

Benchmarking your sheep enterprise

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EXTENSION



Key messages

- Profit drivers can be identified when benchmarking your sheep enterprise. Focusing on the profit drivers in your business can really make a difference, and producers paying attention to detail can be rewarded.
- Maximising stocking rates whilst ensuring adequate nutrition and good paddock management has the greatest effect on meat and wool produced per hectare and subsequently the gross margin and income of your business.
- Improving growth rates by producing more kg/ha/yr equates to the maximum amount of wool and meat produced in the shortest possible time.
- Improving reproduction percentages results in more lambs and improved weaning rates.
- Identifying causes of death and implementing measures to curb mortality rate reduces lost income.
- 80% of the potential gains can be achieved by getting the system right then fine tuning that system rather than spending time trying to

fine tune a system which is not working.

Why do the work?

The sheep and wool industry has a poor reputation for productivity gains and has lost significant ground to competing industries such as broad acre cropping. Utilising tools such as benchmarking enables producers to properly evaluate the current state of the enterprise and identify profit drivers, which highlight any opportunities where changes can occur to the business. The aim of benchmarking is to examine the technical efficiencies of the enterprise, identify the range of possible outcomes in any one environment and the potential to change and identify the key performance indicators for that enterprise.

How was it done?

Three sheep groups, established with funding from the Eyre Peninsula Grain and Graze 2 Project and Sheep Connect SA have focused on benchmarking their sheep enterprises. Eighteen properties have completed benchmarking, with one group completing benchmarking for two years and two groups for one year. Benchmarking provided group discussion on the key performance indicators of the sheep enterprise and identified opportunities for change.

What happened?

Table 1 shows that the flock structure is dominated by ewes, representing 70% and hoggets 25%. The main two enterprise structures were self-replacing merino flocks and or terminal sire over merino ewes. Some farmers purchase lambs to utilise stubbles when the opportunity presents itself. The average winter grazed (WG) area is 800 ha with a stocking rate of 2.4 dry sheep equivalent

(DSE) per ha and turning off 1.3 lambs per ha. High lambing percentage is important but is not the main driver of lambs produced per ha. The number of ewes per ha plus lambing percentage, drives the number of lambs produced per ha. The average lambing percentage was 94% so there is an opportunity for producers to focus on the ewe reproduction cycle and ewe nutrition to lift the average percentage.

The returns that sheep producers in the group achieved in 2010/11 and 2011/12 were exceptional due to a combination of good seasons and high commodity prices for meat and wool. Although the returns are good, the benchmarking has highlighted there is a large variation between producers within the same rainfall environment.

What does this mean?

Many producers in the groups commented that it was good to improve their understanding of their sheep enterprise and get a handle on what their sheep enterprise is returning on a \$ per DSE and \$ per winter grazed hectare (\$/WG ha) basis.

The variation observed between producers within the same rainfall environment provides some opportunities for producers to be more productive and profitable. Producers can control the areas where the largest variations occurred including sheep losses and marking percentages. There were some small variations in sheep sale price, wool price and kg of wool/DSE. The big influence on gross margin per ha was the stocking rate, which influenced the number of lambs per ha and the wool production per ha. Therefore pastures, grazing management, animal health and genetics are the keys to optimising income from the sheep enterprise.

Table 1 Physical and production traits for participants surveyed in the 2010/11 and 2011/12 season

Sheep	Mean	Range Low-High	Mean	Range Low-High
	2010/11		2011/12	
Total dry sheep equivalent (DSE)	1780	1110 - 3940	1520	1300 - 5570
Ewes (%)	70	42 - 99	72	40 - 81
Ewe Hoggets (%)	24	0 - 46	27	9 - 37
Losses (%)	5	2 - 13	3	1 - 6
Stocking Rate				
Winter Grazed (WG) hectares	810	240 - 2100	790	320 - 1550
DSE/WG ha	2.9	1.3 - 6.4	2.1	1.0 - 4.8
DSE/WG ha/100 mm rainfall	1.0	0.6 - 2.8	0.9	0.5 - 1.8
Sheep Trading				
Marking (%)	92	78 - 103	96	73 - 120
Lambs/ha (No/ha)	1.5	0.4- 2.3	1.1	0.3 - 2.0
Sale price (av \$/hd)	122	101 - 155	112	92 - 165
Wool Production				
Wool price (av \$/kg)	6.23	5.16 - 8.44	7.61	6.71 - 8.66
Total kg	9540	4020 - 26080	6,780	4900 - 23940
kg wool/DSE	5.1	3.6 - 6.6	4.5	3.2 - 5.5
kg wool/WG ha	14.8	5.7 - 32.1	9.4	5.1 - 26.7

Table 2 Financial results for participants surveyed for 2010/11 and 2011/12 seasons

%DSE - Income	Mean	Range Low-High	Mean	Range Low-High
	2010/11		2011/12	
Wool Proceeds	32	18 - 48	34	28 - 42
Sheep Trading Profit	48	23 - 81	38	29 - 53
Total Sheep Income	80	42 - 109	72	54 - 89
\$/DSE - Expenses				
Total Variable Costs	13.2	5.6 - 19.9	11.4	7.6 - 19.5
Gross margin/DSE	67	36 - 97	61	46 - 79
\$/WGha - Income				
Wool Proceeds	92	29 - 199	71	34 - 207
Sheep Trading Profit	142	37 - 328	79	31 - 215
Total Sheep Income	234	66 - 527	150	66 - 410
\$/WG ha - Expenses				
Total Variable Costs	37	9 - 66	22	8 - 82
Gross margin/WG ha	198	58 - 445	128	57 - 328

Risk management is also important and this will be determined by the management capabilities and the amount of risk that a producer is willing to take. The higher the stocking rate, the higher the risk and more management required. Some producers have low stocking rates as it makes it easier to get through the “poor season”. Many producers have an idea in their minds of what they will do in the “poor season” but there is no written strategy to implement ‘back door’ or exit strategies.

Some producers have started to implement changes to their enterprise after the first year of benchmarking their sheep enterprise. These changes have

resulted in an improvement in their second year figures. The changes included improving pastures, monitoring ewe condition score and focusing on genetic improvement. The local information from the group allowed these producers to focus on targets that are being achieved in their own district and give them confidence to implement the change as they have the support of the local group members and advisors.

Benchmarking has demonstrated that sheep systems should be treated more as a business opportunity with an associated profit focus rather than a historic production system.

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