

## 2009 PASTORAL MONITORING

# SOUTH ISLAND HIGH COUNTRY SHEEP AND BEEF



THIS REPORT CONTAINS THE KEY RESULTS FROM THE MINISTRY OF AGRICULTURE AND FORESTRY'S 2009 PASTORAL MONITORING PROGRAMME.

### KEY POINTS

- › Total sheep income (sales less purchases) increased 27 percent to \$197 200 in 2008/09 from \$155 900 in 2007/08 due primarily to increased store lamb, hogget and ewe prices in 2008/09.
- › Wool income declined by 15 percent from \$274 000 in 2007/08 to \$234 200 in 2008/09 because of lower wool prices.
- › Total farm working expenditure decreased by \$1900 in 2008/09 to \$413 600 as farmers restrained spending. Expenditure as a percentage of net cash income remains at 75 percent in 2008/09.
- › The farm profit before tax improved to \$4600 compared with a deficit of \$31 200 in 2007/08. New borrowings of \$114 600 were required to fund capital purchases, development and drawings and achieve a small cash surplus of \$1600.
- › Recent trends of increasing sheep meat returns and falling wool prices have seen a medium-term trend for these properties to receive nearly as much income from sheep meat as from wool.

»» TABLE 1: KEY PARAMETERS, FINANCIAL RESULTS AND BUDGET FOR THE SOUTH ISLAND HIGH COUNTRY SHEEP AND BEEF MODEL

YEAR ENDED 30 JUNE	2006/07	2007/08*	2008/09	2009/10 BUDGET
Effective area (ha)	10 212	10 212	10 212	10 212
Breeding ewes (head)	4 732	5 491	5 251	5 187
Replacement ewe hoggets (head)	1 294	1 584	1 366	1 408
Other sheep (head)	2 813	2 903	2 892	3 082
Breeding cows (head)	136	207	205	205
Rising 1-year cattle (head)	72	112	140	140
Other cattle (head)	74	71	59	84
Opening sheep stock units (ssu)	8 773	8 639	8 238	8 337
Opening cattle stock units	2 212	1 941	1 971	2 094
Opening total stock units (su)	10 985	10 580	10 209	10 431
Stocking rate (stock unit/ha)	1.1	1.1	1.0	1.1
Ewe lambing (%)	88	90	89	88
Average lamb price (\$/head)	40.03	37.42	57.20	52.04
Average wool price (\$/kg)	6.16	6.88	5.92	5.25
Total wool produced (kg)	42 360	39 819	39 557	40 353
Wool production (kg/ssu)	4.83	4.61	4.80	4.84
Average rising 2-year steer (\$/head)	666	714	730	638
Average cull cow (\$/head)	462	404	522	445
Net cash income (\$)	588 557	552 670	553 425	530 135
Farm working expenses (\$)	368 279	415 447	413 591	404 283
Farm profit before tax (\$)	1 970	-31 181	4 618	-33 467
Farm surplus for reinvestment (\$)¹	-37 583	-37 079	-45 116	-72 534

#### Note

1 Farm surplus for reinvestment represents the cash available from the farming business, after meeting living costs, which is available for investment on-farm or for principal repayments. It is calculated as discretionary cash less off-farm income and drawings.

#### Symbol

R The model parameters have been revised so the data for 2007/08 will not match that published in the *Pastoral Monitoring Report 2008*.





