

# THE WOOL PRESS

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## In this issue...

EDITORIAL .....	2
IS THERE MONEY IN LAMB? .....	3
EXPORTS: LAMB VS. MUTTON .....	5
WORK EXPERIENCE STUDENTS.....	7
WETHER TRIAL UPDATE .....	9
FALKLANDS EXPO .....	10
TOURISM IN CAMP.....	10
AUSTRALIAN WOOL PRICE BOOST .....	15

## **EDITORIAL**

The Department is in a flurry of activity preparing for the presentations that will take place during Farmers' Week. Siân has included details of the DoA open days in this publication that includes the return of Jim Gerrish, a specialist in grazing management. Many farmers who attended his workshops commented that he had an easy going presentation style. Several people have also mentioned their surprise at learning how US farmers are also challenged when producing grass fed stock for meat. Jim will be using the knowledge gained from his earlier visit in his presentations next week.

The real return on selling lamb to the abattoir is highlighted in Neil Judd's article and followed up by a taster from John Ferguson on lamb prices for the 2008 season. These will be hot topics for discussion during Farmers' Week. I recommend a read and a bit of calculator work to see what your potential return could be from growing lambs for this market. Note Neil uses 2008 prices in his Gross Margin models.

Robert Hall's article on the potential impact of the Australian drought on world wool prices is highly relevant right now. As Robert reports, present trends are a moral boost for all producers.

Please also check out Peter Johnson's wether trials data. Wool and slaughter weights will make interesting reading later this year.

Lastly thanks to Siân for putting together an article on camp tourism. It is good to include the views of the main Falklands tourism operators. Yes, people still want to visit camp in winter!

Best regards

**Phyl Rendell**  
**Director of Minerals & Agriculture**

# IS THERE MONEY IN LAMB?

*By Neil Judd*

It is clear that an increasing number of farmers in the Falkland Islands are supplying lamb to FIMCO: as shown in Table 1

**Table 1 – Lambs supplied to FIMCO**

Year	Number of farms supplying	Number of lambs to abattoir
<b>2003</b>	6	2600
<b>2004</b>	7	1808
<b>2005</b>	9	3151
<b>2006</b>	17	9201
<b>2007</b>	27	11963

It is a great achievement for the meat industry to have generated such phenomenal growth in lamb supply over this period. The key question however remains: Is it profitable for farmers to be supplying such large numbers of prime animals (lamb & hogget) for slaughter?

Honestly, there is not a simple yes or no answer to this question, mainly because the answer depends on a few things, as follows:

- The type of sheep on the farm
- Proportion of breeding ewes on the farm
- Current stocking rate relative to farm carrying capacity
- Quality of sheep and lamb produced and hence price achieved
- Farm productivity (particularly lambing % and death rates)
- Prevailing wool and meat price

There are many combinations of these characteristics that are possible for each farm, however basically it is the interaction of these characteristics that determines whether or not the decision to sell lamb (new or old season) is a profitable one for any individual farm.

In order to provide farmers with a 'ball park snapshot' as to how the factors generally fit together for farming in the Falkland Islands, a series of four Gross Margin Analyses (GMA) have been completed. The analyses attempt to represent four common farming scenarios, based on a farm with a carrying capacity of 6,000 DSE, shearing about 4,900 a year.

**GMA 1** Historical balanced flock. Decision made to sell lambs without the ability or desire to back fill the space with more productive sheep.

**GMA 2** Historical balanced flock. Selling cast-for-age wethers.

**GMA 3** Same farm carrying capacity as examples 1 & 2, however the farm converted to

a full breeding flock selling a mix of lamb and hogget.

**GMA 4** Full breeding flock but improved lambing % and reduced death rates. Flock fibre diameter reduced by 2 micron. Farm sells a mix of lamb and hogget.

### General assumptions for each GMA

It should be noted that each of the analyses assumes that the practices described are maintained indefinitely (steady state model used).

