



I've just returned from Toronto, Canada, where I attended a board meeting of The Lamb Company, the leading lamb marketing and distribution company in North America. The Lamb Company's share of total NZ imports into Canada is 82% and the US 66%. Alliance Group is the largest of four shareholders in the company, which is a good example of New Zealand and Australian sheepmeat exporters collaborating to develop a market. There are approximately 356 million consumers in North America, that's roughly 79 times the size of the population of New Zealand and 65% of North American consumers have never tried lamb. This market is changing and The Lamb Company is well positioned to meet the changing needs of consumers. Many North American consumers are cash-rich, time-poor, want convenient solutions, antibiotic-free and hormone-free products and care about where their food comes from. The Lamb Company intends to ramp up its marketing activity next year. The visit was also a good opportunity to talk further with The Lamb Company CEO Tony Ruffo, who spoke at last month's Alliance Pure South conference in Queenstown.



Above: Tony Ruffo - Chief Executive Officer, The Lamb Company presenting at the Alliance Pure South conference.

Market update

Our forecasts are based upon the best insights we have available at the time. There has been a relative upwards movement in the \$NZD in recent weeks. Although the various market levels in \$US and Euro for some product lines have improved, there is some offset with the stronger \$NZ reducing the return benefit to farmers. Since 1 June, the \$NZ has strengthened against Alliance Group's Trade Weighted Index of currencies by over 5%. In effect, this has reduced market revenues by \$7 per

head for lamb and over \$50 per head for cattle.

The marketplace remains extremely volatile with significant potential for changing conditions and prices. We're expecting this volatility to continue, particularly with the uncertainty around Brexit. As a co-operative, we have the ability to absorb some of this volatility and hold prices, however if the foreign exchange pressure continues, we do anticipate prices could dip in the coming weeks.

Lamb

There has been a reduction in seasonal lamb volumes combined with historically low inventory levels and there is the possibility of forward supply shortages to overseas markets.

The European market remains steady for legs, which is a seasonal item with reduced consumption during summer months. Strong demand for all middle items remain with improved prices forecast on low inventory and production.

Chilled volumes of UK leg sales increased by about nine per cent in the first half of the season. The increased uptake of chilled has reduced the availability of frozen items going forward, with supply in sync with demand, including domestic production. Prices remain steady.

In the Middle East, a deteriorating economy, driven by a significant reduction of oil prices plus an overhang of inventory, has created a lack of demand for forequarters. Supply up to Ramadan was 70 per cent down year on year. However, the market is now becoming aware of supply shortages post Ramadan, with price increases expected to improve over the coming months.

Chinese market demand remains firm for all items. Low value cut returns are showing some upside but the market is now having to compete with other global forequarter markets North American demand for chilled remains steady, with rising demand for middles.

Mutton

Mutton remains steady with limited supply going forward and pricing is expected to be similar to current levels.

Beef

Manufacturing beef price levels from the US markets have not reached the higher levels expected earlier in the season, based on the reduced NZ and Australian production for 2016. In part, that has been due to the larger than usual carry through stocks from strong NZ and Australia kills in 2015. US internal markets for domestic processed beef have also been under recent pressure with consumers

resisting higher price points and the protein market flooded with larger quantities of lower priced pork and poultry. Brazilian beef exports have also been relatively softly priced on the global market due to their political instability and weaker currency allowing export returns to surpass domestic returns. China has been a very reliable trading partner for 2016 and has widened the range of products it can now accept for domestic distribution and consumption. Indonesia has been intermittently competitive on pricing but only at periods where the tightly controlled New Zealand and Australia quota has been released to importers. Other North Asian markets have generally been flat-reflecting the subdued state of their economies and prohibitive import tax rates on NZ beef.

Forecast: the general outlook for beef medium term will be for prices trending slightly firmer, driven by slightly stronger US bids, winter supply shortages, an overall decline in supply volumes year on year and internal livestock procurement activity.

Venison

There is a supply shortage due to a reduced herd, hind retention and a strong velvet market and a potential for supply gaps for some key markets. Prices are strong with improved levels for the chilled game season. Chilled season prices are likely to reflect \$9.00/kg plus. Supply and demand may add further upside to these prices

Sheep Industry Awards

Congratulations to the Alliance Group suppliers named finalists in the 2016 Beef + Lamb New Zealand Sheep Industry Awards. The awards, now in their fifth year, are a great way to celebrate the New Zealand sheep industry and the farmers who produce the best sheepmeat in the world.



