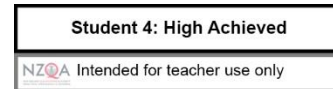


Wool Discussion

From the research carried out and through processing and analysing the information there is now enough stats and figures to discuss and work out if the farmer is making a profit from producing and exporting wool in New Zealand.



Political Intervention:

The New Zealand government plays a very large part New Zealand's wool exports. The free trade agreement New Zealand has with China has had a positive influence on the profitability for farmers as it has cleared tariffs meaning a higher return price for their wool.

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Economics

The farmer receives \$16 for every kilogram of merino wool. The average merino fleece weighs around 4kg meaning the farmer is receiving \$64 for every sheep's fleece. Shearing costs need to be included into this which cost around \$145 for every 100 sheep shorn which averages out to be \$1.45. The Romney breed returns \$4.50 for every kilogram of wool and their fleece weighs on average 5kg which works out to be a return of \$22.50 per sheep and then including the cost of shearing that is \$1.45.

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Feed supplement: Hay in case of extreme weather, made themselves around \$5 a bale = 15kg of dry matter a bale and 1 stock unit (an in lamb Romney ewe) is recommended to consume 1kg of dry matter a day = \$0.30 and allowance has to be made to feed all winter through (90 days) = \$27 a ewe per year for Romneys and approximately \$13.50 for merinos.

Fertiliser: 200kg per hectare once a year. For areas used in intensive sheep farming superphosphate is the main fertiliser required but in some smaller areas they would require the addition of potash. The recommended stocking rate for intensive sheep farming sits around 10 Romney sheep depending on cattle: sheep ratios, fertility and contour. So if a farmer is applying 200kg of superphosphate at \$320/t = \$64 per hectare and stocking 10 sheep to that hectare each sheep is costing \$6.40 per year. In places like high country down the South Island these figures would not stack up as due to low nutrient feed and extremely steep contour as well as extremely cold conditions and a rocky landscape the rate sits around 1 unit to every 3 hectares.

Breeding: Rams are a major cost to sheep farming regardless of wool or meat and a lot of effort has been put into correct breeding and crossbreeding to produce better traits.

Romney Rams = \$1500 on average. Average rams will only cost around \$830 but a top of the line Romney can reach prices of \$2200.

Merino Rams = \$2200 on average. Bottom end will reach \$1500 and higher prices will reach \$3200.

The ram to ewe ratio sits around 1: 40 = In terms of profitability the cost sums up to \$55 per sheep for merino and \$37.50 for Romney.

Rates: Rates are a council tax that every land owner has to pay and are calculated on land area and land use as well as capital value and improved value. Due to different regions and different areas incurring different council rates and proximity to town it is hard to include this into these calculations but an example is; a 1000 acre dairy farm located 10 minutes from New Plymouth will pay rates at around \$25,000 a year. The same size farm out the back of Stratford running sheep would only cost around \$7000.

Power and insurance: Insurance for the average sheep farm would cost around \$8000 a year and power would cost around \$6000 but these prices may vary.

Romney sheep costs and figures: Romney sheep are a sheep used by wool growers for their carpet wool, they are a large framed sheep that can weigh up to 80kg and their average fleece weight when shorn is around 5kg and returns around \$22.50 in profit minus the costs to manage the sheep as follows:

- Shearing = \$1.45
 - Drenching = \$1.14
 - Dipping = \$4.60
 - Feed = \$27
 - Fertiliser = \$6.40
 - Breeding = \$37.5
- Total loss = \$78.09

Merino sheep are a high country sheep used by wool farmers for their fine wool used in luxurious items. They are a smaller sheep that weigh around 45kg and are famous for their ability to live in really high country in inhospitable conditions and survive on vegetation not high in minerals and nutrients. A merino fleece weighs around 5kg and returns around \$64 per fleece minus the costs of farming as follows:

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- Shearing = \$1.45
 - Drenching = \$0.26
 - Dipping = \$3.30
 - Feed = \$13.50
 - Fertiliser = \$6.40
 - Breeding = \$55
- Total loss = \$79.91

These prices are based purely off the profit back to the farmer off wool prices alone. Wool farmers in this day and age run cattle along with the sheep to clean up pastures. Also the sales of these beef cattle along with lamb sales and the sale of culled ewes adds to the profit. An average lamb will cost around \$100 and on a farm running around 1000 lambs they will only keep 20% (200) of these lambs meaning the sale of 800 lambs creating a return profit of \$80,000. The market for wool alone is dropping gradually due to synthetic fibres replacing wool carpets and lack of promotion overseas is also putting a fading light on the industry. Merino wool seems to be the only market going anywhere but wool itself cannot pay for itself. Merino breeders are usually stud farms that sell merino lambs, rams and ewes along with wool to make a profit

Today's sheep farmers are mainly in the industry for meat production but every sheep will grow wool and therefore needs to be shorn therefore turning wool from the key focus of sheep farming into a by-product grown while producing lamb.

Conclusion

The facts and figures I have researched are done approximately for wool grower's nationwide, different regions experience different conditions which cause different circumstances. A farmer will experience gains in profit through the sale of ewes and lambs along with wool but may also experience a loss in profit due to uncontrollable deaths caused by climatic factors along with infertile rams and ewes not getting in lamb but overall there is no profit in wool farming alone due to the introduction of synthetic fibres and lack of advertisement worldwide along with higher profitability with farming sheep for their meat instead of wool.

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So can you make a profit from the primary production of wool in New Zealand?

No a farmer will not make a profit from wool production due to decrease in exports and higher profitability in the meat industry. However Merino wool is beginning to develop a name for itself from sheep breeders worldwide and there may be room for profit in the future.