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# INVESTING IN SHEEP FOR THE FUTURE

AUTUMN 2018 NEWSLETTER



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## INVESTING IN SHEEP FOR THE FUTURE

### Does your business plan to have sheep in the future?

Most of you have been around farming for long enough to know that there are ups and downs in the sheep industry. Agriculture goes in cycles, so don't try and predict it, make the most of it while the margin is healthy. Is your sheep enterprise robust enough to capitalise on the ups and weather the downs? Running more sheep and running them more efficiently will help with both of these.

During the latest Sheep Optimiser Workshops, the question was asked 'Do you predict you will have more sheep into the future?' The overwhelming answer was 'Yes'. We would suggest most businesses reading this newsletter will have more sheep into the future. In the short term it maybe a slight enterprise ratio shift towards sheep. However in the medium to long term, even with your current enterprise mix, your business is likely to be on a bigger scale which equals more sheep. We have used the assumption that the trend from Figure 1 continues into the future.

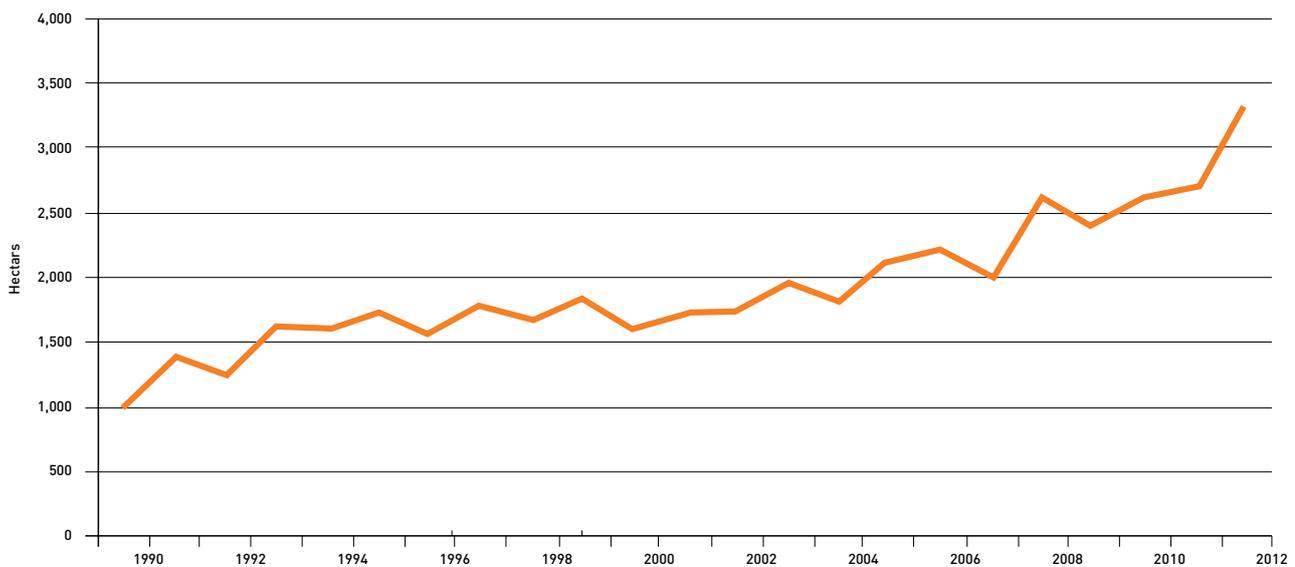


Figure 1: WA average broadacre farm size - Source: Department of Agriculture, Fisheries and Forestry, AGSURF, 2013

The overwhelming reason to invest in your sheep enterprise now is the record margin it is producing. All good businesses invest some of the margins back into themselves, whether this be scale, infrastructure, equipment, soil amelioration, genetics or pastures. The gross margin for the 2017/18 season was \$55/dse (Figure 2). The past 2-3 years have been exceptional compared to the past 25 years. To put this into perspective, the average stocking rate per 100 mm of growing season rainfall (DSE/WGHa/100 mm GSR) of that data set was 2.9.

