 19kg. Our marketing programmes are creating opportunities to put shoulders into the Middle East and legs and middles into North America, where there are some specific markets for some heavier primals.

Grazing for drought-affected farmers

As a sector, we pull together in tough times. Some parts of the South Island are going through very serious drought. We're encouraging farmers in other areas with available feed to please contact your local Alliance livestock representative to let them know if you can offer grazing to any sheep or hoggets.

Getting winter options in

A reminder that winter contract options need to be submitted as soon as possible and the closing dates are upon us. Options were released last month and numbers have been very good. If you want to submit, and haven't done so yet, then please get cow options to us by early next week and lamb and venison by the end of next week.

Henan looks to buy more lamb skins

We were pleased to host a visit last week by representatives from Henan Prosper, our largest client for salted wool on skins.

We have a long-standing relationship with Henan Prosper, which was established 21 years ago and is now the world's largest wool-on sheepskin tannery and the single largest buyer of lamb skins.



Pictured left to right: Frank Zhao, Heenan Prosper Fellmongery Manager, Mark Ma, Heenan Prosper Director, and Sten Liu, Heenan Prosper Skin Purchasing assistant reviewing wool on rug skins at Pukeuri Plant Fellmongery.

The company sources quality raw skins globally - but mainly from Australia, New Zealand, China, the UK, EU and US - and processes them at its state-of-the-art facility in China's Henan Province.

Henan Prosper is diversifying and refining current product lines and is committed to effluent and environmental future proofing of its business. It is currently spending US\$30 million on water treatment facilities with another US\$30 million planned for future stages.

As a key quality raw material supplier, Alliance Group is a large part of this future expansion and the visit was targeted at reviewing opportunities to increase supply of all ranges of raw material.

Henan Prosper had modest beginnings, importing 300,000 skins to process into shoe linings. Today, they employ 9,000 people and process 60,000 skins a day - 20 million per year - for a diverse range of end uses. As New Zealand's largest exporter of sheep and lamb, our relationship has grown along with them and we look forward to strengthening this partnership in the future.



Pictured left to right: Sten Liu, Skin Purchasing assistant, Mark Ma, Director, Frank Zhao, Fellmongery Manager, reviewing pickle lamb skins at Pukeuri Plant.

Spanish eyes on Alliance

This week we also welcomed a visitor from Europe, Manolo Izquierdo, the lamb buyer for Spanish supermarket giant Mercadona.

Alliance Group is now processing, packaging and exporting Pure South lamb directly to a Spanish supermarket retailer in what's one of the shortest supply chain linkages of its kind in the industry.

Mr Izquierdo came to New Zealand for just four days, specifically to meet with us. He visited our Lorneville plant and was very interested to view his product here.

We are exploring the introduction of new specifications and promoting Pure South lamb to the Mercadona customers as “pasture raised”, which is in direct contrast to the local offering that’s predominantly ex-feedlot with a different taste profile.

A range of point of sale material and cooking suggestions are also being developed so the Spanish consumer can get the very best out of our Pure South lamb.



Pictured from left: Mr Manolo Izquierdo of Mercadona with Alliance Group plant manager Dave Kean and Alliance Group sales manager Katrina Allan at Lorneville.

Market update

Signs of lift in global lamb market

The general sentiment is that global lamb markets are improving. That's partly on the back of concern over the tightening of New Zealand supply and also, possibly, due to some more interest from the Middle East due to improved oil prices. There are also positive signs of some price improvements on key items in China. Chilled demand is reducing in the UK as their domestic season gets underway.

Mutton season nears end

The mutton season is well advanced now with low inventory being carried in New Zealand.

Low cow cull set to lift demand

Indications are that there is likely to be a lower cow cull numbers going forward. That could help keep solid demand out of the USA and possibly China too. The USA domestic produced beef appears to be under some price pressure but demand and price for imported beef from NZ and Australia is firmer.

Venison, gearing up for the big chill

We are now gearing up for negotiations for chilled for the game season from September to December.

Skins steady

Prices remain steady for both pickled and salted lamb/sheepskins. Demand for garment leathers is average but New Zealand's overall stock position is far lower than this time last year and that is helping maintain price momentum. Cattle hides are in reasonable demand and, after a flat six months, there is some lift in demand for deer skins.

Lifting governance skills

You may wish to attend two upcoming Institute of Directors events designed to improve knowledge of rural governance.

The first, Governance of Rural Business in Challenging Times, is a luncheon function to be held, from 12 noon, this Monday (May 9th) at the Ascot Park Hotel in Invercargill.

There is also a day-long course on Rural Governance Essentials on Thursday July 7th, also in Invercargill.

For more details, call Vivienne Seaton, IoD's Otago Southland Branch Manager, 03 481 1308.

Warm regards

David Surveyor

Chief Executive

Your co-operative, working with you across the supply chain



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