**GMA 1** 24/25 micron historical balanced flock but decision made to sell wether lamb/hogget

- No ability to 'back fill'
- 3,203 sheep shorn
- 4,300 DSE
- 1,758 ewes mated
- Sell all wether lambs, approximately 100 new season lamb and 300 old season lambs at £18/head and £22/head
- 60% lambing, typical death rates
- Wool price £2.50 p/kg clean net Stanley

**GMA 2** 24/25 micron balanced flock

- 4,900 sheep shorn
- 6,000 DSE
- 1,758 ewes mated
- Sell approximately 250 cfa wethers at £6/head
- 60% lambing and typical death rates
- Wool price £2.50 p/kg clean net Stanley

**GMA 3** 24/25 micron breeding flock

- 4,310 sheep shorn
- 6,000 DSE
- 2,700 ewes mated
- Sell approximately 180 new season lambs (at £18/head) and 480 old season lambs (at £22/head)
- 60 % lambing and typical death rates
- Wool price £2.50 p/kg clean net Stanley

**GMA 4** 22/23 micron breeding flock

- 4,672 sheep shorn
- 6,000 DSE
- 2,616 ewes mated
- Sell approximately 210 new season lambs (at £18/head) and 580 old season lambs (at £22/head)
- 70 % lambing and reduced death rates
- Wool price £2.90 p/kg clean net Stanley

**Table 2 – Relative profitability estimates for range of sheep enterprise options**

Option	Estimated Farm GM	Estimated Farm Overheads	Approximate Profit/Loss
24/25 micron historical balanced flock - sell wether lambs - farm not fully stocked (4,300 DSE)	£23,800	£30,000	£(6,200)

24/25 micron balanced farm - 'full farm' (6,000 DSE)	£26,800	£30,000	£(3,200)
24/25 micron breeding flock - 'full farm' (6,000 DSE)	£34,000	£30,000	£4,000
22/23 micron breeding flock with moderate productivity improvement - 'full farm' (6,000 DSE)	£41,500	£30,000	£11,500

*Note:*

- 1 *Proposed 2008 FIMCO lamb price schedule used*
- 2 *Farm overheads – the figure of £30,000 assumes typical cost structure and depreciation schedule. Also includes £7,500 for 'own labour'. Does not include interest or tax costs.*

## **Conclusion**

- Farms selling large numbers of new or old season lambs to FIMCO need to ensure that plans are in place to back-fill the space created by the sale
- Failure to back-fill will lead to profitability decline after a short period of cash-flow bonus
- Farms able to increase the proportion of breeding ewes on their farms have greatest profitability growth prospects
- Finer dual-purpose breeding flocks offer greatest productivity enhancing potential

I would welcome the chance to expand on any issue raised in this paper if so required. Please do not hesitate to contact myself, Andrew or Peter if further information is required.

## **EXPORTS: LAMB VS. MUTTON**

*By John Ferguson, General Manager, FIMCo*

Whilst the original concept of Sand Bay may have been to take 'all' the cull mutton, (before the plant was opened and before real customers with real contracts were agreed) a number of farmers thought this unrealistic, and results since have borne this out. Even if we had taken all the lower quality ones currently left on farm, production costs would not be cheaper and the net result worse – with many lower yielding carcasses.

### **MUTTON**

For FIMCo – mutton will be produced for a long time yet, and to a degree, probably always. However:

- Mutton is much more difficult and slower to process – increases costs
- Not so attractive to customers – almost all needs to be boneless
- BOILS...!! – not proving easy to address, another reason for boning out
- By-products – most unfit or unviable, those saved have lower value
- Difficult to see a long term increase in value

For farmers – would selling the remainder of your culls at approx £2 head (in addition to the ones currently sold) 'do the trick' in terms of improving financial viability? Whilst I may no

longer be farming and am not qualified to answer this, I would however suggest 'not'.

Present prices are approx £6.00-£8.00 for better quality, but the *average* is about £6.50. Higher yielding animals will come as breeds change, but will not alter the situation dramatically.

## **LAMB**

The progress with lamb production, both 'new' and 'old' season, has been somewhat more erratic, for a number of fairly obvious reasons – especially ewe numbers, lambing percentages and finishing animals for sale. Much work is being done to try and address these difficult issues.

From an income perspective for FIMCo, the effects of the current drop in international meat prices has not made this any easier, although there are indications that in 2008 there may be some improvement.

### **So, why concentrate on lamb?**

For FIMCo – It's the main product that customers and potential customers enquire about and wish to progress, both in terms of 'niche' markets and international trade. With the increased lamb production in 2007, FIMCo was able to process more animals than 2006 – in a season, a week & half less. This has had a significant effect on reducing the operating costs.