»» TABLE 2: SOUTH ISLAND HIGH COUNTRY SHEEP AND BEEF MODEL BUDGET

	2008/09			2009/10 BUDGET			CHANGE BETWEEN 2008/09 AND 2009/10 (%)
	WHOLE FARM (\$)	PER HECTARE (\$)	PER STOCK UNIT¹ (\$)	WHOLE FARM (\$)	PER HECTARE (\$)	PER STOCK UNIT¹ (\$)	
REVENUE							
Sheep	201 817	20	24.50	194 245	19	23.30	−4
Wool	234 180	23	28.43	211 854	21	25.41	−10
Cattle	87 215	9	44.25	92 571	9	44.21	6
Grazing income (including hay and silage sales)	2 580	0	0.24	2 980	0	0.28	16
Other farm income	34 942	3	3.32	36 534	4	3.39	5
LESS:							
Sheep purchases	4 589	0	0.56	5 349	1	0.64	17
Cattle purchases	2 720	0	1.38	2 700	0	1.29	−1
Net cash income	553 425	54	52.51	530 135	52	49.15	−4
Farm working expenses	413 591	41	39.24	404 283	40	37.48	−2
Cash operating surplus	139 833	14	13.27	125 852	12	11.67	−10
Interest	91 306	9	8.66	99 773	10	9.25	9
Rent and/or leases	21 955	2	2.08	22 565	2	2.09	3
Stock value adjustment	25 480	2	2.42	12 367	1	1.15	−51
Minus depreciation	47 434	5	4.50	49 349	5	4.57	4
Farm profit before tax	4 618	0	0.44	−33 467	−3	−3.10	−825
Taxation	−2 246	0	−0.21	1 183	0	0.11	−153
Farm profit after tax	6 864	1	0.65	−34 651	−3	−3.21	−605
ALLOCATION OF FUNDS							
Add back depreciation	47 434	5	4.50	49 349	5	4.57	4
Reverse stock value adjustment	−25 480	−2	−2.42	−12 367	−1	−1.15	−51
Income equalisation	0	0	0.00	0	0	0.00	...
Off-farm income	9 300	1	0.88	10 500	1	0.97	13
Discretionary cash	38 119	4	3.62	12 831	1	1.19	−66
APPLIED TO:							
Net capital purchases	47 430	5	4.50	34 410	3	3.19	−27
Development	29 760	3	2.82	0	0	0.00	...
Principal repayments	0	0	0.00	0	0	0.00	...
Drawings	73 935	7	7.01	74 865	7	6.94	1
New borrowings	114 636	11	10.88	95 261	9	8.83	−17
Introduced funds	0	0	0.00	0	0	0.00	...
Cash surplus/deficit	1 630	0	0.15	−1 183	0	−0.11	−173
Farm surplus for reinvestment²	−45 116	−4	−4.28	−72 534	−7	−6.72	61
ASSETS AND LIABILITIES							
Farm, forest and building (opening)	10 022 425	981	950.86	10 007 104	980	927.72	0
Plant and machinery (opening)	214 090	21	20.31	229 407	22	21.27	7
Stock valuation (opening)	1 187 619	116	112.67	1 213 099	119	112.46	2
Other produce on hand (opening)	551	0	0.05	499	0	0.05	−9
Total farm assets (opening)	11 424 685	1 119	1 083.89	11 450 109	1 121	1 061.49	0
Total assets (opening)	11 601 931	1 136	1 100.71	11 615 955	1 137	1 076.87	0
Total liabilities (opening)	1 042 665	102	98.92	1 157 301	113	107.29	11
Total equity (farm assets – liabilities)	10 382 020	1 017	984.97	10 292 808	1 008	954.20	−1

**Notes**

1 Sheep stock units are used in the per stock calculation for sheep and wool income and sheep purchases. Cattle stock units are used for cattle income and purchases. The remainder of the time total stock units are used.

2 Farm surplus for reinvestment represents the cash available from the farming business, after meeting living costs, which is available for investment on farm or for principal repayments. It is calculated as discretionary cash less off-farm income and drawings.

**Symbol**

... Not applicable.



