

# The Sheep's Back

## *The Business of Sheep Production*

It's Ewe Time Sheep Updates 2011



Consultants to Agriculture

### GERALDTON

Paul McKenzie

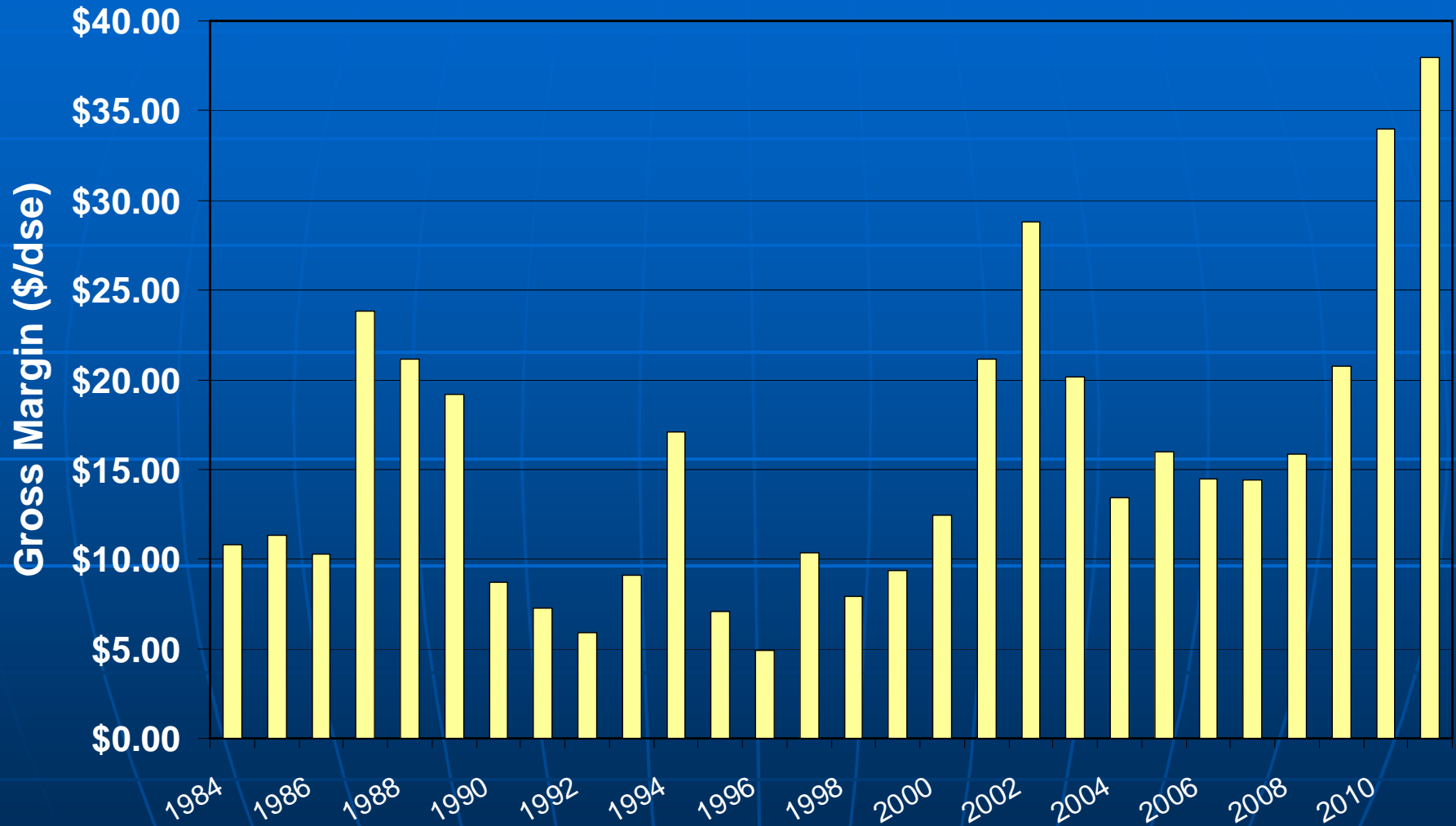
Craig Topham

Chris Pinkney

### KATANNING

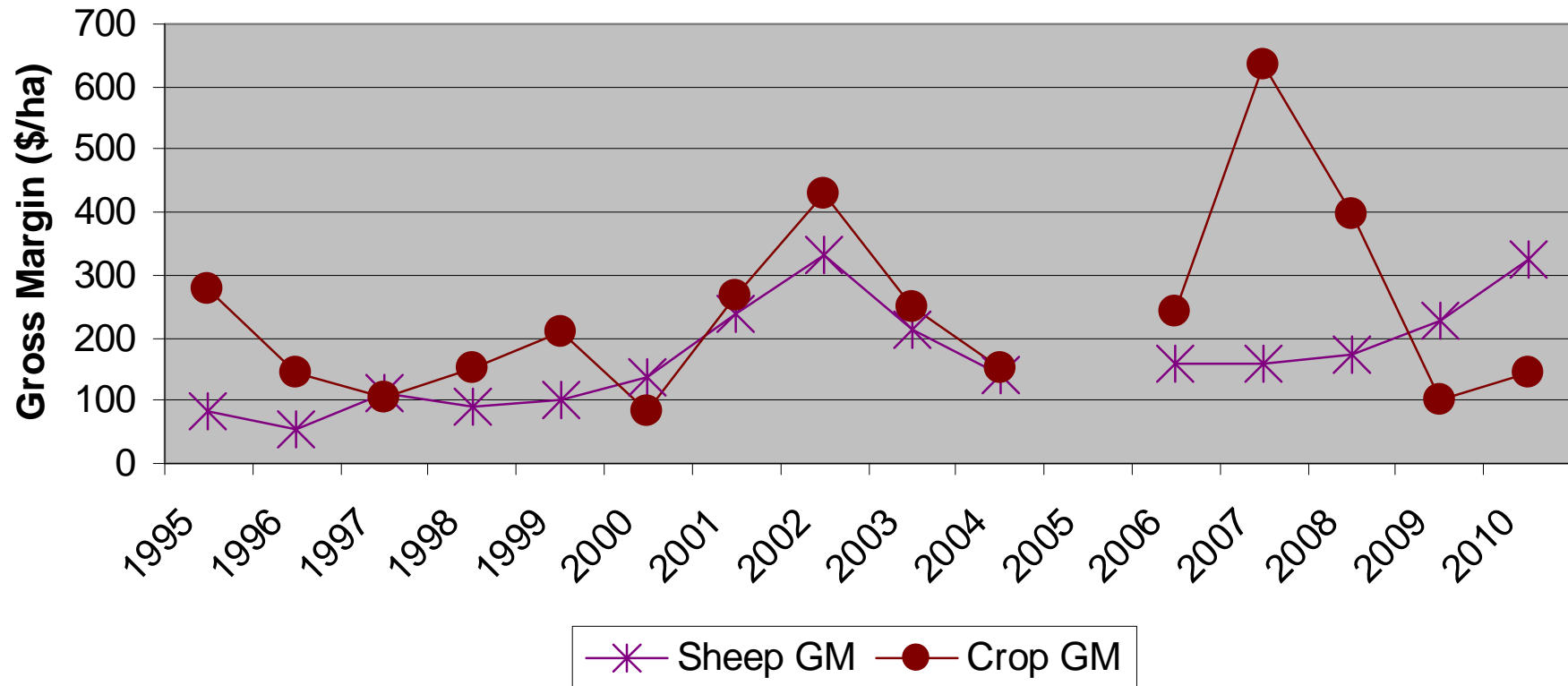
Ashley Herbert

# Sheep Enterprise Gross Margin 1984 - 2011



# Enterprise Gross Margin

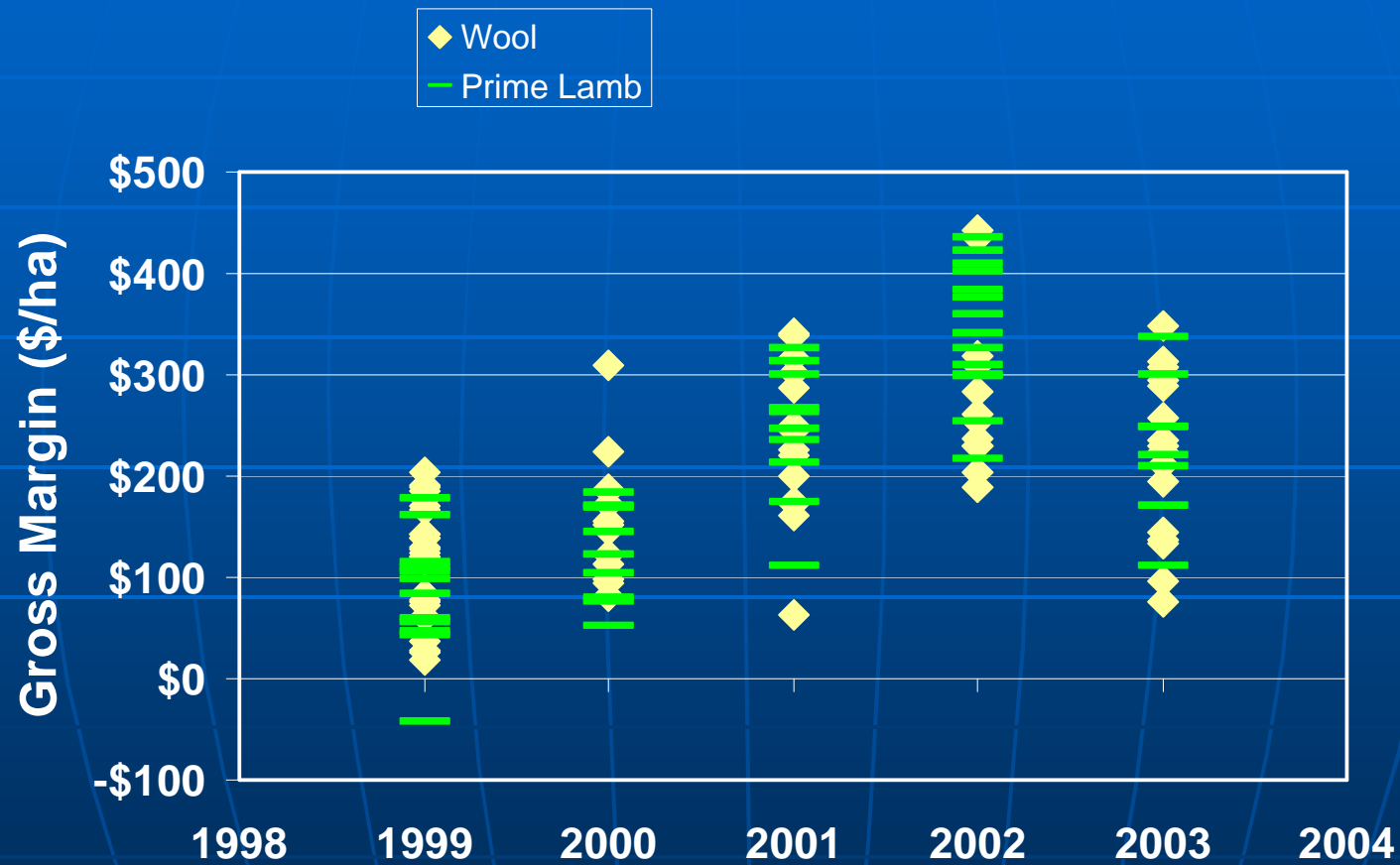
Great Southern



# Show me the money!

	Merino	Merino + 30% Prime lamb	100% Prime Lamb
GM /dse	\$38	\$40	\$44
GM / ha @ 10 dse/ha	\$380	\$400	\$440
GM / ha What I see	\$380	\$388	\$393

# Merino Enterprise Gross Margin



# Non Shearing breed.

Lambing	GM/ dse	GM/ ha
100%	\$27	\$270
120%	\$36	\$360
140%	\$46	\$463

# GM Sensitivity $\pm$ \$5/dse

	Merino	Mer + 30% Prime lamb	100% Prime Lamb
Wool Price (\$/ kg greasy)	$\pm$ \$1.00	$\pm$ \$1.10	$\pm$ \$1.35
Sale Price	$\pm$ 25% or ~\$16/hd	$\pm$ 20% or ~\$14/hd	$\pm$ 13% or ~\$9/hd

