



AFFCO EXPRESS

KIWI - TO THE BONE

FEBRUARY 2018

Welcome to the February Edition of AFFCO Express. The AFFCO Express can be sourced via www.affco.co.nz, the AFFCO Livestock App, or from your buyer. If you would like to receive a copy by post, please forward your details to lcs@affco.co.nz with AFFCO Express in the subject line – please include your AFFCO supplier number and your preferred postal address.

MYCOPLASMA BOVIS

All members of the rural community will be very aware of the impact Mycoplasma Bovis and the measures currently being undertaken to contain the disease.

If Mycoplasma Bovis is to be controlled, it is critical that all cattle movements can be traced through both Animal Status Declarations and the National Animal Identification and Traceability (NAIT) system. All owners of cattle must make sure that their animals have up-to-date NAIT tags and ASDs and movements recorded.

All farmers need to take responsibility to ensure their own farm-to-farm movements have been entered into the system.

For animals coming into an AFFCO plant this means:

- Making sure your NAIT number is clearly entered on the ASD (not your AHB or AFFCO supplier number by accident).
- Where animals are coming off a grazing block, using the NAIT number for the grazing property, not the NAIT number of the person/company that owns the stock.
- Completing an ASD for each property – you can't complete a single ASD for your farm and grazing block, even if they are covered under one NAIT number.

We all want to see Mycoplasma Bovis eradicated in New Zealand and accurate traceability for all cattle movements is our best opportunity to contain this disease.

HOROTIU OPEN DAY



PAYING IT FORWARD

A massive thanks to all those who supplied AFFCO their bobby calves last season. Through our popular Cash for Schools and Cash for Volunteer Fire Brigade we returned more than \$90,000 back to our local rural communities. Since 2006 we have donated well over one million dollars to our rural communities. Look out for registration forms for the 2018 season, which will be posted out in March, and remember to nominate a school or fire brigade of your choice when you sign up.



Netherton School in the Waikato was one of the many schools to benefit from your support during last bobby calf season

MARCH DATES TO REMEMBER

- 1st-3rd** NORTHLAND FIELD DAYS
DARGAVILLE SITE 280
- 9th-10th** WANAKA SHOW
WANAKA – SITE D11
- 15th-17th** CENTRAL DISTRICTS FIELD DAYS
FEILDING – J27-J28

PLEASE NOTE: the Malvern Open Day has been rescheduled to 21 March.

It was great to see such a turnout at our Horotiu Open Day earlier this month. We always get a lot of pleasure from hosting our suppliers at our sites, as it's usually them hosting us on farm! One of the major drawcards of the open day is the chance to get a tour around the processing plant. We typically get a very positive response from those who take the tour, who are impressed by the strategy and skill that goes into extracting the best possible value from every carcass. They also comment that it's good to see the professional way their stock, in which they have invested so much in to get to this point, are managed through the food chain.



AFFCO LIVESTOCK APP

In the last edition of AFFCO Express we explained how to log in to the Farmers@AFFCO mobile app for the first time – if you missed this look on the AFFCO website for the January edition.

This month we are looking at some of the information that is available on the app.

KILL SHEETS AND INVOICES

- Access all your killsheets in a single place
- View a kill summary or drill in for more detail
- Review your weights and grades at a glance with graphic indicators
- Download a PDF of your invoice, or export weights, grades, costs and health data

BOOKINGS

- Send a booking to your local buyer
- If you are out in the back blocks the request will send automatically once back in coverage

MARKET INDICATORS

- View movements in exchange rates and international meat commodity prices.

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AgriHQ



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MARKET UPDATE

agrihq.co.nz

LAY OF THE LAND

NZ's growing reliance on the Chinese market is well documented. Changes in demand patterns in this market are now an integral factor in determining farmgate returns. Right now, Chinese demand for red meat is switched on. Even after the demand period for their New Year holiday has passed, sales volumes and prices have held up at levels well above most exporter's expectations. NZ exporters have been making the most of the opportunity this market is offering and record volumes of product have moved into this market; with little impact on prices to date.