»»» TABLE 3: SOUTH ISLAND HIGH COUNTRY SHEEP AND BEEF MODEL EXPENDITURE

	-2008/09			2009/10 BUDGET			CHANGE
	WHOLE FARM (\$)	PER HECTARE (\$)	PER STOCK UNIT¹ (\$)	WHOLE FARM (\$)	PER HECTARE (\$)	PER STOCK UNIT¹ (\$)	BETWEEN 2008/09 AND 2009/10 (%)
FARM WORKING EXPENSES							
Permanent wages	73 923	7	7.01	74 500	7	6.91	1
Casual wages	2 522	0	0.24	2 542	0	0.24	1
ACC	4 009	0	0.38	2 026	0	0.19	-49
<b>Total labour expenses</b>	<b>80 454</b>	<b>8</b>	<b>7.63</b>	<b>79 068</b>	<b>8</b>	<b>7.33</b>	<b>-2</b>
Animal health	24 208	2	2.30	25 485	2	2.36	5
Breeding	2 140	0	0.20	2 140	0	0.20	0
Electricity	7 440	1	0.71	7 200	1	0.67	-3
Feed (hay and silage)	20 834	2	1.98	19 960	2	1.85	-4
Feed (feed crops)	6 945	1	0.66	6 655	1	0.62	-4
Feed (grazing)	0	0	0.00	0	0	0.00	...
Feed (other)	0	0	0.00	0	0	0.00	...
Fertiliser	48 350	5	4.59	46 810	5	4.34	-3
Lime	5 470	1	0.52	4 740	0	0.44	-13
Cash crop expenses	0	0	0.00	0	0	0.00	...
Freight (not elsewhere deducted)	9 067	1	0.86	10 120	1	0.94	12
Regrassing costs	19 067	2	1.81	19 911	2	1.85	4
Shearing expenses	62 200	6	7.55	64 671	6	7.76	4
Weed and pest control	16 685	2	1.58	15 090	1	1.40	-10
Fuel	20 380	2	1.93	17 310	2	1.60	-15
Vehicle costs (excluding fuel)	15 020	1	1.42	14 945	1	1.39	0
Repairs and maintenance	30 920	3	2.93	27 461	3	2.55	-11
<b>Total other working expenses</b>	<b>288 726</b>	<b>28</b>	<b>27.39</b>	<b>282 498</b>	<b>28</b>	<b>26.19</b>	<b>-2</b>
Communication costs (phone and mail)	4 340	0	0.41	4 395	0	0.41	1
Accountancy	5 736	1	0.54	5 808	1	0.54	1
Legal and consultancy	3 280	0	0.31	3 321	0	0.31	1
Other administration	3 465	0	0.33	3 509	0	0.33	1
Water charges (irrigation)	2 790	0	0.26	2 893	0	0.27	4
Rates	14 500	1	1.38	13 430	1	1.25	-7
Insurance	8 185	1	0.78	7 253	1	0.67	-11
Other expenditure²	2 115	0	0.20	2 108	0	0.20	0
<b>Total overhead expenses</b>	<b>44 411</b>	<b>4</b>	<b>4.21</b>	<b>42 717</b>	<b>4</b>	<b>3.96</b>	<b>-4</b>
<b>Total farm working expenses</b>	<b>413 591</b>	<b>41</b>	<b>39.24</b>	<b>404 283</b>	<b>40</b>	<b>37.48</b>	<b>-2</b>
Wages of management	75 000	7	7.12	75 000	7	6.95	0
Depreciation	47 434	5	4.50	49 349	5	4.57	4
<b>Total farm operating expenses</b>	<b>536 025</b>	<b>52</b>	<b>50.85</b>	<b>528 632</b>	<b>52</b>	<b>49.01</b>	<b>-1</b>
CALCULATED RATIOS							
Economic farm surplus (EFS³)	42 879	4	4.07	13 870	1	1.29	
Farm working expenses/NCI⁴	75%			76%			
EFS/total farm assets	0.4%			0.1%			
EFS less interest and lease/equity	-0.7%			-1.1%			
Interest+rent+lease/NCI	20.5%			23.1%			
EFS/NCI	7.7%			2.6%			

**Notes**

1 Shearing expenses per stock unit based on sheep stock units.

2 Includes Accident Compensation Corporation (ACC) employer levy.

3 EFS (or earnings before interest and tax) is calculated as follows: net cash income plus change in livestock values less farm working expenses less depreciation less wages of management (WOM). WOM is calculated as follows: \$31 000 allowance for labour input plus 1 percent of opening total farm assets to a maximum of \$75 000.

