

GRASS Newsletter

1. WOW – THAT WOOL MARKET! – 2003 to 2011

In 2003 the EMI was 860c / Kg; in July 2010 it was 882c / Kg. It is now (July 2011 at 1359c / Kg). This is a 54% rise in the EMI in 12 months.

19 Micron wool has risen 58% in 12 months.

20 Micron wool has risen 60% in 12 months.

This extra income falls straight to the bottom line and dramatically changes the gross margin profit per hectare.

2. MICRON PREMIUMS

During the 2002 wool price spike micron premiums were huge e.g. up to 60% premiums for being one micron finer. This supply signal resulted in a major trend to selecting fine wool ewes and only buying fine wool rams.

This trend was short lived but the National clip is now much finer. Fine and super fine prices contracted much more than medium wool prices and fine wool producers have been doing it tough for at least the last five years. What has happened during the current 60% increase in overall prices.

On the 11th July 2011 the premiums were:

23 Micron	Move to 22 =	1390 / 1245 =	11.6%	Premium
22 Micron	Move to 21 =	1420 / 1390 =	2.1%	Premium
20 Micron	Move to 19 =	1650 / 1480 =	11.5%	Premium
19 Micron	Move to 18 =	1875 / 1650 =	13.6%	Premium
18 Micron	Move to 17 =	2304 / 1875 =	22.9%	Premium

Wool cut on average (more at the fine end) falls about 6% for each micron finer that the sheep are in a commercial flock.

So if your flock is 22 microns and you buy fine wool rams and retain fine wool maidens and in 8 years get to 21 microns you are likely to drop wool cut by 6% for a 2.1% price gain. If you are 20 micron and move to 19 micron (as GRASS Merinos have done)

Then a 6% loss in cut is compensation by an 11.5% price increase. Well worth the trouble.

At GRASS our selection index puts pressure on, to both decrease micro while at the same time increasing fleece weight. As we have had this pressure on since 1975 (36 years) considerable progress has been made in both areas.

Our selection aim is to have the commercial ewes of our ram buyers cutting 7.0kg of 19.0 to 19.5 micro wool while marking 110% lambs.

3. AUSTRALIAN WOOL SUMMARY

During the 2010 / 2011 season there was a significant rundown in grower stocks on top of normal production. As sheep numbers have contracted from 180 million to 70 million so wool supply has dramatically reduced. In the year 2000 we sold 1050 million kilograms. In **2010 / 2011 we sold 345 million kilograms a 67% reduction in ten years.**

In 2011 / 2012 we are forecast to sell 313 million kilograms, down 4.8% on the previous year. While farmers are rebuilding Merino flocks and Merino wethers are again being retained for wool production the rebuilding of wool supply will be very slow. **This should keep pressure on retention of the current wool and sheep prices.**

4. SHEEP MEAT

Lamb export for 2010 / 2011 were down slightly (less than 0.5%). This is a good result given the high dollar and the reduced supply. The Middle East, China & Europe all expanded about 10%. Slaughter rates of lamb in Eastern Australia fell 7% during 2010 / 2011.

A lack of demand from processors has hit the market in June / July. Flock rebuilding and high wool prices have slowed the sale of sheep.

Year on Year Review:

Class of Sheep	This Year	Last Year	% Change
Restocker Lambs \$ /HD	\$78 / HD	\$75	+4%
Merino Lambs 16-22Kg	493c	459c	+7%
Trade Lambs 18-22Kg	516c	519c	-0.5%
Mutton 18-24Kg	429c	409c	+5%

Meat lamb prices are down a little and Merinos are up 5% in price.

5. SURPLUS SHEEP PRICES

What a change in the income from surplus sheep with price rises up more than wool prices. After the five year drought in the Riverina many sheep stations were down to half their long term stocking rates. After a wonderful protracted wet summer the grass cover has been rapidly restored. A manager went to a large sale of ewes with the aim of restocking and a limit of \$200 / head to buy. After bidding on all suitable lots he acquired zero ewes. Recently fine wool New England wethers sold for \$180 per head to be used as wool cutters. These prices markedly improve the gross margin of running straight Merinos.

6. RAM SOURCE COMPARISON

There are three sources of information to compare possible Merino studs to select a breeding direction for your flock.

(A) Central Test Sire Evaluation (CTSE)

This is by far the most accurate. The results of the Macquarie CTSE run on the research station at Trangie are just out.

12 studs submitted semen from their top sire and this is then used on 50 matched ewes. The subsequent lambs are all run together and measured over 2 years. The following table shows the positioning of the 12 studs on index results.

