

CRESSBROOK MERINOS

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Take Home Message

- Significant superfine wool premiums will return.
- Best predictor of future premiums is past premiums.
- Your flock needs to be in a position to capitalize when premiums next occur.
- Low premiums at present are cyclical not structural
- It is important to maintain micron if shifting more focus towards fleece weight in breeding decisions

WILL SUPERFINE WOOL PREMIUMS RETURN? YES

Andrew Woods—Independent Commodity Services.

Key points

Fine wool premiums are volatile, with the latest run of low premiums appearing to be cyclical rather than structural.

Sentiment seems to be turning against fine wool production, wrongly implying that current low premiums are permanent.

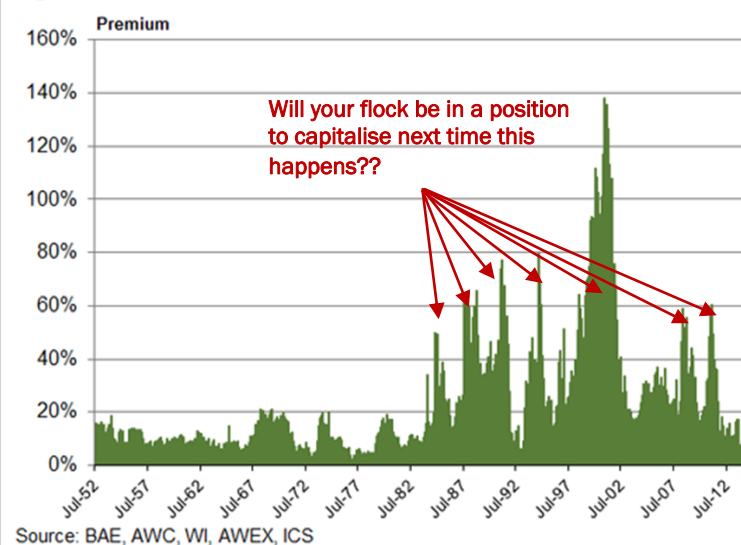
The history of fine wool premiums from the past 30 years is probably our best guide to premiums in the next thirty years.

Sentiment continues to turn against fine wool production following three years of low and falling fine wool premiums. The key difficulty with breeding decisions is the long time frame involved. This article takes a long look backwards as an aid for when we need to peer into the foggy future.

In agriculture, an extreme price signal that persists for 3-5 years generally has a significant effect on production. It generates a reaction at the farm level that flows into decisions about enterprise mix. This, in turn, shows up in changing commodity production. Fine wool premiums have had their longest run at low levels since the early 1990s, and a production reaction appears to be building.

A reaction to changed price relativities by farmers is logical.

Figure 1. Premium: 2 micron finer than median vs median merino



Price pushes supply up or down, which helps to bring supply and demand closer together.

The hard part is to determine whether the changed price relativity is a more permanent structural change or a cyclical one, which by its nature will revert to a more sustainable level.

Figure 1 shows the premium (in proportional terms) for the merino micron category 2 microns finer than the median micron for the past 60 years. The premium is basically divided into two parts, before the early 1980s and after the early 1980s.

Is the market reverting back to the pre-1980s structure? This seems most unlikely because the factors that allowed the rise in value of fine wool (containerisation, objective testing of greasy wool and fabric weights falling to low levels) remain with us.

Has supply risen markedly in recent years? Yes it has, and this factor explains a lot (not all) of the low premiums we see today..

If we assume the late 1990s high premiums are not likely to be repeated, and that the current low premiums are mainly a cyclical phenomenon, then the premiums of the past 30 years (less the late 1990s peak) is our best picture of the next 30 years.

What does this mean?

The hard part about breeding decisions is that you need to make decisions that will take a decade to bear fruit. The rule of thumb from risk management of looking back as far as you are looking forward is not a bad one when you are trying to disentangle cyclical and structural changes in markets and the consequent effects on price. The best guide to the next decade of fine wool premiums is probably the past decade and the best guide to the next thirty years is probably the last thirty years.

AUSTRALIAN NATIONAL WETHER TRIAL 2014

	Clean Fleece Weight	MICRON	SS	SL	BWT	FLEECE VALUE (August 2014 prices)	FLEECE VALUE (5 yr median prices)
Trial Average	5.1	18.9	40.8	103	66.4	59.19	57.59
Cressbrook	4.3	16.8	41.8	95	65.8	55.54	60.69

The Australian National Wether Trial held in Orange consists 29 teams representing bloodlines from right across Australia.

It can be shown from the table that using current spot prices in the market and hence low superfine wool premiums the fine wool bloodlines perform well. However, when longer term price data (in this case 5 year median) are applied to the results the superfine genetics jump to the fore.

So, given 5 year median price data (obtained from Independent Commodity Services) and using the data above, Cressbrook genetics outperform the trial average by over \$3/hd whilst still achieving Trial average bodyweight and hence carcass value.

In lieu of the aforementioned article by Andrew Woods it is these historical price results that are the best predictor of long term future results.

Of the 6 prominent New England Studs represented in the Trial, the two Cressbrook blood teams (ours and Roger Gordons "Derowie" Cudal) achieved the highest average fleece values.

CRESSBROOK SIRES AT TOP OF MERINOSELECT.

Nearly 220 of the leading merino studs in Australia and New Zealand are represented in the MerinoSelect database. Each sire can be compared for particular traits and index performance relative to the breed. **The 2013 and 2014 Cressbrook stud sire team had a total of 5 sires that rank inside the top 1% on the FP+ Index.** A selection of the 2013 sire team are shown below.