- More bone-in cuts – less waste, higher yield
- More efficient to process – improved productivity, lower operating costs...
- Ability to further process (example: frozen chop cutting) and add value
- More opportunities to diversify into potential 'niche' markets
- Ability to harvest more by-products – offals

For farmers –

- Provides an opportunity to diversify
- Higher potential return
- Improved cash-flow

### **How can FIMCo assist the on-farm changes?**

#### 1. Financial Commitment from FIG

At a meeting between FIMCo and SFC last year, it was stated that FIMCo is an "**Agent for Change**" and that in order to receive a longer term financial commitment (and confidence, both for FIMCo and farmers) it should:

- Align itself with the Department of Agriculture's 10 Year Plan
- Produce its own 10 Year Plan, with financial projections

This has been carried out and approval for 2007-2008 funding has been received from SFC, in conjunction with the 5 & 10 year projections. These show the possible financial results, given both higher and lower sales prices.

#### 2. Lamb Pricing

Following detailed discussions with DoA staff and FIMCo directors (predominantly farmers), the FIMCo Board and SFC has approved an increase in lamb prices – **for target quality lambs, for an interim period.**

This is a serious financial commitment by FIG at a time when international meat prices are at a low level and is approved for strategic reasons – in that it will assist farmers to work towards making the on-farm changes. It is intended that FIMCo will also benefit from this pricing policy, as most of FIMCo's production costs are 'per head' the higher yielding carcasses will be more cost effective.

Whilst the pricing and weight ranges will be discussed in more detail during Farmers Week, the following table shows the current and new lamb prices:

### **Carcass Weight & Price Relationship**

#### **NOTES:**

- Given the recent market prices for approx 14-15kg lambs in Chile & NZ (approx £1.00 - £1.10kg +/-) the Falkland Is has been paying £1.25 for a similar weight.
- In order to justify paying £1.25 - £1.40kg - in the target zone where most Falkland Is lambs are predicted to fall, there will be a maximum rate paid of £25.00 head.
- This schedule is for an interim period and subject to change.

#### **3. Organics**

There is potential to be explored for organic lamb. Discussions with customers indicate that there is much less organic premium (if any) for manufacturing grade mutton, where a lot of our product goes into.

#### **4. Local Market**

The quality and consistency of beef has greatly improved over the past couple of years, and this has been recognised by retail and wholesale customers alike. There have been issues with the pricing structure, and following recent Board approval, FIMCo's prices are becoming more competitive. The intention is that this will increase the overall revenue to FIMCo whilst purchasing more cattle from producers.

All the above will be presented and discussed in greater detail during Farmers Week, although I am happy to discuss these and other topics with farmers at any time.

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## **WORK EXPERIENCE STUDENTS**

*By Siân Ferguson*

Erica Berntsen and Lucas Berntsen have now finished their four months working at the Department of Agriculture as Agricultural Trainees. They have been very hardworking and a pleasure to have in the team, albeit with a sometimes strange sense of humour!!

We wish them all the best with whatever they do next.

One of their last tasks before leaving was to sit down and write a few words about their time here:

#### ***Erica***

Hello again. I'm afraid the time has come to say my goodbyes and thank yous, but first I'll tell you all what I have been up to in the past four months, here at the Agricultural Department.

There has been a multitude of different activities that I have been a part of including core testing and weighing sheep on lots of different farms for the trials. I also took a trip to the abattoir to watch some sheep being killed from one of the trials, which wasn't a good morning for me as I left there feeling a little worse for wear! I also had the opportunity to participate in one of Jim Gerrish's workshops that took place. I found it very interesting and informative; I could really see where his ideas and findings could be incorporated into the Falklands way of farming.

During my last few weeks at the department I have been included in the AI/ET programme which was, although a bit hectic and with a lot of early mornings, very enjoyable on my part and fascinating, as I didn't totally understand what it is they were doing, but nearer to the end I feel that I grasped the concept quite well and understood most of it.

I would like to take this opportunity to thank all of the people up at the Ag Department who put up with my weird ways; they all made the experience absolutely fab!! I can't say that I haven't had fun because I have, it's been really great, thank you all and I hope that I haven't annoyed you all too much (Especially Siân, who I was sharing an office with!).

Thanks guys you've been great!

### **Lucas**

Hello again everyone, well it seems like yesterday when I started working here at the department. But now my time here has come to an end and once again I must write an article for the Wool Press, this time saying goodbye.