Stud Number	Dual Purpose 7%	GRASS as 100%	Stud Name	Position on Index
1	120 -	108	Billandri	3
GRASS 2	111 -	100	GRASS	4
3	80	72	Haddon Rig	11
4	107 -	96	Hazeldean	5
5	97 -	87	Marraboola	7
6	83 -	75	* Withdrawn	10
7	87 -	78	Mirani	9
8	126 -	114	Mungadal	1
9	96 -	86	Nerstane	8
10	122 -	110	One Oak	2
11	72	65	Roseville Park	12
12	98 -	88	* Withdrawn	6
Average 100				

* Names Withdrawn

Notes:

1st Mungadal – Hay: This Stud has closed down and in the change of ownership this ram and semen has been lost.

2nd One Oak – Jerilderie: A good result. Classers Results: Tops 1% below average and culls 20% above average, poor weight figures. Wrinkle and breach cover scores all poor.

3rd Billandri – Poll Stud in WA: Good all round results and we continue to buy semen.

4th **GRASS – Gulargambone:** Good results. Classers Results: Tops 24% above average **FIRST** (the next best was 12%) and culls 6% below average **SECOND**, the next best was 7% below.

- Breech wrinkle was the second lowest
- Breech cover was the second lowest
- Yearling body weight was the second best
- Staple strength was 1.2N/Ktex above average

5th Hazeldean – Cooma: Good results, fine, good classer grade, Worst Breech Wrinkle.

(B) District Wether Trials

These are also hard to design to be fair to all and avoid heavy selection of wethers on farm, the early on farm environment, and are they a true representation of the blood line.

A large number of teams does show the huge genetic difference out there. E.g. results from a 50 team comparison gave a top result of \$372 profit per hectare to a bottom of \$174 per hectare. This shows you can make an extra 30 – 40% profit per hectare by selecting a top performing blood line.

(C) On Farm Ram Comparison Trials

On farm tests of say 5 rams from two or three studs are hard to design to be fair. Ewes must be matched, rams must be of the same grade and the costs and time is considerable.

7. ARE PEOPLE MULESING?

- Last year 81,265 bales were declared as not muled e.g. farms that have ceased mulesing.
- **This is 4.0% of the total clip of 1,967,870 bales offered.**
- *The number of bales declared as not muled has risen sharply:*
 - 2008 / 2009 = 44,000 Bales
 - 2009 / 2010 = 58,000 Bales
 - 2010 / 2011 = 81,000 Bales
- **Where to Now?** None of the research to replace mulesing seems to have yielded viable alternative. Many farmers now mules and use pain killers and report excellent results. Both suggest mulesing will be ongoing.

8. RESULTS OF 36 YEARS OF SELECTION AND PERFORMANCE BREEDING

If you keep measuring all the things that make more money per hectare in your Merino flock then profits slowly grow and compound. Gains are about 1% each year but after 36 years improvements are over 40%. The improvements are spread across the factors we measure and select for:

Selection Factor	Years Measured
Increased Fleece Weight	36
Reduced Micron	36
Increased Growth Rates	36
Increase Lambing	36
Use of Ultrasound Pregnancy Testing	30
Increase Staple Strength	20
Improve Comfort Factor	20
Use of Full Pedigree	15
Measured Breech Wrinkle in Lambs	5
Measured Breech Bareness in Lambs	1

All the data goes into Merino Select and GRASS uses a 7% Micron Premium Dual purpose index to select both ewes and rams. From 1000 ewes joined we get 500 rams to select from. The classer removes all unacceptable sheep and culls low index rams. Our policy is to always to cull 50%. This guarantees to our ram buyers that we only sell above average rams.

9. OUTLOOK FOR RURAL COMMODITIES TILL 2015

Commodity	Price Rise / Fall 2008 / 2009 to 2010 / 2011 Actual	Forecast Price Change 2010 / 2011 to 2015 / 2016	Comments
<i>Beef</i>	+ 8%	+ 9%	Steady at current levels.
<i>Sheep</i>	+91%	+5%	Hold current high prices.
<i>Lambs</i>	+18%	+12%	Some increase with shortage of lamb.
<i>Wool</i>	+26%	+12%	Severe shortage will give increases.
<i>Cotton</i>	+120%	-35%	Very high current prices will give over production in 2 – 3 years.
<i>Wheat</i>	+14%	-40%	Prices in 2015 well below 2008 levels.
<i>Canola</i>	+48%	-7%	Much better outlook than wheat.

10. A NEW WOOL SELLING SYSTEM

On the 9th August 2011 a new wool selling system will commence.

“Auction Plus” selling sheep and cattle has become increasingly successful as computers and emails and pictures have become universal skills. Auctions Plus will now launch a computerised wool selling system. This will be called “Wool Trade Plus” and GRASS has booked wool into the opening sale. Look them up on www.wooltrade.com