4 Net cash income.

**Symbol**

... Not applicable.



## FINANCIAL PERFORMANCE OF THE SOUTH ISLAND HIGH COUNTRY SHEEP AND BEEF MODEL FARM IN 2008/09

The cash operating surplus of \$139 800 in 2008/09 is up 2 percent on 2007/08 with slightly higher income and slightly lower farm working expenses. At the same time, stock on hand has increased 237 stock units valued at \$25 500.

### REVENUE DECREASES

Net cash income was \$553 400 (\$52.51 per stock unit) in 2008/09, which is similar to \$552 700 (\$50.89 per stock unit) in 2007/08 with an increase in sheep income offset by a decrease in wool and beef income.

### SHEEP PRICES INCREASE

Total sheep income (sales less purchases) increased 27 percent to \$197 200 in 2008/09 from \$155 900 in 2007/08, primarily because of increased store lamb, hogget and ewe prices. The demand for store lambs, driven by a higher schedule at meat processors meant that the average price for store lambs in 2008/09 was \$51.22 compared with \$29.40 in 2007/08. Hogget prices also increased from \$54.45 in 2007/08 to \$81.36 in 2008/09. Opening sheep stock units were down 400 on 2007/08.

### WOOL REVENUE DECREASES

Total wool income decreased 15 percent to \$234 200 in 2008/09 compared with \$274 000 in 2007/08 following a 14 percent drop in the average wool price. Prices for all classes of wool fell from October 2008 onward. Monitored farms vary in average wool price from \$9.26 per kilogram greasy to \$2.34 per kilogram greasy. This is reflected in the average wool price of \$5.92 per kilogram greasy which indicates the variation in production systems within this model (that is, merino, mid-micron and crossbreed sheep). There was a small increase in wool shorn per sheep stock unit to 4.82 kilograms; however, this was not enough to offset the decrease in wool price. Wool contributed about 42 percent of net cash income in 2008/09 compared with 49 percent in 2007/08.

Recent trends towards an increase in sheep meat returns and a fall in wool price have seen a medium-term trend for these properties receiving nearly as much income from sheep meat as from wool. This income shift will continue to limit the profitability of some properties represented in this model that are geographically and environmentally constrained, and are simply unable to add weight and value to their lambs, unless these properties are receiving wool prices substantially above the model average.

»»» TABLE 4: SOUTH ISLAND HIGH COUNTRY SHEEP AND BEEF MODEL CASH FARM INCOME

#### YEAR ENDED 30 JUNE

	2006/07 (\$)	2007/08 <sup>R</sup> (\$)	2008/09 (\$)	2009/10 (\$) BUDGET
Sheep sales less purchases	191 343	155 899	197 228	188 896
Cattle sales less purchases	110 472	87 411	84 495	89 871
Wool	260 941	273 954	234 180	211 854
Grazing income (including hay and silage sales)	65	2 662	2 580	2 980
Other income	25 802	32 744	34 942	36 534
Net cash income	588 557	552 670	553 425	530 135

#### Symbol

R The model parameters have been revised so the data for 2007/08 will not match that published in the *Pastoral Monitoring Report 2008*.



### CATTLE NUMBERS INCREASE

Cattle revenue accounted for 16 percent of net cash income in 2008/09. Cattle income (sales less purchases) decreased 3 percent to \$84 500 in 2008/09 from \$87 400 in 2007/08 as finishing cattle numbers increased by 123 stock units (6 percent) valued at \$17 700 during the year. Breeding cow numbers have been maintained. The stock retention was offset by an increase in the price of all sale cattle. Weaner steer prices increased \$81 to \$461 and weaner heifer prices increased \$126 to \$379.