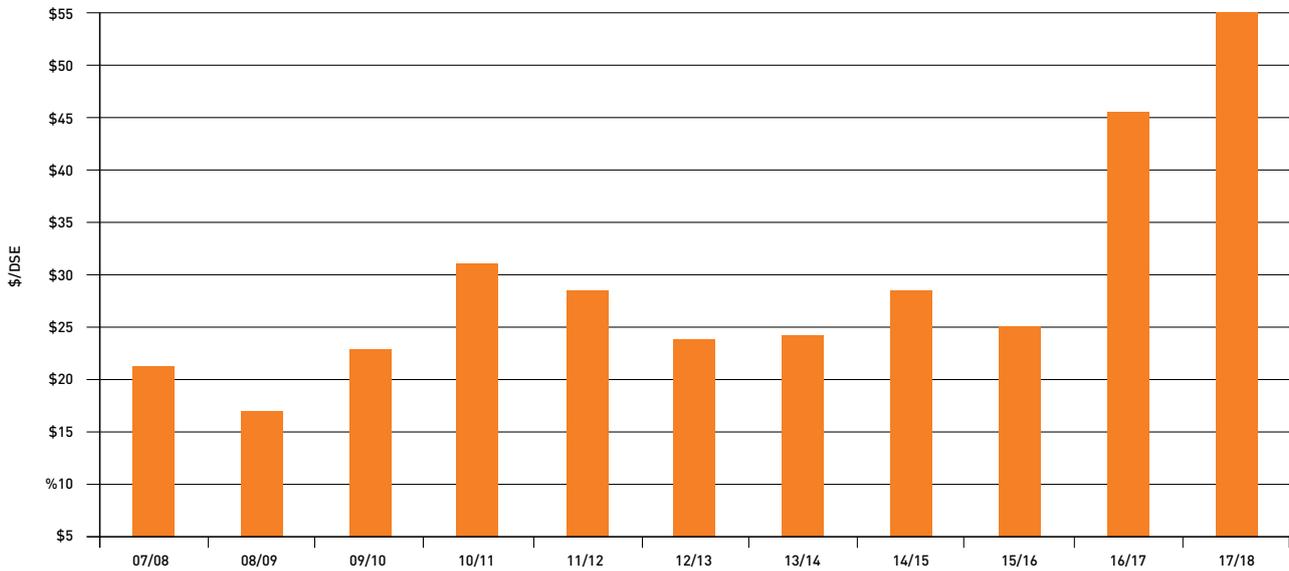


Figure 2: Gross margin per dry stock equivalent (DSE) over the past 11 years. Source: Icon Agriculture & Compass Agricultural Alliance

Currently, the hype is around the wool price (Figure 3), and rightly so. It is at exceptional levels. However the importance of sheep sales, we think, is underestimated. When you can average close to \$100/hd this is also at exceptional levels.



Figure 3: Eastern Market Wool Indicator (EMI) in cents/kg since 1996

To highlight the importance of livestock sales we use what is called 'livestock trading profits' (Figure 4). This is the difference between the closing value of livestock and the opening value of livestock plus any sheep sales, minus any sheep purchases. This is used in comparing across years rather than just stock sales as it accounts for any difference in your flock size. This means if you retained more ewes, purchased some or sold down it is all accounted for. As you can see from Figure 4, livestock trading makes up roughly 47% of the sheep income.

