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[www.nzfma.org.nz](http://www.nzfma.org.nz)

## Mill Run

Increasing the profile of the New Zealand feed industry through press releases has been an area of focus for the NZFMA in the last quarter. Two press releases were issued in April 2008, with good coverage received in local media. Both press releases are available on the Media page of the NZFMA website.

The annual NZFMA industry seminar, held in Wellington on the 21st of May, was well attended by NZFMA members. Presentations by all speakers were well received with particular interest shown in the presentation given by John Spragg of the Stock Feed Manufacturers' Council of Australia (SFMCA).

In his presentation which focused on the SFMCA's Feed-Safe® Quality Assurance Accreditation Scheme, John highlighted the fact that regulatory authorities around the world are continually looking to shift away from regulation to greater industry self regula-

tion. He highlighted the findings of a case, in Australia, of viral hepatitis from oysters and commented on the findings of the court in a class action suit who ruled that

- "It is essential to *do what is right and reasonable* rather than rely on government or do only what government mandates."
- "The Trade Practices Act only serves to reinforce the central lesson arising from the case for producers. Producers must *do everything reasonably in their power* to avoid a risk of food contamination."

Although the case described had little to do with feed manufacturers, these two rulings highlight the importance for industry of being proactive in identifying and mitigating potential risks to consumers at all stages in the production chain.

Members who did not attend the seminar can download cop-

ies of the various presentations from the NZFMA website.

Grain prices remain an issue of concern for members and the article by Luke Chandler of Rabobank on page 2, provides some useful insight into possible trends for grain prices in the coming months.

Regulatory issues will continue to remain a key focus for the industry with the proposed regulatory changes resulting from the amendments to the ACVM Act a key issue for the industry. Similarly, the NZFMA will comment on the proposed changes to the Biosecurity (Ruminant Protein) Regulations when these are released for public consultation later this year.

Finally, if you have any specific issues which you would like to see addressed either in **Feed Forum** or by the Executive Committee or office, please let us know. Your feedback is always welcome.

## Recent Media Coverage

The continued increase in the price of foodstuffs of animal origin, such as meat, eggs and milk has been a subject of regular media focus in recent months. Consequently, the effect of the recent rapid and significant increase in grain and subsequently animal feed prices has also received increasing attention from both the media and consumers.

This has been reflected in the media clippings received on a daily basis by the NZFMA Office, with the vast majority of clippings received referring to

the increasing grain and feed prices. In the three month period from March to May 2008, 78% of clippings dealt with grain prices, 4% with genetic modification and the remaining 18% with other miscellaneous issues.

The NZFMA has been working hard to ensure that the media have a good understanding of the factors which impact on the cost of complete feed and which subsequently have an effect on the prices of meat, eggs and milk. The NZFMA Office has also highlighted the

important role played by compound feed manufacturers in providing balance, fit-for-purpose and cost-effective feeds and supplements for the livestock industries.

In addition, Michael Brooks, Executive Director of the NZFMA, has given a number of interviews for both the radio and print media, with favourable coverage of New Zealand feed manufacturers a positive outcome.



# Prices likely to remain higher despite record world wheat production

Luke Chandler

Senior Rabobank Food and Agribusiness Research and Advisory Analyst

*Grains markets have experienced extreme volatility throughout the first six months of 2008 as a number of poor growing seasons and increased demand has placed mounting pressure on world grain stocks. As a result, prices for nearly all the major grains and oilseeds have reached record levels during the first half of the year. However, 2008/09 brings the prospect of record world wheat production and many are asking what will this mean for wheat prices looking forward?*

Global wheat prices continued their decline throughout May as Northern Hemisphere seasonal conditions have remained favourable for wheat crop development. US wheat prices as indicated by CBOT nearby wheat futures had dropped to USD 7.45 per bushel by the end of May, over USD 5.00 per bushel below the recent record highs reached only ten weeks prior, in mid-March.

