

# WAGYU GROWING OPTION GUIDE

## FREQUENTLY ASKED QUESTIONS

### **What is the difference between the Red Wagyu and the Black Wagyu?**

There are four breeds of Wagyu. The Japanese Black and Japanese Brown, which is also widely known as the Red Wagyu, are the predominant breeds. All Wagyu cattle derive from cross-breeding in the early twentieth century of native Japanese cattle with imported stock, mostly from Europe.

In the case of the Red Wagyu, the principal foreign influence was from the Swiss Simmental and Korean Hanwoo breeds. The Red and Black Wagyu are not related genetically but have been bred for the same marbling criteria in Japan.

Red Wagyu are highly prized for their marbling, their light birth weights and their ability to fatten on grass, with growth rates, fertility, and phenotype of conventional western cattle – growth, thick and full of meat.

In Japan, they come from the Kumamoto Prefecture where they are run under grazing conditions making them an ideal choice for New Zealand's pasture based systems.

### **What is the typical phenotype of a Red Wagyu versus a Black Wagyu?**



### **Who owns the Red Wagyu genetics for this program?**

StockCo has acquired some of Australia's best high growth rate purebred Red Wagyu cattle and Semen. The Red Wagyu bull in the picture is owned by StockCo.

StockCo's aim to select and breed the best possible Red Wagyu genetics to use in AB programs across select beef and cross bred dairy heifers and cows to produce first cross (F1) steers and heifers for grass

finishing in NZ and Australia.

**Who owns the F1 Red Wagyu steers and heifers that are to be grown out for processing?**

StockCo will own the cattle from weaning through until they are processed to ensure premium traceability for the market. As a farmer, you will have no outlay for the cost of the cattle.

**Who is the processor and marketer?**

The Alliance Group Ltd [www.alliance.co.nz](http://www.alliance.co.nz), have a contract to market and process the Red Wagyu beef with the aim of maximising value to all stakeholders.

The cattle will receive the ruling Alliance schedule price at the date of processing, and additionally as part of the development of premium grade markets, where the cattle meet the required specifications you will be able to share in any additional market returns as they are received by Alliance.

**Can we expect to receive a price premium for the finished product?**

The following data is from Australia, where the Wagyu industry has grown rapidly in the past decade.

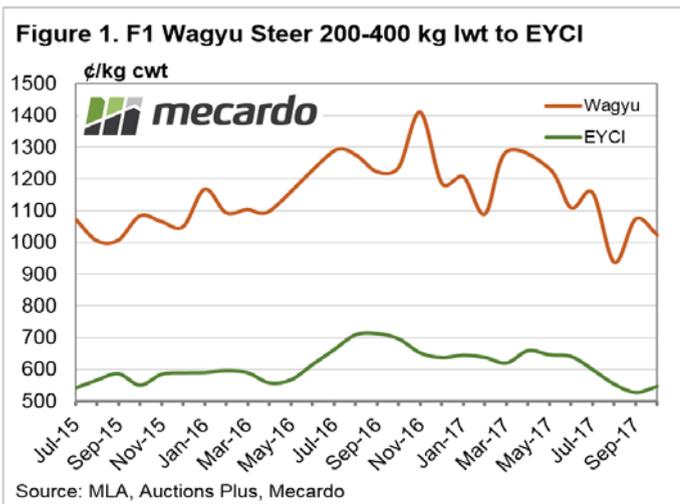


Figure 1 Compares the Australian market price achieved for F1 Wagyu steers and heifers between 200-400KgLW, with the Eastern Young Cattle index (EYCI).

The EYCI index is calculated based on a seven-day rolling average expressed in cents per kilogram carcass (or dressed) weight ((¢/kg cwt); and is sourced from sale data from 26 sale yards in New South Wales, Queensland and Victoria. It is produced daily by MLA’s National Livestock Reporting Service (NLRs); and includes vealer, yearling, heifers and steers that are 200Kg+LW and includes cattle purchased for slaughter, restocking or lot-feeding;

The average premium over this period for F1 Wagyu versus other beef cattle has been approximately 80%. From this data, we can extrapolate the following likely pricing of a 40% - 70% premium which is a discount to the Australian actual results.