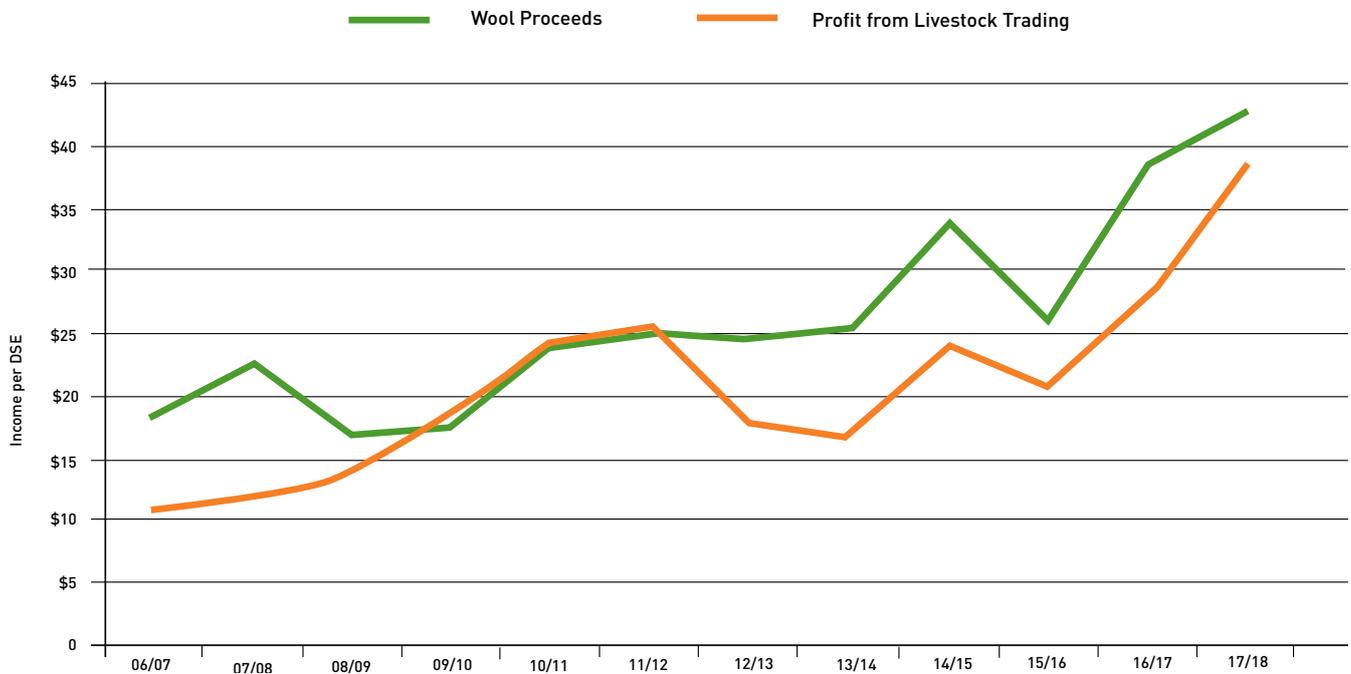


Figure 4: Income per DSE, comparing wool and livestock trading profits. Source Icon Agriculture & Compass Agricultural Alliance

The next statement, which may not apply to all businesses is 'for too long investment in the sheep industry has been neglected'. Given historical margins, this is not surprising. If there ever is a time to make an investment into your sheep enterprise, it is now.

Investing in your sheep enterprise is a very broad term. It requires much thought and planning, as some of these investments can last 50 years.

We have categorised the investment into 5 categories:

1. Labour saving
2. Increased efficiency
3. Biosecurity & risk management
4. Time based eg. fencing
5. Pride & image

## LABOUR SAVING

Labour saving will possibly be the most important factor for many sheep enterprises in the short to medium term. Farmers are getting older and quality 'sheep' labour is getting scarce and more expensive. There is a scarceness of suitably qualified or interested labour in the sheep industry. The relative lack of interest in the sheep industry over a period of time has left a void in the industry. There are very few people with 'sheep' skills between the ages of 20 and 40. What are some of the ways this can be countered? Remembering that each business will want something slightly different.

### 1. LANEWAYS

By far the biggest labour saving device you can have on your farm. There are many reasons for installing laneways.

- Returning sheep to far paddocks can be done without driving
- Quicker mustering into yards
- Less boxing of mobs
- Quicker feeding out (especially important this year)
- In and out of the ute at every gate encourages you not to visit the furthestmost paddocks.

### 2. YARDS

Poor quality yards or poorly designed yards can be extremely labour hungry. No doubt many of you would have experienced this before. It's 35 degrees and it takes you twice as long as it should to carry out simple tasks; mobs get boxed up in the yards and you are forever getting mobs in because the capacity of the yards isn't big enough. This makes for a very unpleasant and time consuming experience of working in the yards.