My time here started at the beginning of March and finishes at the end of June. In this time I have had a lot of great laughs and sometimes, not so interesting jobs working for the department (Unfolding paperclips for the AI/ET program, counting out hundreds of tags making sure no two numbers match).

The jobs that I have been involved are helping Lucy and Vikki with core testing on a number of occasions, which may seem strange to most but I actually enjoy. However, the majority of my time here for the first three months was spent with Timmy, fencing, clearing out the big shed and hauling things about, being a general gofer I suppose.

A number of days here were spent travelling around the islands weighing sheep, setting up the ram sale and such like, who would ever think so much driving was involved in a job!

I guess I could say that I have just about been promoted to chief rover cleaner, a job that always seems to be never ending, but again I don't mind doing. Finally over the past month I have spent a lot of time helping out with the AI/ET programme, which has been both interesting, fun and occasionally boring (that would be the nursing).

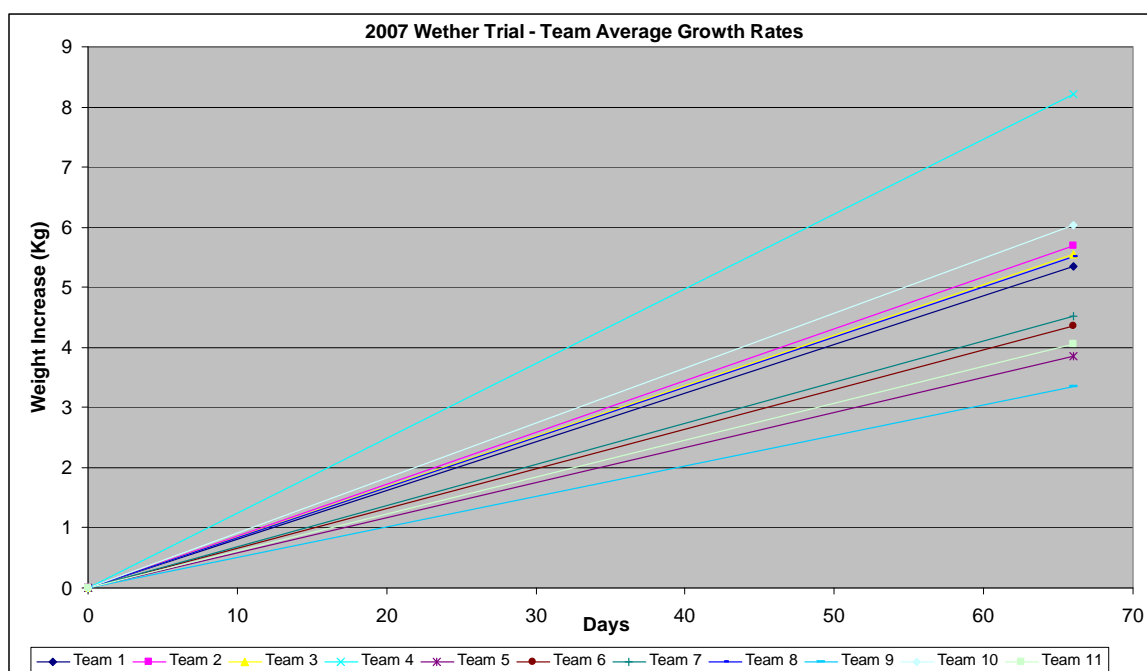
So I would just like to thank everyone who I have worked with after the past few months, I have had a really fun time working here and no doubt I will be around again soon, picking up fencing most probably!

Well I've got nothing else to say apart from goodbye, so, goodbye I guess.