SIRE	YFD	YCFW	YWT	YSL	YWEC	FP+
100006	-1.7	24	1.1	5.3	-17	158
110521	-3.2	16	3.1	-2.5	-34	162
110503	-2.3	17	4.2	3.1	-57	158
110584	-3.9	10	-2.5	5.9	14	155
MERINOSELECT	-1.1	9.6	3.4	4.7	-2	121

Cressbrook sire 110503, shown above has recently been evaluated in the 2013 drop New England Sire Evaluation relative to 14 other leading sires from across the country. After the first year assessment his progeny have exhibited the heaviest body weights and far superior WEC. He has ranked well above the average for all of the four (DP+, MP+, FP+ and 20%MP) selection indexes.

It can be seen from the table above that Cressbrook Stud sires breed progeny with well above average fleece weights, well below average micron and WEC when compared to the MerinoSelect database average.

All of the sires shown above will have progeny in our 2015 Ram Sale team.

*Cressbrook 110503
highest body weight and
lowest WEC in 2013
drop New England
Sire Evaluation*

CONSISTENT GENETIC IMPROVEMENT AT URANDANGIE

In 1999, Bill and Jacqui Perrottet moved from Dirranbandi QLD to Guyra NSW after their purchase of the mixed grazing property Urandangie. Soon after, a flock of medium wool ewes was purchased to help stock the property.

Keen to make the most of the relative high rainfall and productive soils they decided to begin benchmarking their new business acquisition in 2000. Results indicated that, along with fibre testing and heavy classing, one important tool to improve flock profitability was through a change in bloodline. In deciding which new bloodlines to trial Bill and Jacqui based their decisions on wether trial results and stud breeding objectives.

Since 2004 Cressbrook has been the main bloodline used.

URANDANGIE CLIP PROFILE 2004 - 2013

YEAR	ADULT CFW	ADULT MICRON
2003/04	3.7	19.5
2006/07	3.9	19
2012/13	4	17.8

It can be seen from the table above that over the past 10 years, by using fibre testing, classing and a change in ram selection, Bill and Jacqui have made significant improvements in cut and micron reduction, the two biggest drivers of fleece value.

Hogget OFTA results over this time also show good improvements in Comfort Factor and Length.

Overall farm productivity has also been increased via pasture improvement, higher utilisation genetics and improved animal health. Typically the carrying capacity of Urandangie is now around 17000 dse. Bill and Jacqui use a cattle trading enterprise and wether flock to adjust carrying capacity as seasons allow.

PRODUCTIVE EASY CARE SHEEP AT OTTERBOURNE

Charlie Clarke purchased his grazing property Otterbourne 16km SE of Armidale, back in 1997 with the intention of producing superfine wools and beef. Having been a traditional Italian type superfine wool grower for many years, Charlie decided to progeny test 4 low grade Cressbrook rams against his incumbent bloodline. In doing so, Charlie was eager to measure any improvements in cut, size, along with reductions in micron whilst still achieving a quality superior enough to attract competition from Italian wool processors.

The first cross Cressbrook progeny proved a huge success with significant improvements in all the traits

Charlie was hoping for. Given the successful progeny test results, ram purchases were made exclusively at Cressbrook from 1999.

Heavy emphasis on worm resistance soon became important in his breeding objectives and so WEC breeding values became an integral part of the ram selection criteria. The current Cressbrook blood sire battery at Otterbourne averages ~56 YWEC which places them well inside the Top 5% on MerinoSelect.

With a 60% merino/40% cattle mix along with outstanding YWEC values at Otterbourne, regular dosing

of sheep has become a thing of the past. Nowadays, Charlie and his wife Jenny, need only to dose their wether flock once every 18 months. Also, their ewe flock often only requires a pre-lambing drench and the weaners twice per year as required.

At the most recent shearing 2-tooth and adult ewes/wethers averaged over 5kg of 17.1 micron wool.



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View sale catalogue at
cressbrookmerinos.com.au
from late December



Measured For Success

2014 STUD LAMBING

After a moderate autumn break following one of the hottest and driest summers on record, the Cressbrook stud ewes joined well and achieved a 112%, to ewes joined, lambing rate. This should ensure a thorough progeny testing for some exciting young Cressbrook sires and two introduced sires (through AI). Watch this space for more information in next years Newsletter...

All hands were on deck, including Lucy, Angus and Blake during the first cycle stud lamb tagging.



WOULD YOU BUY A RAM WITH THESE ASBV'S ALONG WITH OUTSTANDING WOOL QUALITY?

	YCFW	YFD	YWEC	FP+	FEET
CRESSBROOK 2015 SALE TEAM AVE	6	-2.7	-25	145 TOP 10%	1
MerinoSelect	9	-1.1	-2	121	

Early indications are that the 2015 Sale Team will be the best we have offered. The average ASBV's for the preliminary top 100 Lots are shown in the table above. Big advances in YCFW and YWEC have been made in recent years with no compromise to YFD. It is also very pleasing to note that our Feet scores have improved tremendously as well, with nearly 75% of the entire 2013 drop of rams achieving a 1 score.

WHAT DOES THIS MEAN EXACTLY?

Given a 50% heritability for the traits shown in the table above, relative to the MerinoSelect average (Top 220 studs throughout Australia), **progeny from Cressbrook Merinos will be 0.8 microns finer, yet cut only 1.5% less wool whilst carrying 12% less worms.**

SALE DAY

FRIDAY 13TH FEBRUARY
2015

130 RAMS

1000 MIXED AGE SURPLUS
EWES

2015 Sale Team Ranks
Inside Top 10%
MerinoSelect FP+