- Flow – modify existing yards if flow is poor
- Out yards – can you strategically locate simple yards within laneways?
- Covered – or partly covered over working area
- Sprinklers to keep dust down

### 3. SHEEP MACHINERY

There is a wide range of sheep machinery currently on the market. Each sheep enterprise is different and for this reason one machine won't fit every enterprise. The one suggestion that rings true, is that if you are planning on purchasing a piece of sheep machinery go and work in someone else's yards with this piece of machinery. Ask your stock agent, wool agent or local reseller, they will have a good idea who owns what piece of sheep machinery. Some of the things to consider when making an investment into the sheep enterprise is:

- Access to labour – VE type machines, air operated grabs or bulk handlers?
- Jetting?
- Autodrafting & weighing
- Larger sheep feeder?
- Sheep management apps

One of the simple labour saving devices is a larger sheep feeder. Given a normal mid-late May break; over March, April and May sheep require a lot of hand feeding. A 4 000 head flock will require roughly 15t per week over this time frame. Given a 1.5t feeder, this is 4 loads a day, 3 times a week, which is the best part of half a day. Given a 2.5 t feeder, this is 2 loads a day, 3 times a week. At least a saving of 1 hour each day, or 3 hours a week over 12 weeks which is 36 hours to get other jobs done such as seeding.

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## INCREASED EFFICIENCY

How to produce more with less? How to run more sheep per labour unit, run more sheep per hectare while getting more output per head? Each sheep enterprise will have a slightly different target for efficiency so we have split these up:

### 1. Efficiency = ↑ Profitability per ha

Increasing output through producing more pasture and utilising it better will increase profitability per hectare. This sounds simple in theory but increasing pasture production requires some level of investment.

This is increased knowledge of pastures in the form of:

- Better pasture cultivars
- Longer season pastures
- Early sowing opportunities
- More P to produce more pasture
- Strategic use of nitrogen
- Measurement of FOD
- Measurement of quality
- Treating pastures more like a cash crop

These techniques are all aimed at producing more biomass from the same amount of rainfall, or increasing the water use efficiency. Treating pastures more like a cash crop will go some way to increasing output. How much more production over and above a 25 year old stand of subclover, capeweed and silvergrass can you get?

## THE RIGHT LANGUAGE

Increasing profitability per hectare is helped by the understanding and the use of the correct language. The outputs that drive profit are output per hectare, eg kilograms of wool and meat. There is a wide range of outputs across the State, even within narrow rainfall bands (Figure 5). Wool should be measured in kg/Ha not kg/hd. We should also be working towards lambs per ewe Ha or kg of meat per Ha. This sounds pretty simple, so it's time to start using the right language.