# What's a ewe worth?

- Buy ewe \$130
- Sell XB Lambs \$85/hd, Wool \$8.20/kg

		Years			
	open	1	2	3	4
Cash flow per ewe	-\$145	-\$77	-\$6	\$68	\$178



# What's a ewe worth?

- Buy ewe \$100
- Sell XB Lambs \$85/hd, Wool \$8.20/kg

	open	1	2	3	4
Cash flow per ewe	-\$115	-\$42	\$34	\$110	\$223

# What's a ewe worth?

- Buy ewe \$130
- Sell XB Lambs \$120/hd, or
- 95% Lamb \$105/hd \$8.20/kg

	open	1	2	3	4
Cash flow per ewe	-\$145	-\$47	\$55	\$157	\$294

# What's a ewe worth?

Cost of Ewe (\$/hd)	Average GM over 4 years (\$/dse)
\$85	\$40
\$100	\$37
\$130	\$31
\$150	\$27

# Merino – Buy or retain?

	1	2	3	4	5
Retain to 150					
Ewes joined	100	128	138	150	150
Lambs	85	109	118	128	128
Buy 50hd					
Ewes joined	150	150	150	150	150
Lambs	128	128	128	128	128

# Cash flow per dse.

	1	2	3	4	5
Retain	\$31	\$29	\$32	\$33	\$38
Buy					
\$100/hd	\$13	\$38	\$38	\$38	\$38
\$130/hd	\$8	\$38	\$38	\$38	\$38

# Success in Farming

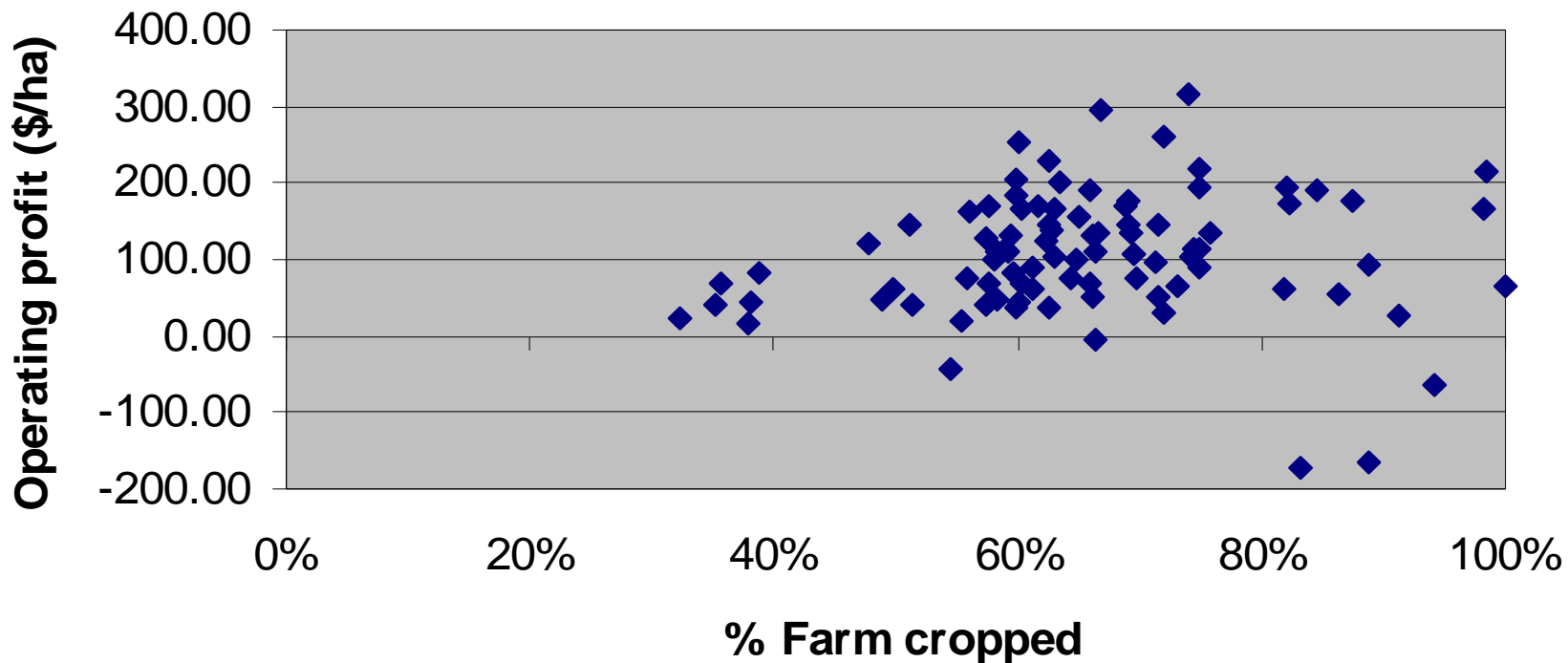
- Few enterprises
- Simple production systems
- Scale
- Well run – timely, rational decisions & actions
- Long term awareness of industry trends
- Be consistent – don't chase rainbows

# Why have sheep?

- Agronomic sustainability.
- Simple weed management.
- Less exposure to low profit high risk break crops.
- Lower volatility of farm profit.