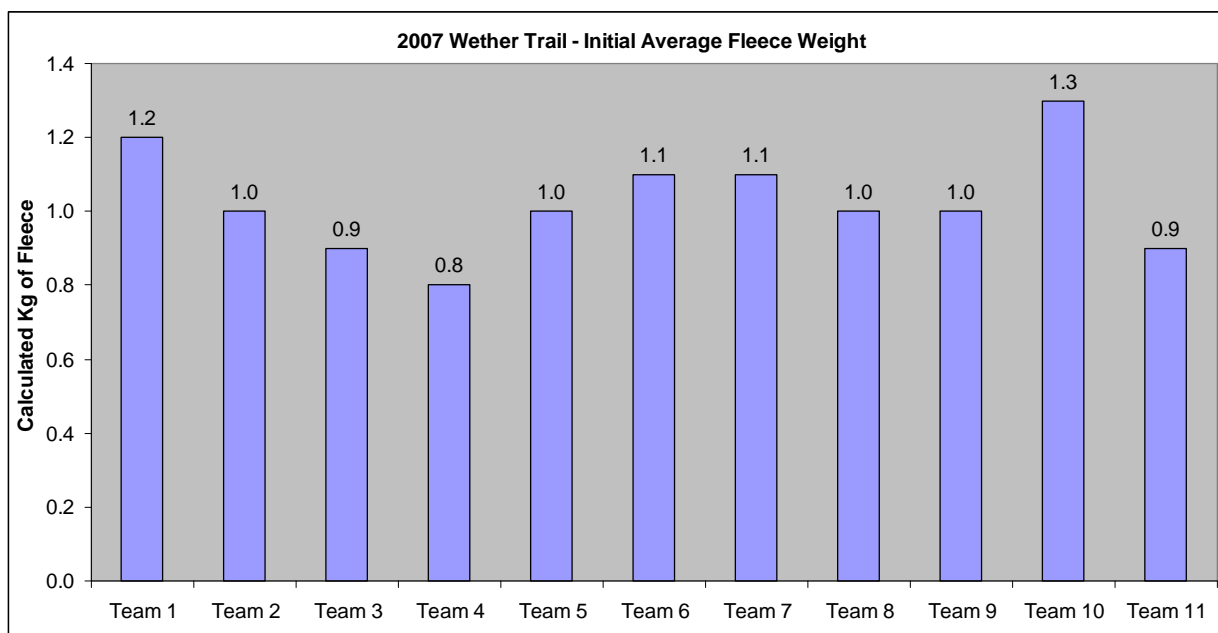
# WETHER TRIAL UPDATE

*By Peter Johnson*

The 2007 wether trial continues at Goose Green. 11 teams of 15 wethers were entered in February, and a progress weight was taken at the end of April. All the teams have done well in the high quality native pasture and the graph below shows the weight gains for the different teams during that period. It will be of interest to watch Team 4, which has been the standout team to date, putting on a team average of 8.2kg in the trial so far, compared with the trial average of 5.2kg.



Another weighing of the animals will be taken at the start of July. The animals will then spend the winter together and be shorn on the 13<sup>th</sup> of November, when fleece weights and wool micron will be used to determine a fleece value. The animals calculated wool weight when it entered the trial (team averages shown below), will be deducted from its shorn fleece weight. The animals will then be slaughtered as old-season lamb and their carcass weights used to determine their meat value.



If there are any questions relating to the wether trial, please contact me.

# FALKLANDS EXPO

*By Siân Ferguson*

On the 16th June, Sealed PR organised a Falklands Expo in the Falkland Islands Community School in which many organisations organised a stand to showcase their services and products. This including community, food, exploration, services, sport and crafts.

The Department of Agriculture set up a colourful stand with photographs displaying many aspects of farming in the Falklands which provided a great deal of interest, along with our Biennial Report, Farming Statistics and other brochures, which were popular amongst Stanley residents to keep up to date, and those visiting from outside who were not familiar with agriculture in the Falkland Islands.

Although most visitors to the stand were from the Falklands, we were lucky enough to receive a visit from the Minister for Armed Forces, Mr Adam Ingram.

Sarah Clement from Sealed PR, said they were extremely pleased with the way it went and were thrilled with the amount of visitors that came for a look on the day. The thought process behind the expo was to give the community a platform to showcase individual success. All stand-holders put so much effort into it and this is what made it such a success with over 600 visitors on the day.

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# TOURISM IN CAMP

*By Siân Ferguson*

In winter everything seems to calm down in the Falkland Islands and you can take time to reflect on the past year and how to improve. A lot of people in camp now are reaching out to the tourist industry as a way of diversifying their farm's income. I contacted the prominent tour companies to find out what makes a good camp holiday and you can also hear about how Ian & Eileen Jaffray have worked to make North Arm a popular destination. If you have any questions, then any of the companies mentioned will be happy to hear from you.

