Student 2: High Merit
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Lamb

Price

The average price has a big impact on the profitability of lamb and in the production of lamb; the average price is how much the farmer is receiving for each lamb on average. Between the 2003/04 season and the 2007/08 season things where looking pretty grim for lamb prices as the annual averages were between $70 and $50 per lamb and the average price for all grades never got over $90. Although in the 2008/09 farming season as a result of a seasonal peak of $95 per head for all grades, the annual average all grades lamb prices held around $90 - an increases of $30 per head on the previous year's annual. The 2009/10 season showed a fall in the average price of lamb back down to just above $80 per head. Although the following year showed at least a ten year high in price with the average price reaching a high of just under $160 per lamb and an annual average of just under $120 per head (2). A small drop in the annual average price for lamb occurred in the 2011/12 season back down to $115 per head. The 2012/13 season has shown another fall in price back down to $85 per lamb.

In the 2013/14 season Belgium along with German paid the highest price of 13,000 NZ dollars per tonne of lamb, indicating that they are buying the best cuts of lamb (3). Although we can also see that we only exported 3,000 tonnes to Belgium and around 8,000 tonnes of lamb to Germany last year. The US also pays a very high price per tonne of 12,500 NZ dollars but again import less than 10,000 tonnes of NZ lamb. This is because America has a tradition of eating meat with bones, like pork ribs. So most of what New Zealand exports to America is lamb racks.
Great Britain, New Zealand's second biggest export market for lamb in the 2013/14 season paid 9,000 NZ dollars per tonne which was the lowest per tonne from our main markets in the European Union. This tells us they are not buying the racks as they are most expensive, nor are they buying the poor cut but are buying a lot of roasts which are valued in between. However Great Britain is New Zealand largest market for lamb exports in the EU (with just fewer than 35,000 tonnes exported there last year) and was our largest market in the world up until the 2012/13 season when China took over as our largest market for lamb.
China is now New Zealand biggest export market for lamb as last year they imported over 45,000 tonnes of lamb, although they paid the lowest out of all out significant exports, paying under 6,000 NZ dollars/tonne. So most of what we export to China is the poorer less favourable cuts of the lamb like the neck chops. In China mutton is also sold as lamb. So the Chinese are not buying lamb for the roasts and racks, but instead buying the neck chops and flaps which are being used for lamb stews etc.

Previously up until March of this year New Zealand has had to trade with China through a third currency usually the US dollar. This has meant exporters have been receiving less money than they would have been if they were trading straight with the Chinese currency the renminbi or yuan because the cost of the third transaction. From March onwards exports will be receiving more money as the cost of the third money transaction has been cut out.

Seasonally of supply is another aspect that affects price of lamb.
The seasonal price is due to changes in supply volume. If there is lots of supply then the price per lamb will tend to drop, and if there is a very limited supply then the price will increase. On a typical year the supply is at its leanest around October, November, and there is the most supply around the

months of March, April. This is because most farms lamb in the spring, grow the lambs throughout the summer and then sell them in the autumn before the winter (particularly in Southland where the winters are very harsh and the summers achieve extremely high growth rates due to the long daylight hours). The highest the price of the Y lamb received in 2013 was $5.68kg on the 11 of November and the lowest the price of the Y lamb got in 2013 was from the 4th of March to the 8th of April where the price stayed at $4.07kg.

So an on farm management practice that the farmer can do (if the location of the farm allows) is lamb is early July, grow the lambs as fast as he can and then sell the first cut of lambs off to the works by early October. Selling the first cut of lambs before October 15 means that the farmer will receive some of the highest schedule prices of the year, as well as an extra premium for new lambs that will be shipped off to the UK as Christmas lamb. However if this premium is missed, the farmer who is selling lambs in late October to November will typically still be receiving the highest prices of the year. Not only this but selling them early before the summer means they have grown fast so less energy and feed has gone into maintenance (higher conversion rates), also getting rid of them before summer minimises/ eliminates the risk of the lamb getting fly strike.

However it would not be profitable for the farmer to lamb in July if they farm in an area like Southland which is very prone to snow in July. As if the farmer was mid-way through lambing and had 4000 lambs on the ground and then a snow storm in August came in, most of these 4000 lambs would die as they are still very little and prone to extreme weather conditions like being in snow for a few days. This decreases the profitability on lamb for this farmer as the quantity of lamb he is selling is dramatically affected. As profitability = income (average price x quantity produced) – costs and if the farmer loses a large proportion of his lambs due to a snowstorm then that quantity produced is going to be less, so the farmers income is going to be massively affected due to less quantity produced and therefore the profitably of that farm is going to decrease. Although if this snow storm affected a large area and lots of lambs were lost all over the southern south island then the average price of lamb in the south island is likely to increase as there is the same amount of demand but limited supply, pushing the price up. 5