Rachel Agnew
AgriHQ Analyst

So far during the 2017/18 processing season (Oct-Dec), China has taken 36% of our total lamb exports and 75% of our total mutton exports. This is up from 26% and 40% respectively for the same period last year.

These larger volumes have had little impact on prices in the market with sheepmeat values steadily lifting over the past 12 months.

The average export value of lamb lifted 20% from September to December and the average value of mutton lifted close to 40% over the same time. Both lamb and mutton average export values for December are up approximately 35-40% on December 2016.

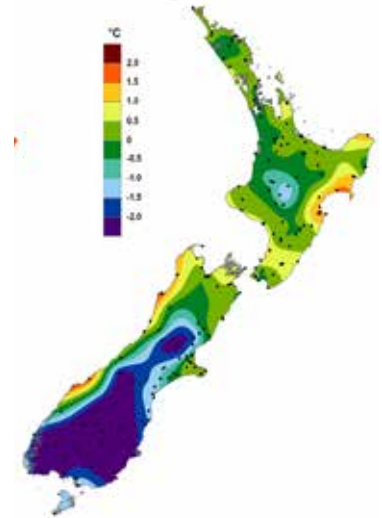
The volume of beef shipped to China has also experienced strong growth with

exports for the first three months of the 2017/18 season lifting 42% compared to the same time last season. This market now takes over 20% of our total export volumes, up from approximately 15% last year. This market is important for manufacturing trim as well as other prime cuts.

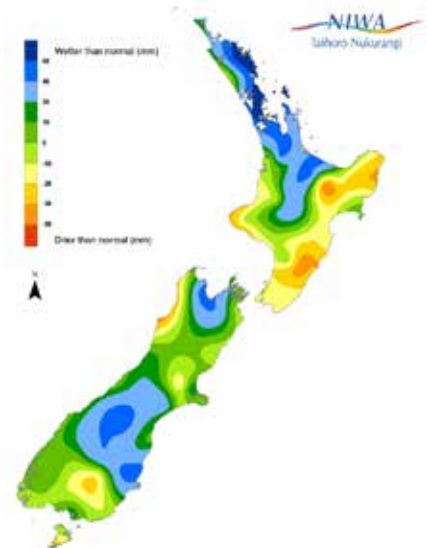
The chilled market is also showing signs of potential. Demand for NZ beef has been strong in recent months and this market is still largely the most lucrative of the Asian markets, for the items it buys, making it a preference for exporters.

With the outlook for Chinese red meat demand looking positive, our growing reliance on this market may well stand us in good stead. However, we have experienced the impact of a downturn in Chinese demand across many primary sectors now and know what the impact can be on farmgate returns. NZ will need to be prepared to weather the lows of this market if it wishes to profit the highs.

MONTH-TO-DATE TEMPERATURE ANOMALY (OC) ON 07/02/2018



SOIL MOISTURE ANOMALY (MM) 9AM ON 07/08/2018



CURRENCY

NZD vs	This month	Last month	Last year
USD	0.721	0.726	0.719
EUR	0.587	0.602	0.674
AUD	0.921	0.920	0.942
GBP	0.519	0.536	0.574

As at 08/02/2018

After a strong performance through January, the NZD experienced a volatile start to February.

Strong domestic fundamentals and an upwards trend for global dairy prices had many expecting a continuing strong theme through February.

An unexpected strengthening of the

USD, however, outweighed all other data and saw the NZD/USD drop back to under 0.73 mid-month. There is nothing predictable about the path of the NZD in the short (or long term) with even variances in leading economists' forecasts. Similar to the weather, we have to take what we get on the day.