Indicative Red Wagyu Pricing Matrix  
"target grading"

Red Wagyu Marble Score		4	5	6	7	8	9
Wagyu Premium --->		40%	50%	60%	70%	80%	90%
Steer and Heifer P2 schedule	\$ 4.50	\$ 6.30	\$ 6.75	\$ 7.20	\$ 7.65	\$ 8.10	\$ 8.55
	\$ 4.75	\$ 6.65	\$ 7.13	\$ 7.60	\$ 8.08	\$ 8.55	\$ 9.03
	\$ 5.00	\$ 7.00	\$ 7.50	\$ 8.00	\$ 8.50	\$ 9.00	\$ 9.50
	\$ 5.25	\$ 7.35	\$ 7.88	\$ 8.40	\$ 8.93	\$ 9.45	\$ 9.98
	\$ 5.50	\$ 7.70	\$ 8.25	\$ 8.80	\$ 9.35	\$ 9.90	\$ 10.45
	\$ 5.75	\$ 8.05	\$ 8.63	\$ 9.20	\$ 9.78	\$ 10.35	\$ 10.93
	\$ 6.00	\$ 8.40	\$ 9.00	\$ 9.60	\$ 10.20	\$ 10.80	\$ 11.40

\* Pricing derived using the aggregate New Zealand Steer and Heifer P2 schedule at time of kill and adding a 10% price premium for every marble score over 4 achieved at grading.

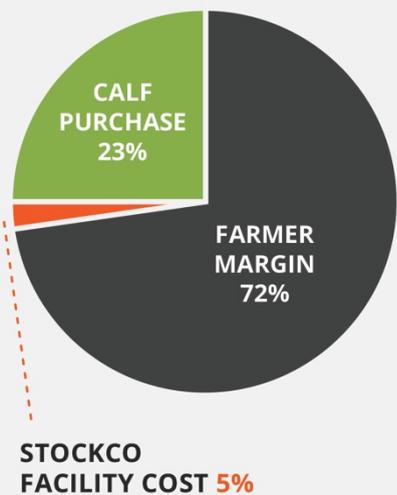
**How will my margin be calculated in this instance?**

Your margin will be calculated as Sale price less (Sale Price \* 5%) less Purchase price.

**INDICATIVE RED WAGYU GROWER MARGIN**

Term of Trade	24 mnths		
Average daily weight gain	0.7kg/day		
		(kg)	(c/kg) (\$/head)
Purchase Red Wagyu weaner	100 KgLW		\$5.50 \$550
Prime Wagyu Processed	300 KgCW		\$8.00 \$2,400
<b>Farmer's returns and costs</b>	<b>per head</b>		
Prime Wagyu Sale		\$2,400	
Weaner Purchase		\$550	
StockCo facility cost		\$120	
StockCo pays farmer		<b>\$1,730</b>	
Your weekly net margin		\$16.63	
Your funding costs/Sale Value		5%	

**ALLOCATION OF SALE PROCEEDS**



**What will the cost of this be?**

If you grow the cattle at an average growth rate of >0.5KgLW/day for the period that you farm them, StockCo will charge a fee of 5% of the sale price of the cattle. This structure ensures that StockCo's interest and yours are aligned to sell the cattle for the maximum price.

**What is the target sale weight?**

For heifers, a minimum of 250KgCW and Steers a minimum of 290KgCW. There is no maximum. We understand that to achieve a reasonable marbling score off grass (4-7), it is important that the animals are finished to a forward prime condition.

**What happens if my growth rate averages less than 0.5KgLW per day or for deaths whilst I farm them?**

StockCo are entitled to charge 1% per month (cumulative) as a finance rate calculated on the purchase price of the animal from the date of purchase until receipt of payment by StockCo.

**What if I cannot finish them?**

We will need to work together to arrange to move them to a new finisher at a mutually agreed price, you will be entitled to any net proceeds after repayment of any purchase costs, selling costs and StockCo facility costs.

**Who do I contact to find out more?**

Phone: 0800 920 929  
Email: [info@stockco.co.nz](mailto:info@stockco.co.nz)