# Operating Profit M4 For The 2008 Season

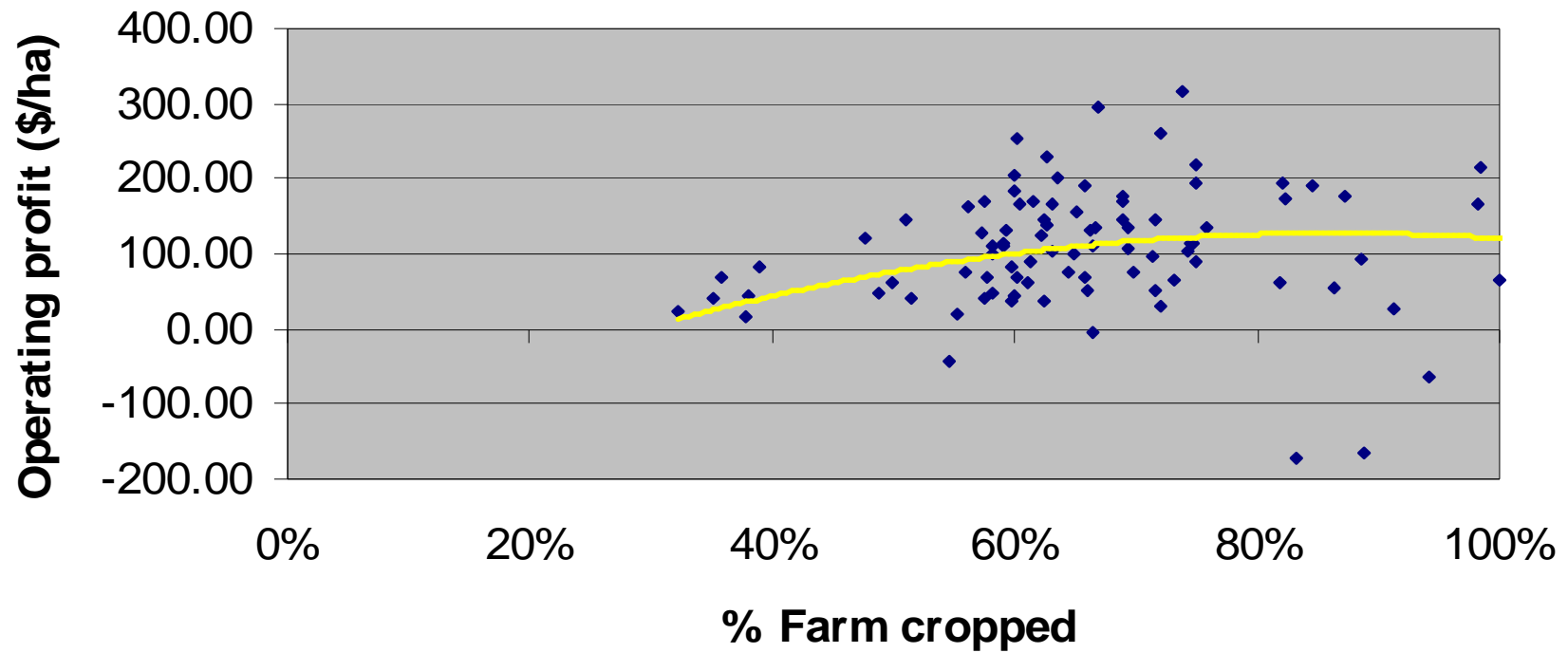
Bankwest Planfarm data base





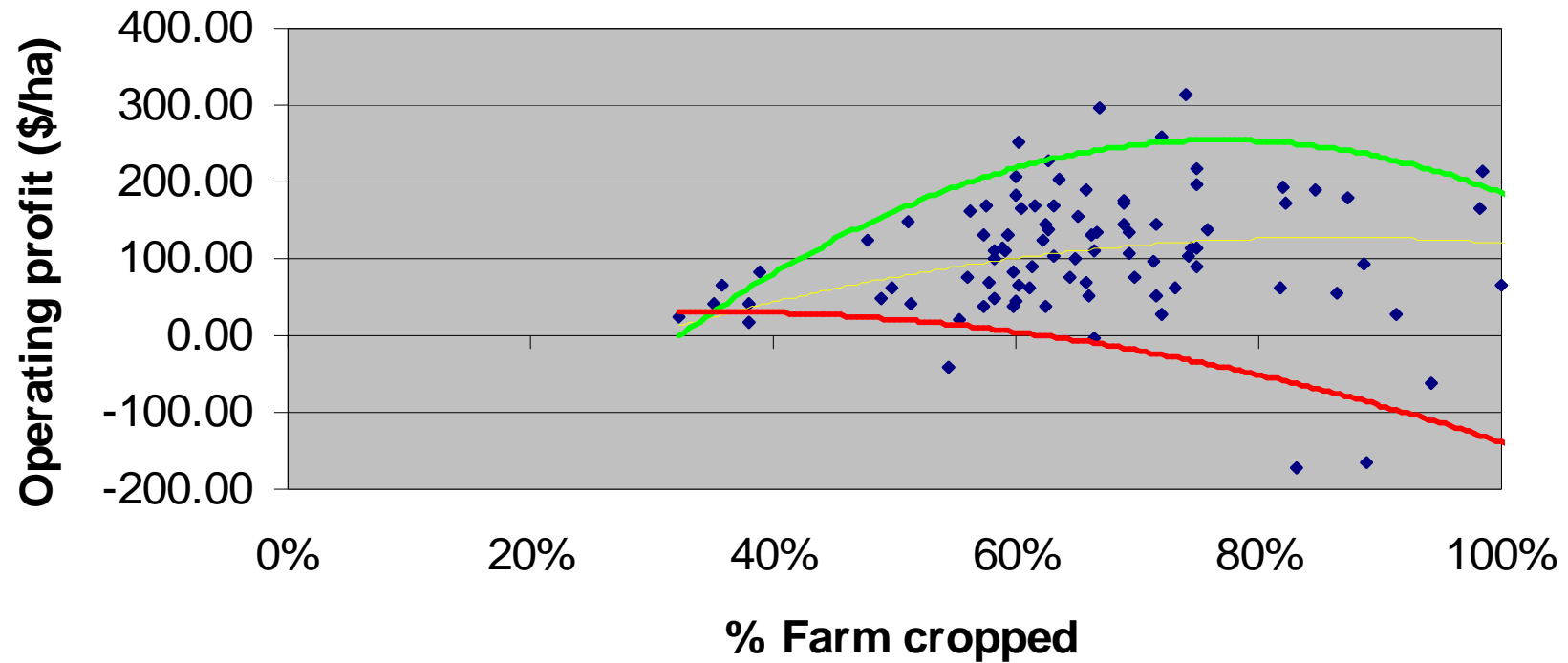
## Median Operating Profit M4 For The 2008 Season