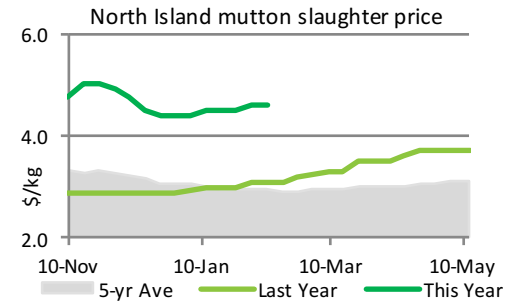
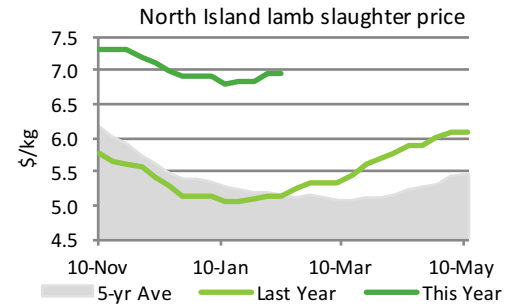
SHEEP

MARKET TRENDS

- The last shipments of chilled lamb for the UK/EU chilled Easter trade left in the first week of February. Consumption of lamb in these markets over Easter will be important to setting the market direction after March.
- Currently both frozen and chilled markets remain strong.
- Prices in the Chinese market have held up better than many anticipated given the large volumes of sheepmeat NZ has put into this market so far this season. While there has been some easing, it has not been significant to date. Demand post Chinese New Year in mid-February will be key to future direction.
- Supply from Australia remains less of a threat to NZ exports and is expected to remain this way through 2018. The lack of competition from Australia continues to underpin demand in the US and will help stimulate demand in the Middle East.

WHAT TO EXPECT

Lamb operating prices (schedule plus premiums) have held up better than anticipated through January, underpinned by slower supply of lambs through the key demand period for Easter chilled markets. While prices are expected to ease as chilled premiums are removed, it is difficult to see prices falling away significantly, and are likely to remain strong in comparison to historical averages for the time of year. Continuing strong global prices will be a major driver of the solid operating price outlook, as will the fact that the national lamb kill is well advanced compared to previous years.



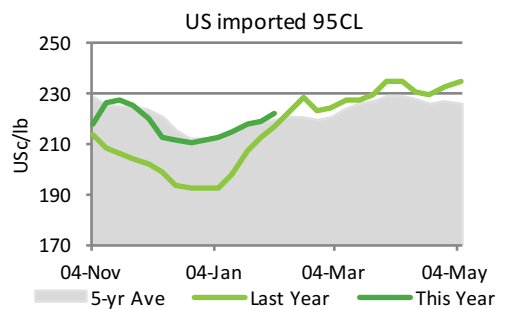
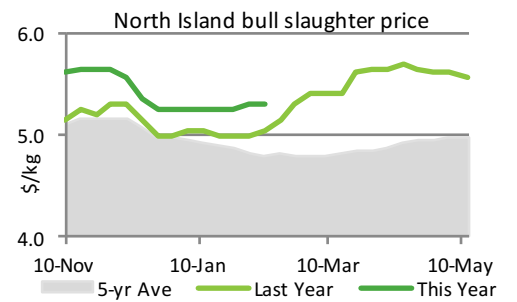
BEEF

MARKET TRENDS

- The US imported beef market continues to firm, with low imported supply from NZ and good end-user demand supporting the market.
- The NZ beef kill is well advanced in comparison to previous years, which should support demand for NZ beef.
- The NZ domestic market weakened through January, however a shorter supply of cattle for local trade has resulted in a more stable market in early February.
- Demand for beef from Japan is strong, particularly for steak cuts. While NZ remains at a competitive disadvantage to Australia in this market due to tariff rates, progress with the CPTPP will narrow the price differential between the two markets.

WHAT TO EXPECT

Cattle operating prices largely held their ground through January, underpinned by a significant drop in cattle supply. The national beef kill is well ahead compared to previous years and no significant numbers are expected to emerge prior to the autumn dairy cow kill. There has been a limited amount of procurement competition that has seen increased flexibility in pricing for cattle in early February, however due to the stronger NZD, most processors have moved to reduce killing capacity rather than compete for cattle. It is difficult to see operating prices dropping significantly from this point, however it is expected that further upside will be limited.



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