To put the magnitude of these price movements into some perspective, the long term average CBOT wheat price is close to USD 3.60 per bushel. By the end of May prices had declined 36% from the highs seen in early March. However, average CBOT wheat futures have since surged in early June as support from the wider grains and oilseeds complex has helped to lift prices back over the USD 8.00 per bushel level.

Downward price momentum appears to have eased for the moment with a downside support level being found between the USD 7.50 to 8.00 per bushel level. The continued bullish conditions in the rest of the grains and oilseeds complex together with extremely tight 2007/08 wheat carry-out stocks, both in the US and globally, have slowed the bearish trend in wheat prices.

In addition,

new crop wheat is not yet 'in the bin' and, as a result, prices will continue to reflect a price premium until harvest pressure intensifies.

US corn prices are expected to be a major influence for all prices in the grains and oilseeds complex over coming months. Given the current corn-planting delays there is an increasing likelihood that wheat, particularly SRW, will work into the US feed ration in 2008/09 with corn and wheat futures prices moving closer to parity.

During May and early June, there have already been reports of increased wheat feeding in the south eastern US poultry industry, as localised cash markets are trading at a significant basis discount to wheat futures.

European wheat prices have also recorded significant losses in recent months as seasonal conditions have continued to support a substantial production increase, year-on-year, together with an easing of consumer panic buying. Nearby Euronext wheat futures have fallen 7% during May following a 19% decline, month-on-month, in April. However, the recent strength in CBOT prices has carried over to the European market and prices have risen 14% in the first half of June.

European wheat prices had almost doubled over the twelve months leading to the record-high level reached on the 13th of March but have since fallen by just under a third in the 12 weeks since this record was reached.

While there appears to be a further downside for CBOT wheat futures in coming months, the market is expected to move into a more neutral stage throughout the second half of June and early July until Northern Hemisphere new crop supplies are assured and ongoing concerns around Southern Hemisphere dryness are allayed.

Rabobank is forecasting CBOT wheat prices will ease slightly moving into the

middle of the year as Northern Hemisphere harvest pressure mounts. Any moves below USD 8.00 per bushel are expected to be met with solid support, particularly if corn prices remain above USD 7.00 per bushel.

Provided there are no major adverse weather events, CBOT wheat prices are expected to remain a function of corn prices in the second half of 2008, with an up-tick in wheat prices forecast in the final quarter of 2008.

Prices are also expected to remain strong in early 2009 as the US battle for acres intensifies with the corn market forecast to rally in an attempt to 'buy back' acreage leading into the 2009/10 season.

Whilst some flow on to wheat prices is expected, wheat's ability to keep pace with the other markets is expected to be hindered by a forecast burdensome stock build-up in 2008/09.

Record world wheat production appears assured in 2008/09 at this stage with seasonal conditions continuing to benefit Northern Hemisphere wheat crop production in most regions. Whilst there remain some pockets of concern, including parts of the US Hard Red Winter (HRW) plains, the Middle East and North Africa where dryness has impacted this year's crop, there have been no major disasters, and on balance conditions have remained quite favourable to this point.

USDA released their first 2008/09 forecasts during May, with a global wheat production forecast of 656 million tonnes, up 8% year-on-year. Rabobank is forecasting world wheat production to increase 7% to a record 650 million tonnes based on current seasonal conditions.

However, the next couple of months will be extremely important from a weather point of view for both Northern Hemisphere harvest conditions as well as Southern Hemisphere plantings.

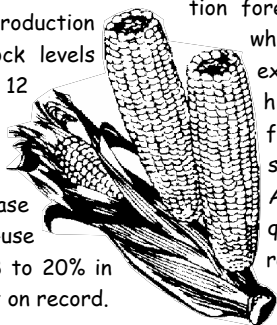
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Based on the current production forecast, world wheat stock levels are forecast to rebound by 12 million tonnes in the 2008/09 season.

This is expected to increase the all important stocks-to-use ratio from 18% in 2007/08 to 20% in 2008/09, the second lowest on record.