### REDUCED SPENDING CAUSES EXPENDITURE TO DECREASE SLIGHTLY OVERALL

Total farm working expenditure declined to \$413 600 in 2008/09, from \$415 400 in 2007/08. However, farm working expenditure per stock unit actually increased from \$38.25 per stock unit in 2007/08 to \$39.24 per stock unit in 2008/09 because total stock units were lower. Farm working expenditure as a percentage of net cash income remained constant at 75 percent.

### SIGNIFICANT EXPENDITURE DECREASES FOR FERTILISER AND REPAIRS AND MAINTENANCE

The most significant decreases in expenditure were for fertiliser and repairs and maintenance.

Fertiliser (excluding lime) expenditure decreased \$11 000 (18 percent) to \$48 400 (\$4.59 per stock unit) in 2008/09. Fertiliser (excluding lime) accounts for about 13 percent of total farm working expenses, and is the second biggest expense item. However, the total tonnes of fertiliser applied reduced from an average of 183 tonnes in 2007/08 to an average of 100 tonnes in 2008/09 which indicates that the price of fertiliser was still relatively high given that this was a drop in application of almost 50 percent compared with 2007/08.

Repairs and maintenance expenditure also decreased 10 percent from \$34 500 in 2007/08 to \$30 900 in 2008/09. Anecdotal comments from industry sources suggest that there was reduced demand for repairs and maintenance through local service industries as farmers sought to reduce spending as incomes declined.

### COSTS CONTINUE TO INCREASE

Shearing was relatively unchanged at \$62 200 in 2008/09 compared with \$61 700 in 2007/08, however, the cost per stock unit has increased from \$7.14 in 2007/08 to \$7.55 in 2008/09. Shearing still remains the biggest expense item accounting for about 15 percent of farm working expenses.

Fuel expenditure continues to increase, up 16 percent to \$20 400 (\$1.93 per stock unit) in 2008/09 from \$17 600 (\$1.62 per stock unit) in 2007/08.

Animal health expenditure increased 4 percent to \$24 200 (\$2.30 per stock unit) in 2008/09 from \$23 400 (\$2.15 per stock unit) in 2007/08.

Weed and pest control expenditure also increased 18 percent to \$16 700 (\$1.58 per stock unit) in 2008/09 from \$14 200 (\$1.30 per stock unit) in 2007/08. Industry commentators note that rabbits are at levels not seen for many years in large areas, and aerial 1080 poisoning has become much more common.

Interest expenses were \$91 300 (\$8.66 per stock unit), an increase of 12 percent from \$81 700 (\$7.72 per stock unit) in 2007/08 as a result of farmers borrowing to fund cash deficits. Overdraft interest rates have fallen slightly.

### NET RESULT

The farm profit before tax was \$4600 compared with a deficit of \$31 200 in 2007/08. Capital purchases, development and drawings have continued at similar levels to previous years. Some of the farms in this model have been developing irrigation systems to help improve production in the long term. This has flow on effects to pasture renewal as well. New borrowings of \$114 600 have been required to achieve a small overall cash surplus of \$1600. Without new borrowing many of these farms





would make substantial cash losses for the year. The farm surplus for reinvestment remains poor for this model at a deficit of \$45 100.

Industry commentators suggest that financiers supporting this sector are acting more conservatively in the current economic environment. They are applying credit ratings on every customer and focusing on the client's ability to generate cash flow rather than relying on equity growth. This has resulted in increased lending margins on some term loans at the time of renewal. Financiers are stressing to farmers the importance of learning how to improve their credit rating.

## **BUDGET FINANCIAL PERFORMANCE OF THE SOUTH ISLAND HIGH COUNTRY SHEEP AND BEEF MODEL FARM IN 2009/10**

The cash operating surplus is expected to decrease 10 percent (down \$14 000) in 2009/10. The decline is expected to be driven by an ongoing decrease in revenue from wool, despite a decrease in farm working expenditure.