Bankwest Planfarm data base



## Range of Operating profit M4 for the 2008 season

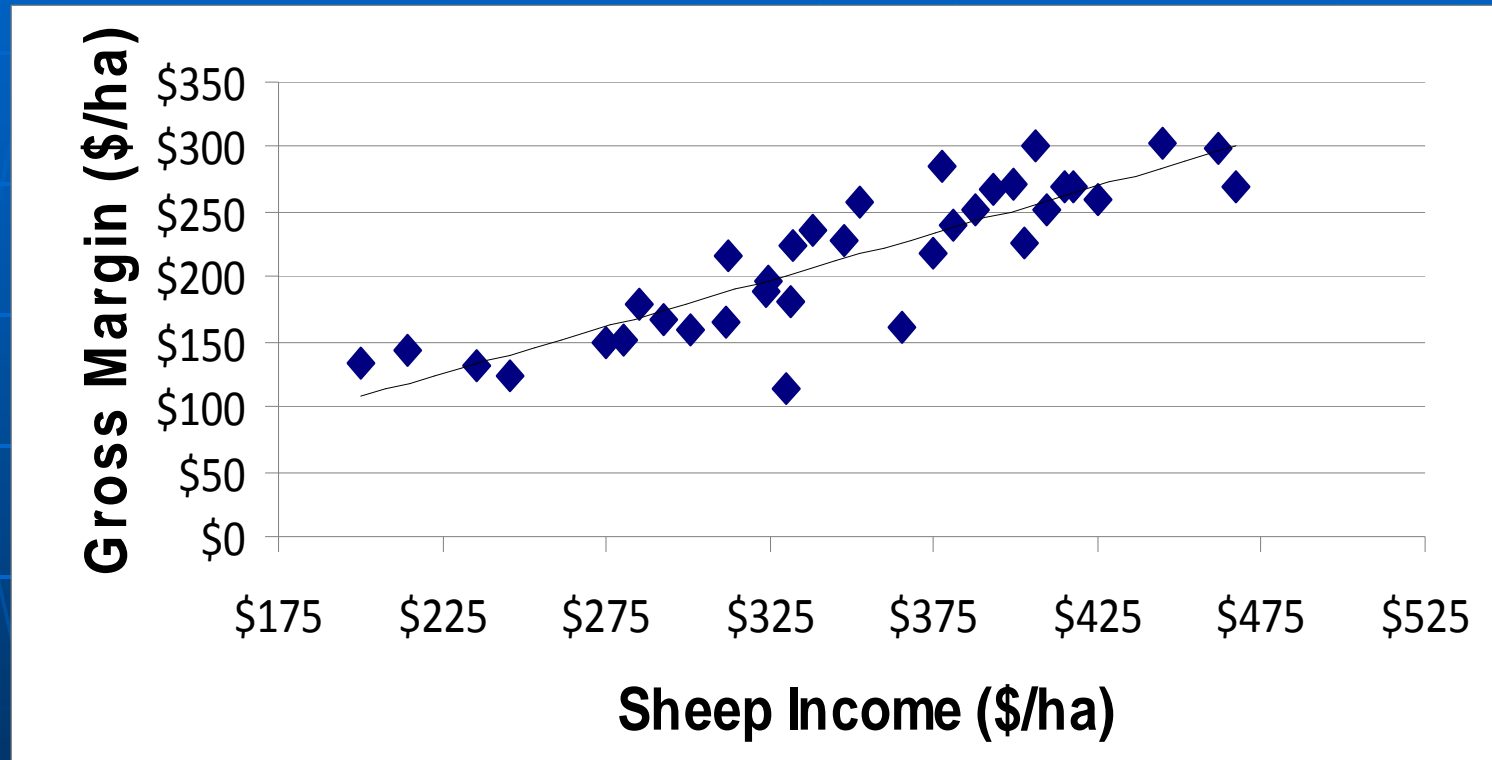
Bankwest Planfarm data base



# A profitable production system

- **Simple** – easy to implement and manage
- **Robust** – provides a repeatable result
- **Flexible** – options for changes through the season

# Sheep Income is King



Source: JRL Hall & Co 2007/08 data

# Major enterprise profit drivers

- Income
- Cost efficiency
- Stocking rate

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- Income
- Cost efficiency
- Stocking rate