## **North Arm**

This is one of the larger settlements in the Falkland Islands and is part of the Falkland Landholdings Corporation. Farm Manager Ian Jaffray and his wife Eileen let out three self-catering houses in the settlement which are open all year round. Each house has a gas cooker, central heating, video and dvd, a washing machine, a fridge/freezer and a microwave, along with bedding provided. A shop with all the basic items is also located in the settlement.

Tourists who visit North Arm enjoy a mix of wildlife and experiencing camp life, with the most popular request being to see penguins and shearing. Bull Point is also a popular destination. Ian & Eileen say having clean and warm facilities is important.

## **What the Tour Operators say**

*MP Travel & Sullivan Shipping*

MP Travel - a subsidiary of Sullivan Shipping - are always looking for more destinations that are in driveable distance from MPA, due to the loss of warrants. Sammy Marsh says the majority of military tourists are interested in the wildlife and the Falklands way of life, while many just simply want to go somewhere to relax away from the base. She adds that a bath is greatly appreciated as most only have showers on base - a homely environment with all the mod-cons is expected. The simplest things that are already being done by many is our style of hospitality - military personnel love the meat joint and jug of milk waiting for them when they arrive, simple but effective. Many people from MPA still want to get away and enjoy some R&R time during winter, so places that are open during winter are in short supply.

Sullivan Shipping also deal with cruise ships and Sammy says the three most popular places in camp for landings are Carcass Island, New Island and West Point. The camp landings are usually made by the smaller expedition vessels who want to see the wildlife and unique way of life. Although the wildlife and dramatic scenery does make a huge impression on the tourists, they also love the tea and homemade cakes and the warm welcome given by their hosts.

### *Falkland Island Holidays (Stanley Services)*

The main attraction to the Falkland Islands is the wildlife says Jenny Luxton of Stanley Services. The pristine conditions our wildlife lives in, along with its quantity and tameness are very popular. Jenny advises that we should always try to ensure the each destination does not have too many people at any given time so the wildlife isn't stressed and the place retains it's uniqueness - there are not too many places in the world now where you can sit amongst the wildlife virtually on your own and people will pay for this privilege. Although the wildlife is the main attraction, people do want to see the traditional way of life; local people who can tell a good yard are coveted - this makes people's holidays more memorable.

On the accommodation side, most visitors through Stanley Services are well-heeled so require a good standard of accommodation, preferring en-suite facilities but these can be basic as long as homely and clean. The main area for upgrading is the need to add more bathrooms.

### *International Tours & Travel*

Wildlife, and principally penguins and the albatross, will always be our main attraction and what draws probably 95 % of people to the Islands says Sally Ellis of International Tours & Travel. She adds though that military history (battlefield tours), our way of life and perhaps most significantly the opportunity to talk and mix with local people are also big attractions to camp. A mixture of this and wildlife is also good for camp visitors. For camp life to be an attraction there has to be some element of organisation so that visitors actually feel they are experiencing something specific, eg riding, fishing, gathering, seeing the shed in action, rather than just being on the farm while their hosts go on about their business without necessarily involving the visitor.

Sally says the accommodation really depends on the individual traveller. Most people who come to the Falklands are spending significantly to get here and will generally spend between £800-900 for an all inclusive one week stay, however there are also those looking for cheaper options and they favour the self-catering destinations. Cleanliness is vital. Maps and some basic brochures/leaflets/information sheets showing what there is to do in the area, suggested walks/drives and indication the length and difficulty (ie is this suitable for children?) are always useful.



- 10am Smoko provided by the DOA
- 10.30am **Protein and Energy Balance of animals**  
*Ewes, hoggets and cattle*
- 11.30am **Annual Forage Cropping Options**  
*Turnips, oats, swedes and others*
- 12pm **Protein Supplementation**  
*How does a rumen use it? Lupins and other sources*
- 12.30pm Lunch
- 1.30pm **Yearly Profile of a Falklands Ewe Flock**  
*Body weights and what we can expect*
- 3pm Smoko provided by the DOA
- 3.30pm **A Recipe Mix for Animal Feed Requirements**
- 5pm **Preview of Wednesday & finish**
- 7pm *FIODA, Town Hall*