### **REVENUE DROPS**

Sheep income (sales less purchases) is expected to fall 4 percent in 2009/10 to \$188 900. Prices are budgeted to decrease around 9 percent for store and prime lambs and about 18 percent for prime ewes. Conversely, the price of hoggets to be sold in spring 2009 is budgeted to increase by \$7 to \$88 per head compared with spring 2008, when the schedule had yet to take its major moves upwards. Hogget prices are expected to decline in the spring of 2010 in line with expected falls in prime and store lamb prices for 2009/10. Numbers sold are predicted to fall 2 percent as sheep numbers increase a further 104 stock units valued at \$11 900.

Wool revenue predictions are pessimistic, with an expected 10 percent decrease to \$211 900 in 2009/10 mainly through an expected 11 percent drop in wool price, down to an average of \$5.25 per kilogram greasy. Wool sold is expected to increase 2 percent as a result of extra sheep shorn.

Cattle income is expected to increase due to the higher number of cattle being carried through 2008/09 to be sold in 2009/10, which should more than offset the expected decrease in cattle prices in 2009/10. Prices for weaner heifers are expected to decrease by around 5 percent to \$360 per head and weaner steers down 8 percent to \$423.

### **EXPENDITURE CONTINUES TO FALL**

Total farm working expenditure is expected to decrease slightly by \$9300 (2 percent) to \$404 300 (\$37.48 per stock unit).

The biggest expenditure reduction is in repairs and maintenance which is budgeted to drop 11 percent to \$27 500 due to farmers reducing spending. Fuel and weed and pest control are also expected to decrease to \$1.60 per stock unit and \$1.40 per stock unit respectively, which is a return to 2007/08 levels.

Shearing expenditure is budgeted to increase 4 percent to \$64 700, an increase to \$7.76 per stock unit combined with an increase in the number of sheep shorn. Animal health expenditure is also expected to increase 5 percent to \$25 500 (\$2.36 per stock unit) because of extra stock numbers and increased costs per head.

Interest costs increase even further in 2009/10 with the cost of servicing the increased borrowing. Interest rates are expected to fall only slightly.



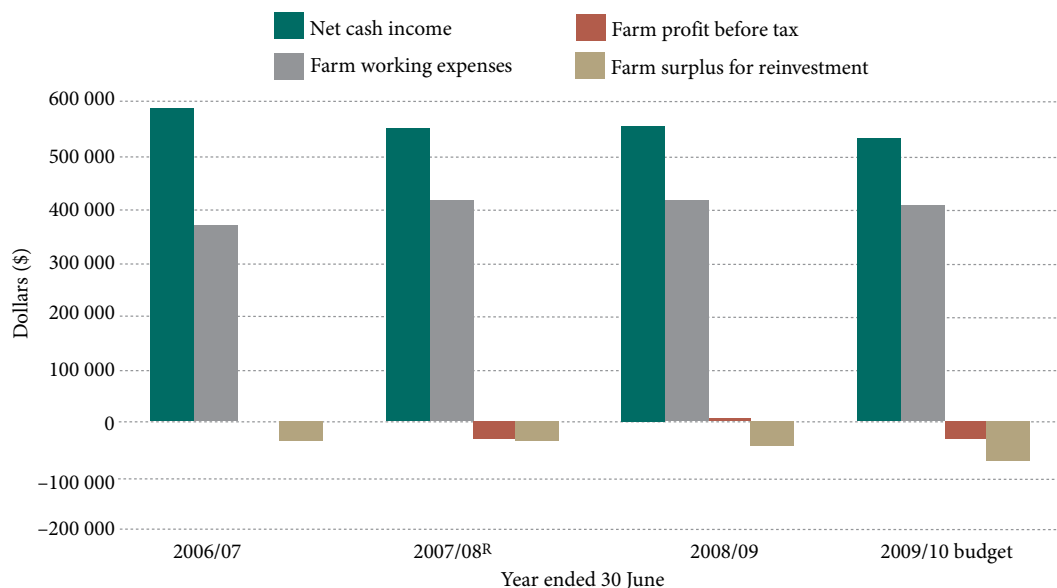
## NET RESULT

Farm profit before tax is predicted to fall to a deficit of \$33 500 while the farm surplus for reinvestment is expected to decline substantially to a deficit of \$72 500. Drawings are expected to increase slightly. Capital purchases of plant and vehicles and development spending are expected to reduce as farmers realise the need to tighten spending.