# Major Income Drivers

## Prime lamb

- Lamb sales/ ha
- Wool sales/ ha

## Merino

- Wool sales/ ha
- Sheep sales/ ha

## Major enterprise profit drivers

- Income
- Cost efficiency
- Stocking rate

## Major Income Drivers

### Prime lamb

- Lamb sales/ ha
- Wool sales/ ha

### Merino

- Wool sales/ ha
- Sheep sales/ ha

# Major Production Drivers

## Prime lamb

- Ewes/ ha
- Lambs weaned/ ha

## Merino

- Stocking rate
- Lambs weaned/ ha

## Major enterprise profit drivers

- Income
- Cost efficiency
- Stocking rate

## Major Income Drivers

### Prime lamb

- Lamb sales/ ha
- Wool sales/ ha

### Merino

- Wool sales/ ha
- Sheep sales/ ha

## Major Production Drivers

### Prime lamb

- Ewes/ ha
- Lambs weaned/ ha

### Merino

- Stocking rate
- Lambs weaned/ ha

## Minor Drivers

### Prime lamb

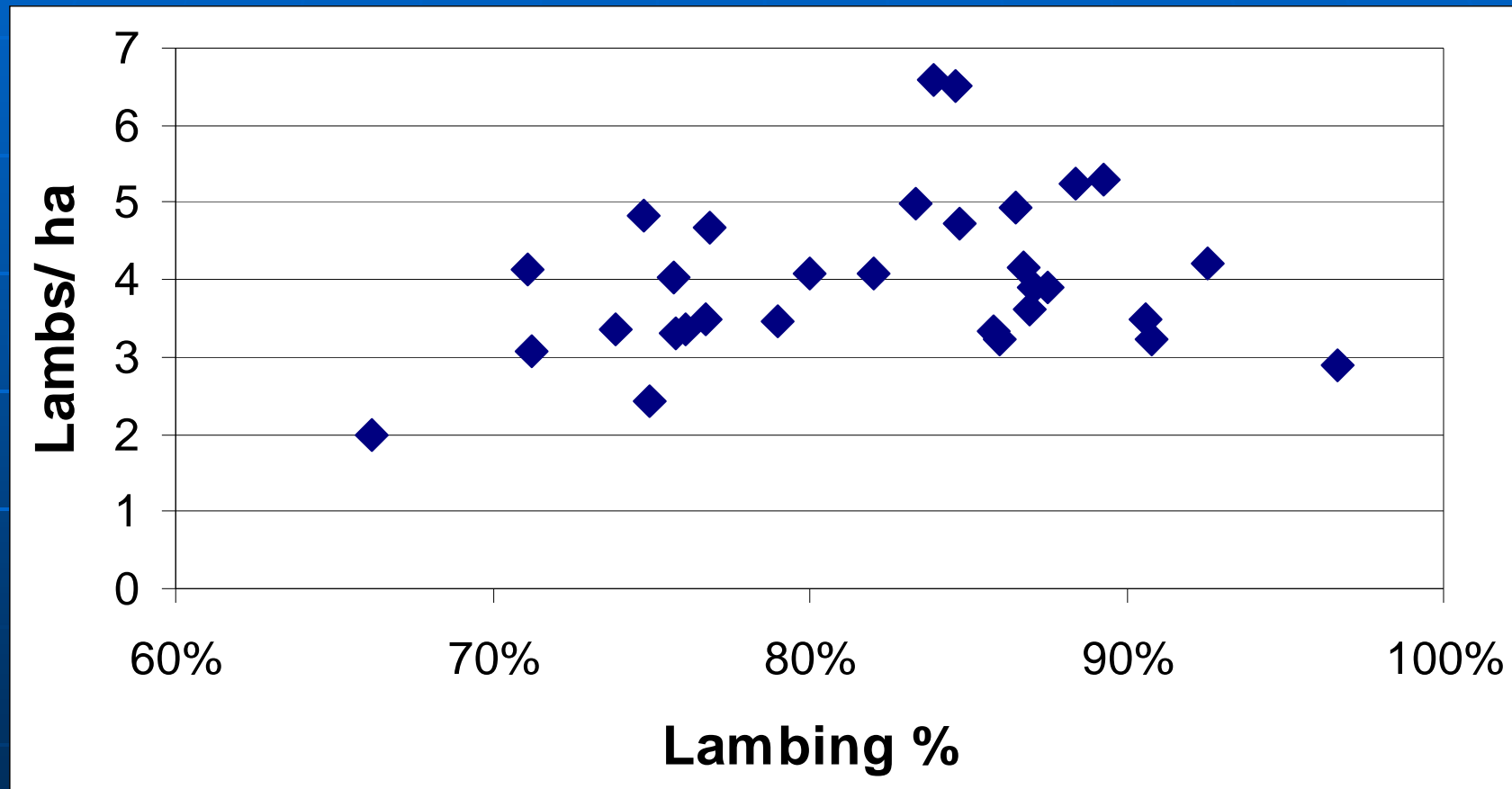
- Lambing %
- kg/carcass
- Price

### Merino

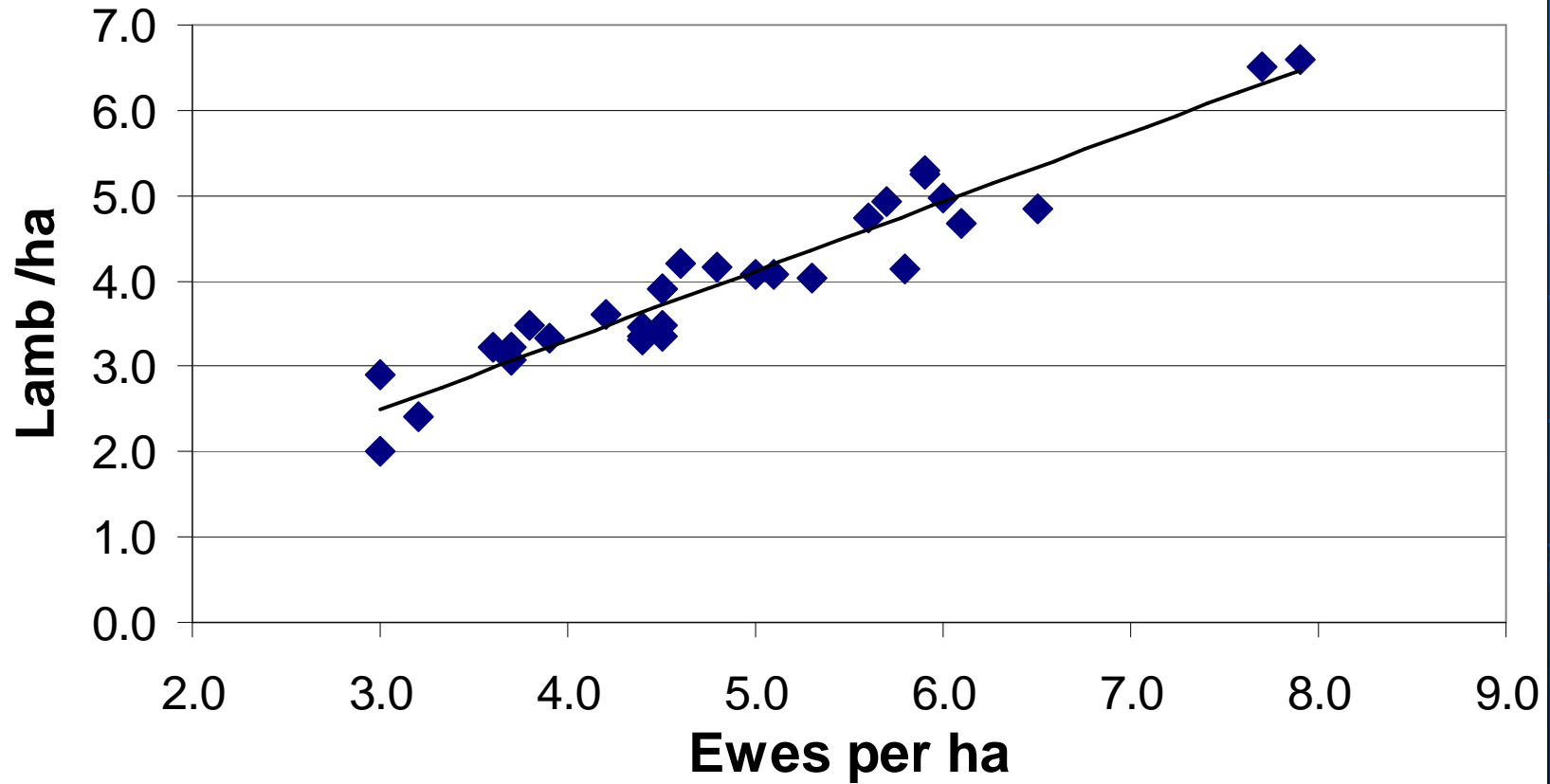
- Wool cut/ hd
- Price
- Lambing %



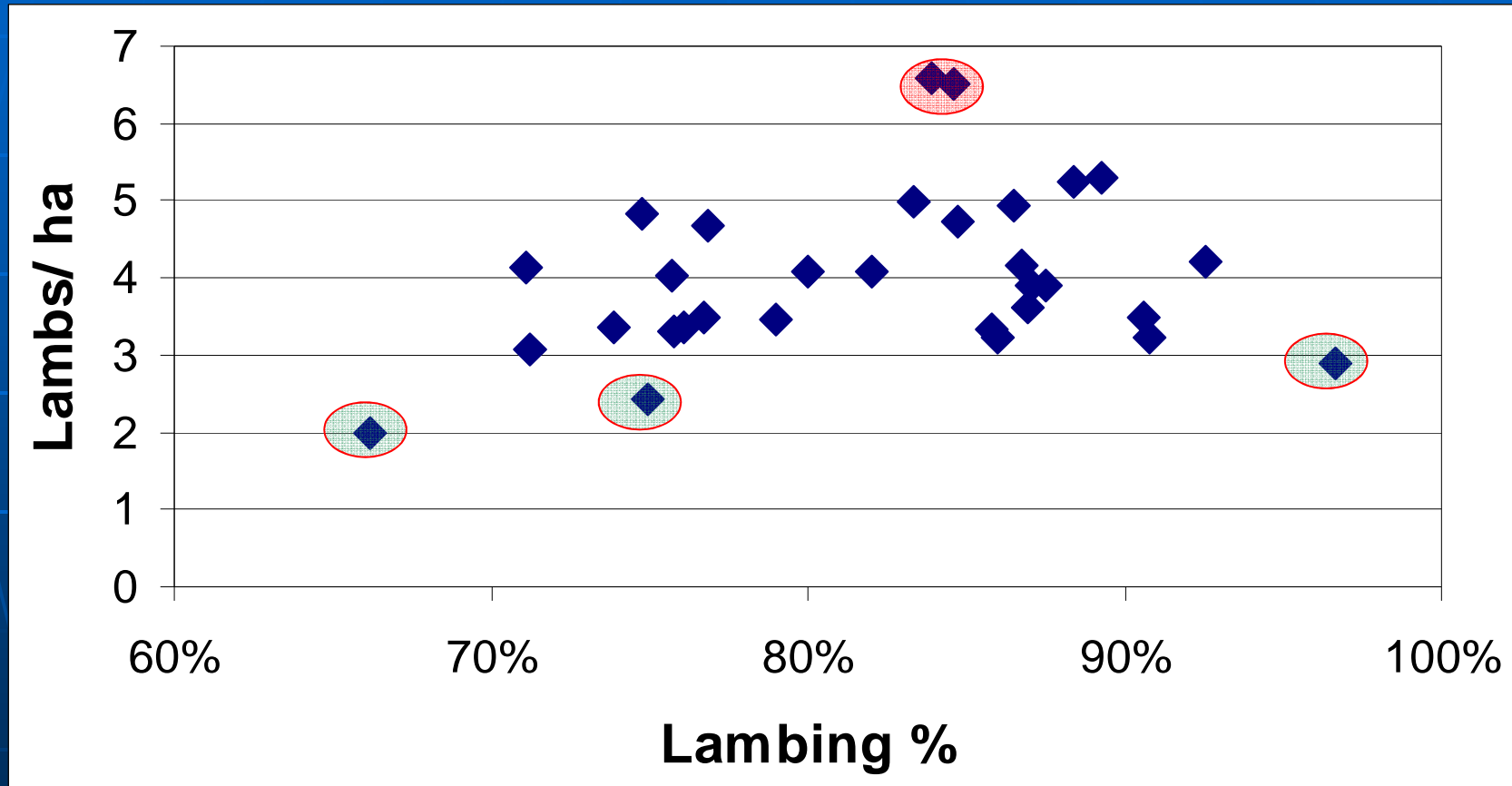
# Lamb % is not a primary driver of lamb production