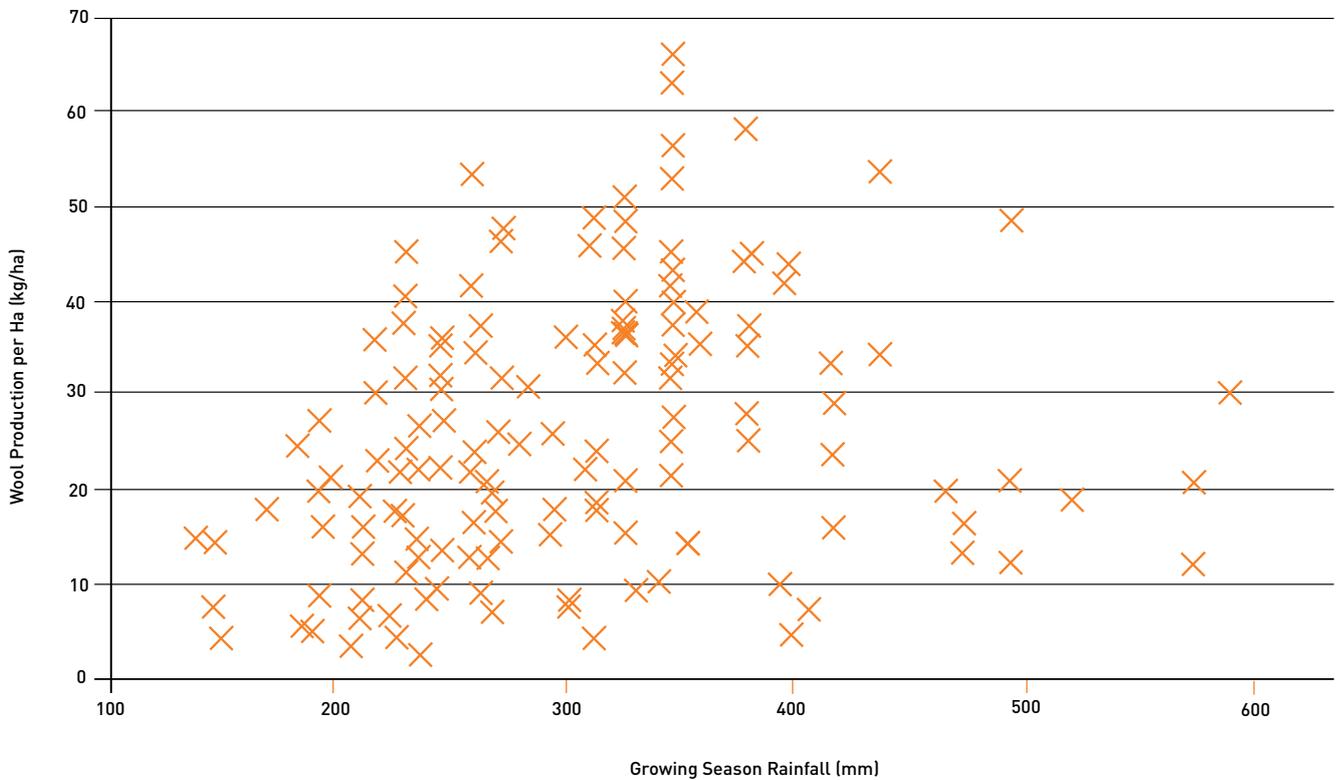


Figure 5: The Sheep's Back wool production benchmark data from 2016 survey

## 2. Efficiency = ↑ Profitability per animal

The next step is increasing profit per animal, which is done through improved genetics. There are improved selection techniques that allow for faster genetic gain which are aimed at ram breeders. These include DNA testing, genomics and JIVET. It is easy to select for traits such as wrinkle score, horns, resilience and disease resistance.

- Lower wrinkle score, dag score and fleece rot are all linked with lower fly strike incidence. Gains made in breeding are permanent and cumulative and will reduce the treatment and management costs associated with flystrike in the future.
- Horns – are these necessary? They don't produce anything nor add value to the animal. All they tend to do is injure other rams and have a higher tendency to get fly struck.
- Disease resistance – or specifically the combination of the worm egg count trait (WEC ASBV) and dag score trait (DAG ASBV) for your environment. Genetic selection can be used to increase a sheep's resistance and resilience to worms.

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## RISK MANAGEMENT & BIOSECURITY

There is an ongoing risk that a farmer's social license to own livestock will be altered or revoked. Animal welfare groups run well organised campaigns against the industry. Whether this be mulesing, live trade or lamb survival, we as an industry need to be on the front foot. Eventually the sheep industry will be much more heavily regulated, similar to Europe, or you may even be required to have a license to farm sheep.

As a business you should be asking yourselves, 'what is the biggest risk to my sheep enterprise?' You'll all have slightly different answers, some that can be easily managed, and some that can't. An obvious risk is outdated equipment such as old-fashioned overheads and exposed shearing equipment. The shearing industry has twice the industry average of workers compensation claims which says something about the general nature of their workplace. As wool producers you cannot be without them, so there needs to be an increased focus on safety. This is only one facet of risk management in a sheep enterprise.

Recording information using new apps will become better in the future and will greatly improve how information is recorded in sheep enterprises. Recording more information accurately is something every sheep farming enterprise should be looking into.

Biosecurity is something a lot of businesses are very aware of and do a good job of. This ranges from not purchasing sheep from an unknown source to surveillance cameras on gateways.

Some other things that fit into this category are:

- Stock proof boundary fencing
- Treating purchased sheep for lice & worms
- Purchasing clean grain
- Locking external gates
- Surveillance cameras for theft, stock water or gates

At current prices an incursion of lice or theft will cost a sheep enterprise a significant amount of money compared to what it maybe would've 5 years ago. For this reason some extra diligence is required in the area of biosecurity.

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## TIME BASED INVESTMENTS

Time based investments are those items that must be replaced, fixed or upgraded, which is basically all your sheep infrastructure. This includes things such as stock water, fencing, yards and shearing sheds. Many of these items will require a significant amount of capital. For this reason it's important to think about what your sheep enterprise may look like in the future and plan for it.

### STOCK WATER

Running out of stock water is a huge risk as you cannot run sheep without it. It is becoming much more of an issue than it once was. With the advent of minimum tillage practices there is less runoff into dams. We now have consistently drier winters (Hope & Foster 2005), characterised by areas receiving between 50% and 75% of their annual winter rainfall in years such as 1982, 1986, 2001, 2006 and 2010. Some of the ideas to alleviate water as an issue on your farm include:

- Building or cleaning dams - why not plan for 2-3 years water storage capacity
- Underground water - investigate prior to disaster striking
- Develop a higher capacity water system over your farm if dams don't work for you.