Right: Dave Warburton (left), pictured with Alliance Group chairman Murray Taggart, won the Genetics award in 2014 and is again a finalist this year

Dave Warburton, Mount Linton Station Otautau

FINALIST: Alliance Group New Zealand Terminal Worth

FINALIST: Taylor Preston Terminal Trait Leader for Lamb Survival

Peter and Marion Black, Blackdale Stud – Riverton

FINALIST: AbacusBio New Zealand Maternal Worth

Welsh Family, Twin Farm Ltd – Gore

FINALIST: AbacusBio New Zealand Maternal Worth

Derek Daniell, Masterton

FINALIST: Farmlands Co-operative Significant Contribution to the New Zealand Sheep Industry

Bevan and Wendy Hopcroft, Gore

FINALIST: Blackdale Stud Sheep Industry Supplier of the Year

Hayden Peter, Wyndham

FINALIST: Balance Agri-Nutrients Sheep Industry Emerging Talent Award

The winners will be announced on Wednesday 6 July.

New Alliance Group CFO

Cameron Mathewson has been appointed Alliance Group's new Chief Financial Officer. Cameron joins Alliance Group from Brand Developers Limited, a large privately-owned New Zealand company, where he was Chief Financial Officer/Group General Manager Corporate Services. After an early career with international accountancy firm PwC, Cameron has held a number of senior financial and commercial leadership roles with large listed companies and co-operatives in both the UK and New Zealand. Prior to his current role, he was Commercial Manager at Fonterra Brands New Zealand. Cameron brings significant experience in leading business transformation and organisational performance improvement and will play a key role in helping deliver our strategy to build a stronger co-operative for the benefit of our farmer-shareholders and staff. Cameron is married to Lucy and has two children. We're looking forward to him joining Alliance Group. He formally starts in the role on 18th July.

New bobby calf regulations

Many of you will be aware that the Ministry for Primary Industries has released its new regulations for the management and welfare of bobby calves.

Alliance Group is committed to maintaining the highest standards and best practice systems and procedures. The welfare of calves is important to safeguard the international reputation of New Zealand's red meat sector.

Some changes will come into force as close as possible to the start of the 2016 spring calving season. Others will have a delayed start date to allow farmers, transport operators and processors to make the business changes necessary to comply with them.

MPI regulations taking immediate effect will:

- Require young calves are at least four full days of age and physically fit before they are transported for sale or slaughter
- Set a maximum of 12 hours journey time for young calves being transported for sale or slaughter
- Ban sea transport of young calves across the Cook Strait
- Prohibit killing of any calves by blunt force trauma, except in an emergency situation.

MPI regulations to be introduced later will:

- Require that young calves are fed at least once in the 24 hours before slaughter. (coming into effect in February 2017)
- Require suitable shelter be provided for young calves before and during transportation and at points of sale or slaughter. (coming into effect August 2017)
- Require that loading and unloading facilities be provided and used when young calves are transported for sale and slaughter. (coming into effect August 2017).

Women's Workshops 2016 - From Co-op to Cuisine

As part of our commitment to giving you opportunities to learn more about your co-operative, we are holding our first series of Women's Workshops for 2016. The dates have now been confirmed.

Tuesday 5 July 10:00am - 2:30pm Christchurch

Rosebank Estate

180 Johns Road, Northwood, Belfast, Christchurch

Wednesday 6 July 10:00am – 2:30pm Palmerston North

Massey University Sport & Rugby Institute

56 Albany Drive, Massey University, Palmerston North

Thu 7 July 10:00am – 2:30pm Nelson

The Honest Lawyer Country Pub

1 Point Road, Monaco, Nelson

Attendees will discuss the opportunities for the co-operative and the strategies for the future, gain an insight into how products are shipped abroad, learn about product diversity, markets and the people that make it happen and hear about new product development initiatives. Alliance Group director Dawn Sangster will discuss women in the co-operative.

Please RSVP by Wednesday 30 June to doreen@alliance.co.nz or phone 03 214 2734. Please note any special dietary requirements. Workshops will be held in other venues in late July.

Warm regards

David Surveyor

Chief Executive

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



ON THE
FARM



PROCESSING
YOUR STOCK



MARKETING YOUR
PRODUCTS



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