### Wednesday 11th July - DOA Day 2

Town Hall

- 8am **Taking Native Camp and Making it Better**
- 10am Smoko provided by the DOA
- 10.30am **Taking Native Camp and Making it Better**  
*Continued*
- 12.30pm Lunch - provided by the DOA
- 2.30 - 4pm *Fire Training. Meet at FIGAS check-in*
- 1.30pm **Stand Over Winter Feed**  
*Exploring the use of high quality summer growth as standing feed during winter months*
- 2pm **Putting it all into place on your farm**
- 3.30pm **Trade Displays & Smoko**  
*All suppliers and contractors are invited to have a stand where farmers can talk to them about what services and supplies they have to offer. Also on display will be examples of different low cost improvement options*
- 5pm **Finish**
- 6pm *Government House*

## Thursday 12th July

Town Hall

*1st Session - DOA*

8am **Veterinary Update**

Vic Epstein & Zoe Luxton

*End of DOA sessions - continuation of the RBA programme*

9.30am **FIMCO**

With coffee provided by the RBA

12pm *Lunch provided by FIMCO/FIDC*

1pm **FIMCO**

With coffee provided by the RBA

3pm **Wool Shipping - attended by FIC**

4pm **Visiting speaker - MPM Classer**

Wallace O'Conner

5.30pm **Finish**

*Evening Hillside Meal*

## Friday 12th July

Town Hall

*9am - 12pm Falklands Conservation Open Morning*

9am **Accounts Information**

10am **Councillors**

RBA members only

Coffee provided by the RBA

11am **His Excellency the Governor**

12pm *Lunch*

1pm **Aquaculture**

Coffee provided by the RBA

*2 - 3pm RBA Committee meeting, Town Hall Refreshment Room*

3pm **RBA Annual General Meeting**

4pm **Falkland Wool Company**

Closed meeting

5pm **Falkland Wool Company**

Open to farm principles

6pm **Finish**

*Evening Camp Education Dance, Town Hall*

The Department of Agriculture Farmers Week Programme is open to everyone. For more information or a copy of the DOA programme, please contact us on telephone 27335 or you can email [sferguson@doa.gov.fk](mailto:sferguson@doa.gov.fk) For the RBA programme, please contact Sealed PR on telephone 22432 or email [rba@horizon.co.fk](mailto:rba@horizon.co.fk)

# AUSTRALIAN WOOL PRICE BOOST

*Supplied by Robert Hall*

Farmers in the drought-battered Australian wool industry have been delivered a much needed confidence boost after the benchmark price broke through the 1000¢ a kilogram barrier for the first time in almost four years. Wool shortage fears are behind the buying surge led by China, with the grower stockpile gone and the national wool clip predicted to fall to 420 million kilograms for the coming year, Australia's smallest in more than 60 years.

The Australian wool industry is approaching uncharted territory as global demand remains strong, according to wool exporter Peter Morris, of P.J. Morris. "In the past 18 months we have been selling more wool than we have been producing and the grower stockpile has diminished to a negligible amount," he said. "This is probably the first time in the history of the Australian wool trade where there is no stockpile. Where it goes from here nobody knows."

More than 48,000 bales were offered nationally this week, with the Eastern Market Indicator ending the week at 1008¢/kg clean, driven by demand in the clothing market from China, Europe and India. In Fremantle, the Western Indicator rose 18¢ to 1003¢/kg clean. Predictions were for prices in coming months to hover within 10 per cent of current prices, Mr Morris said. Wool broker Peter Howie, of Dyson Jones, said the drought had pushed supplies down between 10 and 20 per cent compared with last year. He said the increase in the price during the past month had brought on to the marketplace a lot of wool which had been in storage with brokers.

Prices were now reaching more sustainable levels for drought affected farmers struggling with rising costs of feed and lower wool cuts, WA Farmers Federation wool section president Max Watts said. "I think previous to these prices, people were continuing to leave the industry and I think it was essential that we saw a kick," he said.

Since 1989, before the collapse of the wool price scheme, national sheep numbers stood at 173 million. They have since fallen to 107 million. Numbers were expected to fall further this year as farmers continued to offload stock or move into more profitable livestock options, such as meat.

Delivering 175 bales to the WA wool stores yesterday, Pingrup farmer Trevor Badger has been forced to sell off 30 per cent of his ewes during the past year as a result of the drought. He believed further price rises were needed to stop the decline in the merino flock but the prices had delivered a much needed confidence boost for farmers. "It is a great morale-booster, because a lot of people running livestock at the moment are hurting," he said.