### FENCING

Fence replacement is behind schedule on most farms across WA. If you add up the entire length of fencing on your property and divide this by its useful life span, that's how much you should aim to replace each year. Many of you have been propping up or doing the bare minimum for the past 30 years.

Fencing is inevitable but requires a level of planning as many fences won't be put back in the same place. Plan for things such as laneways, paddock amalgamations or splits and flow of stock through the farm.

### YARDS

Does working in the yards cause you stress? How long is the realistic lifespan of your sheep yards? If you are planning on upgrading, make sure you plan for the future and consider the following:

- What capacity do you need?
- Does it need the capability to plug in handling devices, crutching cradles etc?
- Will you put some kind of roof on now or in future?
- Is the site suitable?
- Are they located in right spot?
- Can personal gates be included?

Think about the features of sheep yards that will benefit the sheep and those who work in the yards in 10-20-30 years' time. Yards are a major investment and you are likely to put only one set up in your lifetime.

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## SHEARING SHED

Shearing sheds are a once in a generation infrastructure project, maybe even longer with some upgrades. Lots of sheds out there are in need of some refurbishment or demolition! If you are thinking of refurbishing your existing shed or building a new one, some things to consider are:

- Storage room for woolly sheep prior to shearing and possibly shorn sheep in the advent of a summer storm.
- Running water for shed staff and sheep
- Toilets
- Lunch room for shed staff
- Ventilation, insulation and air conditioning
- Sloped catching pens
- Safety features such as signs, fire extinguishers, hand rails, first aid kits (AWI shearing shed safety signage kits are available)
- New shearing heads
- Safety switches
- Wool bale loading system

Upgrading your shearing shed to make it a safer place, and one people want to work in, does not need to be an expensive exercise. Of the list above, most things are relatively inexpensive. An upgrade or new shearing shed will again require some planning as you will only do it once.

## PRIDE & POSITIVE IMAGE

Pride and positive image is something that has been lacking in the sheep industry for some time. This is, of course a generalisation across the industry. The sheep industry is very profitable at the moment (Figure 2), so what a time to aid the image of our industry. Where do we start? On farm, the hub of the sheep enterprise is the shearing shed and yards; stock agents, sheep buyers, wool agents, resellers, bankers, consultants and any visitors to your farm see either your shed or yards or both.

They walk away with this image, so how can this image be improved;

- Can these areas be made neater?
- Can the greater area around the sheds/yards be neater?
- Can the shed be lighter inside?
- Can signage be used?

Some of the other things that can be done to improve the general image of your sheep enterprise are business cards, work wear with logos, web pages and front gates with signs. These may all seem minor, but look at almost all other industries and they have them.

There are some great examples across WA of sheep enterprises going down this track. As an industry you are excellent sheep farmers with a great deal of skill in the management of stock but unfortunately the wider public don't always realise or understand this.

If we portray a more positive image of sheep farming it will help retain your social license to farm animals.

## CONCLUSION

The sheep industry is currently very positive, with the sheep margin at record highs (Figure 2). How do you make sure your business remains profitable in a fluctuating market? Through smart investments into your sheep enterprise. Those that allow you to produce more from less into the future while not increasing your risk profile. To start thinking about this, we suggest writing down the list of the most time consuming jobs and ranking them. Then of the top two time consumers, can you remove one or reduce the time spent on this job? A simple example would be sheep feeding, it has to be done but can efficiencies be gained through the use of a bigger feeder, denser energy feed, automatic gates or just growing more feed during winter. The answer to keeping your sheep enterprise profitable into the future lies somewhere between increased output per ha and increased output per unit of labour.

Hope, P & Foster 2005, 'Climate Note 5/05 (August) How our rainfall has changed - The south-west' Indian Ocean Climate Initiative. Available from: [www.ioici.org.au](http://www.ioici.org.au). [16 December 2015].



## CHANGE OF DETAILS OR SUBSCRIPTION

PLEASE USE THE FORM BELOW TO UPDATE YOUR CONTACT INFORMATION.

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COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

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