Despite the record world wheat production forecast, carry-out stock levels of wheat for the 2008/09 season are expected to remain very tight by historical standards. Given this forecast, any supply disruptions - such as another crop disaster in Australia - are likely to result in quite volatile and bullish price reactions from the market.

Wheat prices are expected to

move into a neutral stage following a significant pull-back in recent months. A wait-and see-approach is expected throughout second half May and June as harvest gathers pace in the Northern Hemisphere and conditions in the Southern Hemisphere become clearer.

Prices are likely to find support in the final quarter of 2008 as attention in the corn and soybeans markets shifts to 2008/09 dragging wheat higher.

## International News

### EU BSE Feed Rules may be Relaxed

The European Commission has adopted a proposal aimed to facilitate efficient management of animal by-products, while preserving at the same time the current high levels of protection against risks to public and animal health and the environment.

As part of this proposal, EU experts (including the European Food Safety Authority (EFSA) and the Scientific Committee on Consumer Products) are compiling a report on the feasibility and risk of relaxing current legislation so that some animal proteins may be used in animal feed. This follows on from an earlier finding by EFSA that the BSE-related public health risks of using certain animal proteins such as pig and poultry meals would be negligible.

In April 2008, the EU took the first step toward relaxing overall BSE restrictions lifting a seven year ban on the use of fishmeal in animal feed and allowing its use as

a milk replacement for calves and lambs.

Sources: EUROPA (June 2007)  
AllAboutFeed e-Newsletter (June 2008)

### EU report record growth in compound feed production

The European Feed Manufacturers Federation (FEFAC) reported the highest annual growth rate in animal feed production in almost 20 years with an increase of 3.4% or 149.8 million tonnes between 2006 and 2007.

This dramatic increase in growth was thought to be a results of the significant increase in the cost of feed raw materials with

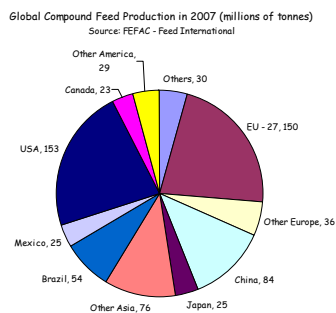
- more farmers selling grains than using

them on farm, and

- livestock producers using more efficient commercially produced compound feeds.

FEFAC experts predicted that in 2008 cattle and poultry feed production in Europe will increase by 1% and 2% respectively. This increase in cattle feed production

is likely to result from increase dairy feed demand. However, pig feed production will most likely decrease by 1-2% as a result of overall reduction in the pig population. Consequently, FEFAC experts predicted little overall change in total compound feed production in 2008 compared to 2007.



Source: AllAboutFeed e-Newsletter (June 2008)

## Industry Profiles



**Rob Derrick:**  
Nutritionist, Winslow Feeds Ltd.

Having investigated factors affecting the Nutritive Value of a Wide Range of Grassland Species, Rob graduated with a doctorate from the University College of Wales, Aberystwyth, in 1989 before entering the UK commercial sector.

Milk quotas, BSE, Foot & Mouth, as well as poor farm incomes made a career in a number of sales, technical support and product development

roles increasingly challenging.

Life in a country which valued agriculture was possible following a job offer from Winslow Feeds of Ashburton in 2004, where Rob currently holds the position of Nutritionist and Business Development Manager.

Rob has greatly enjoyed being part of a rapidly developing company and emigration has been rewarding for his wife, four children and menagerie of birds and animals.



**Mike Cundy:**  
Cundy Consulting Ltd.

Mike was raised on a dairy farm in the UK and gained his Animal Science degree from Nottingham University. After working as a nutritionist in the UK feed industry he emigrated to New Zealand to join PCL Feeds. He worked there for some 13 years, latterly as Manager of Feed Sales and Technical Services.

Mike and his wife, Diana, set up Cundy Technical Services in the late 80s, originally as a

nutrition consulting business but expanding it into a very successful distributorship, marketing Alltech's ever increasing range of specialised animal nutrition products.