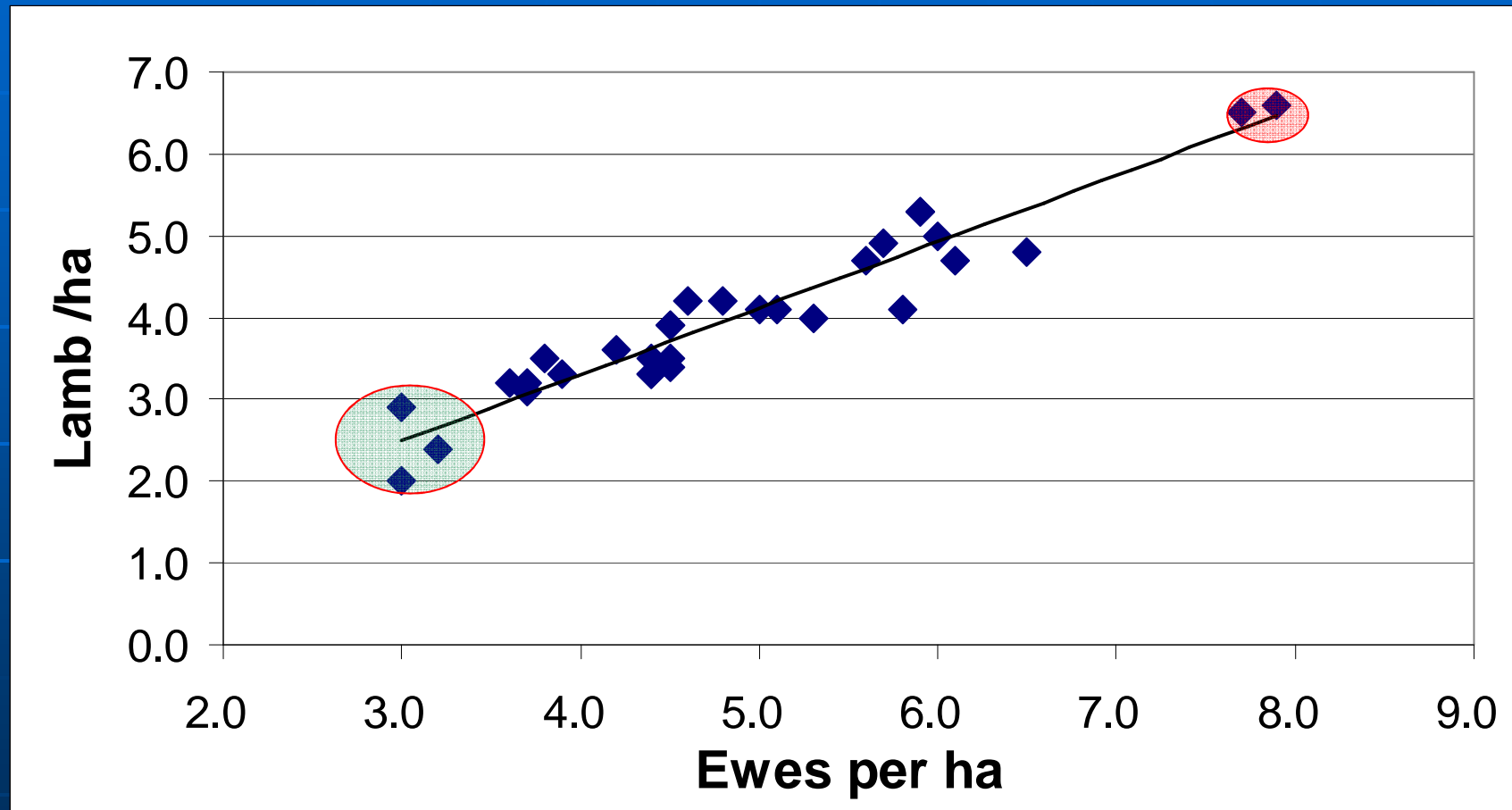
# More ewes = more lambs



# Lamb % is not a primary driver of lamb production

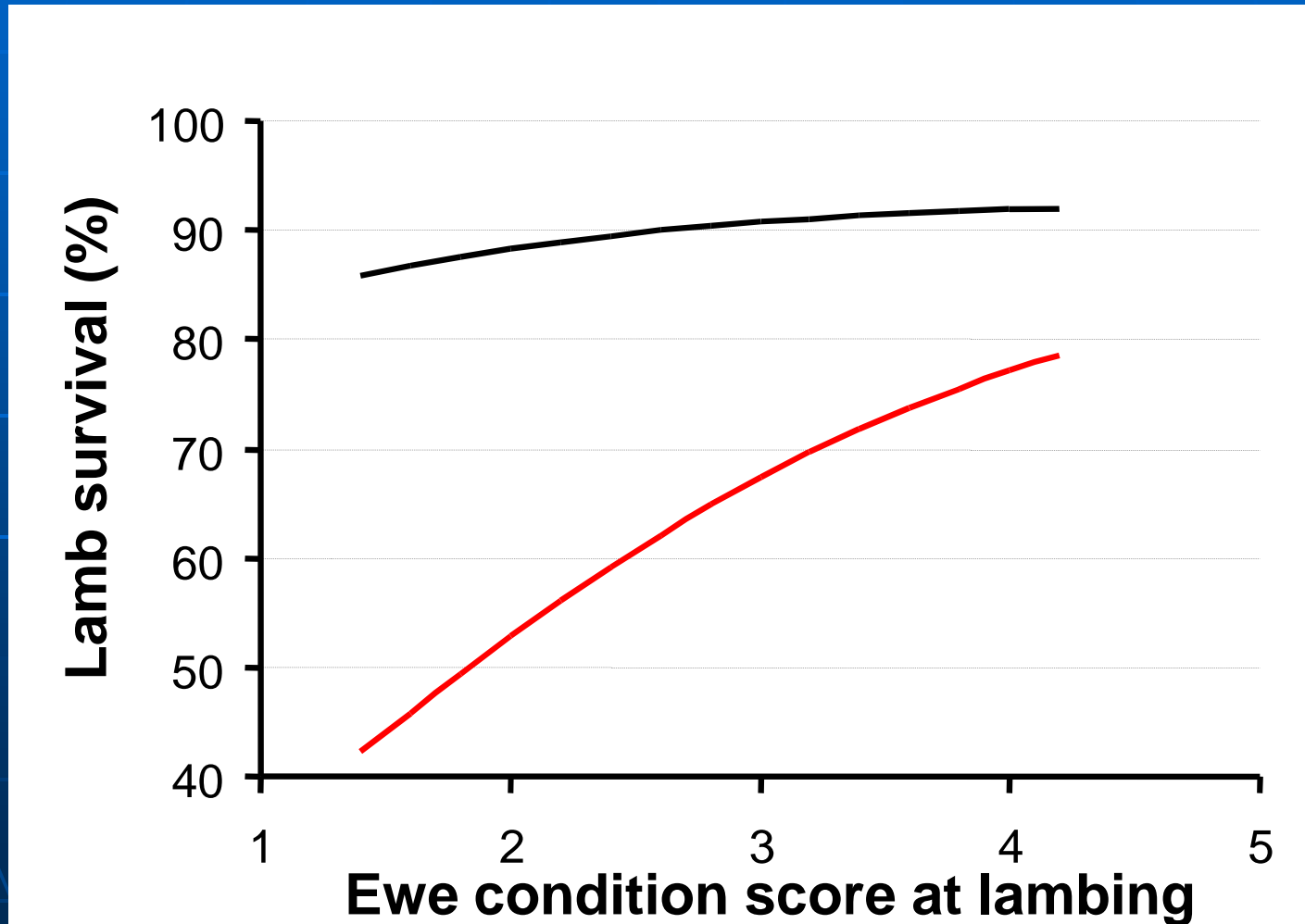


# More ewes = more lambs



Ewe/ha	Lambing %	Lambs marked/ha
8	90%	7.2
9	90%	8.1
9	80%	7.2
8	101%	8.1

# Ewe condition score at lambing and lamb survival



	Ewe/ha	dse/ha	Potential lambs/ha	Lambs marked/ha
Single	7	10.5	7	6.4
Twin	5.8	10.5	11.6	7.0 – 8.7

# Michael Chaney

“No one has ever been able to predict what shareholder returns will be because you don't know what is going to happen in the economy.”



## Michael Chaney cont'd

“The main thing is to ensure your organisation is in good shape in terms of it's costs, it's structures and it's balance sheet and then, do the best you can.”