Despite elimination of development spending and reducing capital spending, new borrowings of \$95 300 is anticipated to be required to achieve a small cash deficit of \$1200.

While significant increases in revenue from sheep in prime and store stock sales are expected, industry commentators are concerned about the continuing requirement for new borrowings and the ongoing viability of some of these properties.

➤➤ FIGURE 1: SOUTH ISLAND HIGH COUNTRY SHEEP AND BEEF MODEL PROFITABILITY TRENDS



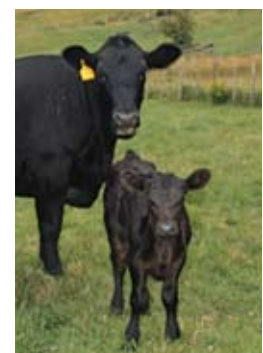
### Symbol

R The model parameters have been revised so the data for 2007/08 will not match that published in the *Pastoral Monitoring Report 2008*.

## INFORMATION ABOUT THE MODEL

The South Island high country model represents 220 high country properties throughout the South Island. The properties average 10 212 hectares and range in size from 1000 to 45 000 hectares. Nearly 80 percent of these properties farm merino sheep, the balance farm either mid-micron or crossbreed sheep. A comment on the merino industry is included at the end of this report.

For more information on this model contact [Trish.Burrough@maf.govt.nz](mailto:Trish.Burrough@maf.govt.nz)



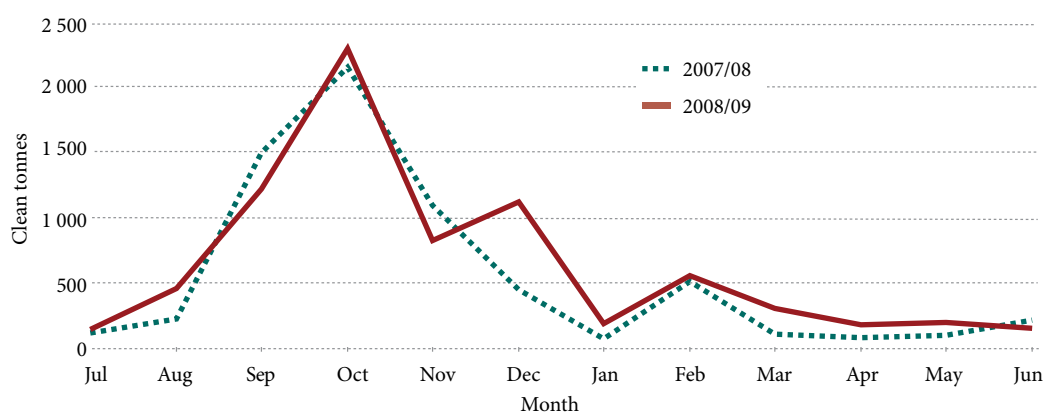


## NEW ZEALAND MERINO WOOL TRENDS

In the 2008/09 season, the volume of merino wool sold increased by 1020 tonnes (clean) to 7568 tonnes, from 6548 tonnes in 2007/08. Of this, 4887 tonnes (65 percent) was sold through auction with the balance sold privately. For the 2009/10 season, wool weight per sheep is expected to be approximately 5 to 10 percent better than last year, due to a good growing season. However, this also means that some of the wool clipped will have a slightly stronger average micron than last year.

The New Zealand Merino Company (NZM) retains approximately 75 percent market share of the total merino clip and the remainder is sold predominantly through Elders and other wool brokers.