Earlier this year Mike and Diana sold their business to Alltech who are now investing heavily in the New Zealand market to further build on the progress already made by the Cundy Technical Services team.

## Climate Change and the Arable Industry

Climate change models predict that over the next 100 years, New Zealand will see temperature rises, changes in rainfall patterns, increased wind pressure, more extreme weather events, sea level rises, and water security problems.

At a recent meeting held in Hamilton, the Foundation for Arable Research in association with other organisations highlighted the fact that although the potential impact of climate change on arable crops is dependent on the type of crop in question, in general temperature increases will cause crops to mature faster and have shorter growth durations. This, in turn, may result in lower yields and crops will require more water and nitrogen.

Approximately 50% of New Zealand greenhouse gas emissions are from agriculture, and these are rising by about 1% per year. The government has therefore proposed that as from 1 January 2013 farmers will become progressively accountable for their greenhouse emissions, becoming fully accountable by 2030. It is expected farmers will monitor and report their emissions for two years prior to entering the scheme and take steps to reduce emissions. Suggestions include the use of nitrogen inhibitors, stubble management, reduced tillage, changes to irrigation and drainage, and more effective utilization of fertilizers.

The potential impact of these measures on feed manufacturers is still unclear, but with increased administration costs and potentially lower yields a likely outcome will be increased feed grain costs.

## NZFMA AGM and Seminar 2008

The NZFMA AGM and Technical Seminar 2008 will be held on the 19<sup>th</sup> of November 2008, at the Hotel Grand Chancellor, in Christchurch. Speakers at this year's seminar will focus on strategies which can be used by feed millers to help minimise the impact of increase raw material costs.

Dr. Michael Evans, Technical Director and Principal Nutritionist of Applied Nutrition (Australia) will focus on the strategic use of least-cost feed formulation software in his presentation entitled

**The use of Format International's Single-Mix, Multi-Mix and Global-Mix Software Tools as a means of Minimising the Impact of Increased Raw Material Costs in the Feed and Livestock Industries.**

Professor Ravi Ravindran, Director of Education/ Postgraduate Research in the Institute of Food, Nutrition and Human Health, at Massey University will focus on the use of different enzymes as a strategy for increasing the nutritive value of raw materials in his presentation entitled

**Enzymes to Enhance the Feed Value of Raw Materials.**

## NIR Calibration Curves

A new page, containing the NIR Grain Amino Acid Prediction curves, has recently been added under Research in the members section of the NZFMA website. These calibration equations were developed for use by NZFMA members as part of a FAR / NZFMA project funded by TechNZ and carried out jointly by Crop and Food Research and Tegel Foods Ltd.



Calibration equations are available for whole and ground wheat, whole and ground barley and whole maize.



Calibrations have previously been distributed to NZFMA members by means of a CD, but it is hoped that by placing the equations on the website they will be more readily accessible to members.

Please contact Natalie Chrystal in the NZFMA office, if you have any queries.

## Industry Statistics

The NZFMA Executive Office, would like to remind NZFMA member company representatives responsible for submitting quarterly compound feed production and raw material usage statistics, that statistics returns should be submitted as soon as possible following the end of the quarter. Industry Quarterly statistics can only be compiled once all data has been received from member companies. Your help with this is appreciated.



## Recent & Current Consultation

Submissions have recently been made by the NZFMA Office on

- The proposed process for the independent review of scientific evidence supporting a draft Import Health Standard under section 22A of the Biosecurity Act.
- The Standard for General Facilities for Holding, Inspections, Processing or Treatment of Uncleared Goods.

Members comment is currently being sought on the NZFMA submission on

- The proposed regulatory changes resulting from the amendments to the ACVM Act.

For more information on these and other submissions visit the NZFMA website:

[www.nzfma.org.nz/Members/consultation.php](http://www.nzfma.org.nz/Members/consultation.php)

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