»» FIGURE 2: MERINO WOOL VOLUME, JULY 2007–JUNE 2009



Source: Meat and Wool New Zealand Economic Service

Merino wool is sold at auction in Melbourne and also privately through a number of value-add contracts. Based on early season sales, auction prices in 2009/10 are expected to be behind last year. The difference in price for the 2009/10 season compared with 2008/09 is expected to be more marked in the finer micron ranges.

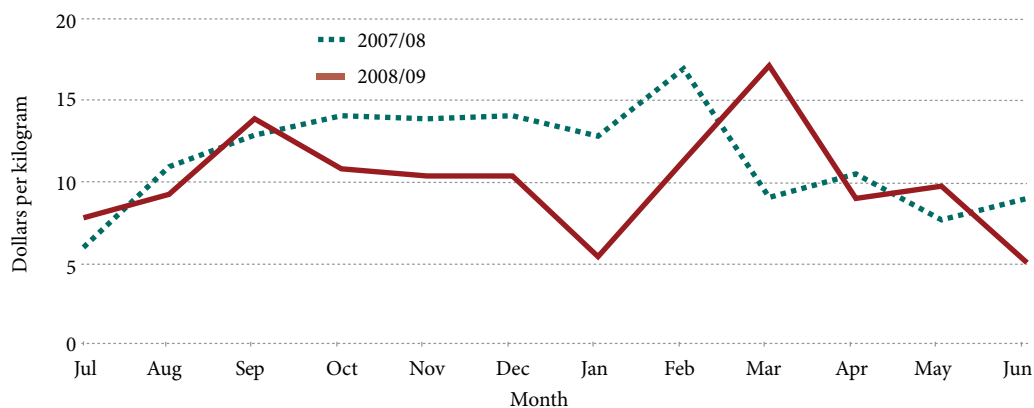
About one-third of merino wool is sold through value-add contracts. This has provided some price stability for farmers in the current economic climate where they have had longer-term contracts. The average price offered in these contracts is expected to decrease in 2009/10. NZM reports that new contracts have been developed in the 14.7 to 15.7 micron range which will provide those farmers producing in this range with some price certainty in the currently depressed market.

Meat and Wool New Zealand data indicates that merino wool (defined as less than 24 micron) achieved an average price of \$11.19 per kilogram (clean) in 2008/09 compared with \$13.56 per kilogram (clean) in 2007/08. Meat and Wool New Zealand forecast a further decrease of 18 percent in 2009/10 to \$9.14 per kilogram (clean).<sup>1</sup>

<sup>1</sup> Note that the South Island high country model budget uses greasy wool price and that approximately 25 percent of high country farms surveyed have mid-micron or crossbred sheep.



»» FIGURE 3: MERINO WOOL PRICE AT AUCTION (CLEAN), JULY 2007–JUNE 2009



Source: Meat and Wool New Zealand Economic Service

As merino wool supplies luxury markets, it follows that in an economic recession demand will be reduced. China is currently the dominant market with European markets being very quiet. NZM remain confident that the work they are doing in developing markets and contracts will ensure a strong recovery out of the recession.

In Australia, quantities and demand are also down and in addition to the current high exchange rates this drives the price of New Zealand merino wool that is sold at auction in Melbourne.

## INDUSTRY ISSUES AND DEVELOPMENTS

Industry commentators estimate that the number of merinos being farmed continues to decline. Shearing contractors in the Central Otago area have noted that some merino farmers are no longer running wethers and some significant traditional merino properties have been sold and are now farming other enterprises.

This change has been influenced by current higher prices for sheep meat and decreasing returns for wool. It has resulted in some merino farmers intensifying production on their lower altitude land where possible through irrigation and regrassing, so that they are able to add value to their merino lambs via sheep meat returns. Conversely, as more land is developed with irrigation it is apparent that there are more profitable stock classes that can be run under this system.

Anecdotal comments from industry sources suggest that there may also be a trend towards a dual purpose merino that can meet both fine wool and sheep meat markets and reduce the risk of being dependent on one income source.



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