



# Investing in the Sheep Enterprise

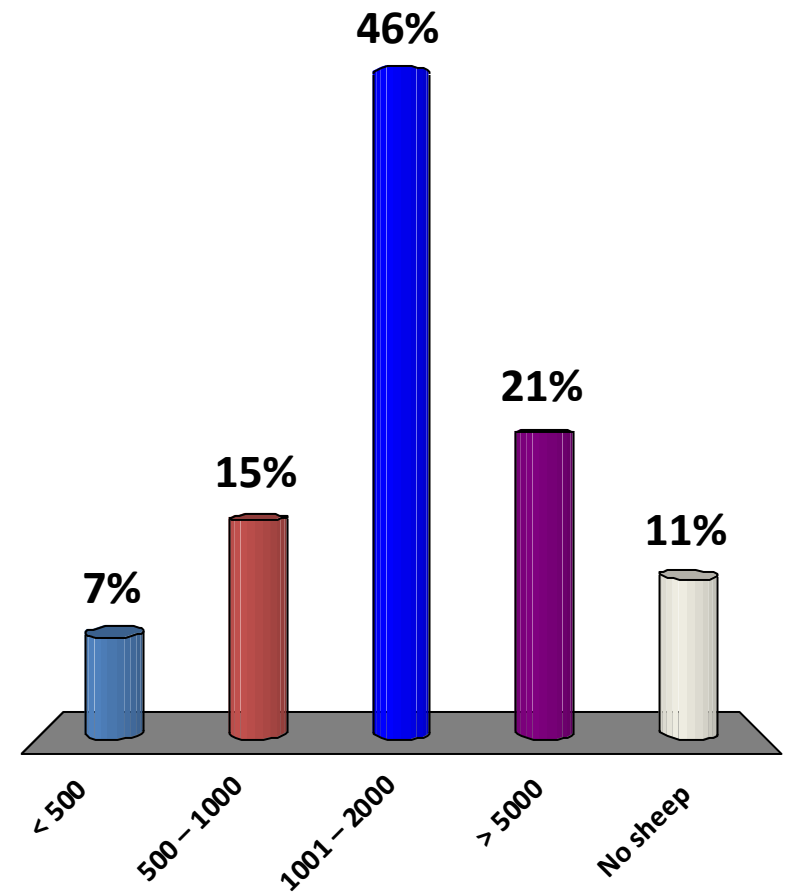
Ken Solly

Agribusiness Consultant

Solly Business Services, Naracoorte, SA.

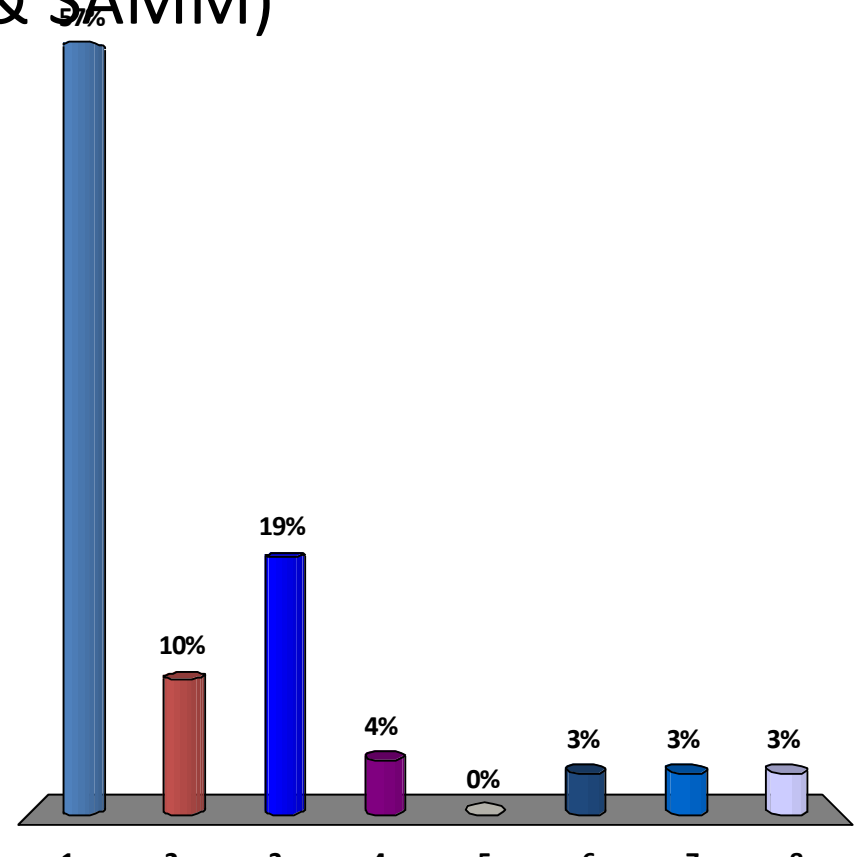
# What are your total adult ewe numbers?

1. < 500
2. 500 – 1000
3. 1001 – 2000
4. > 5000
5. No sheep



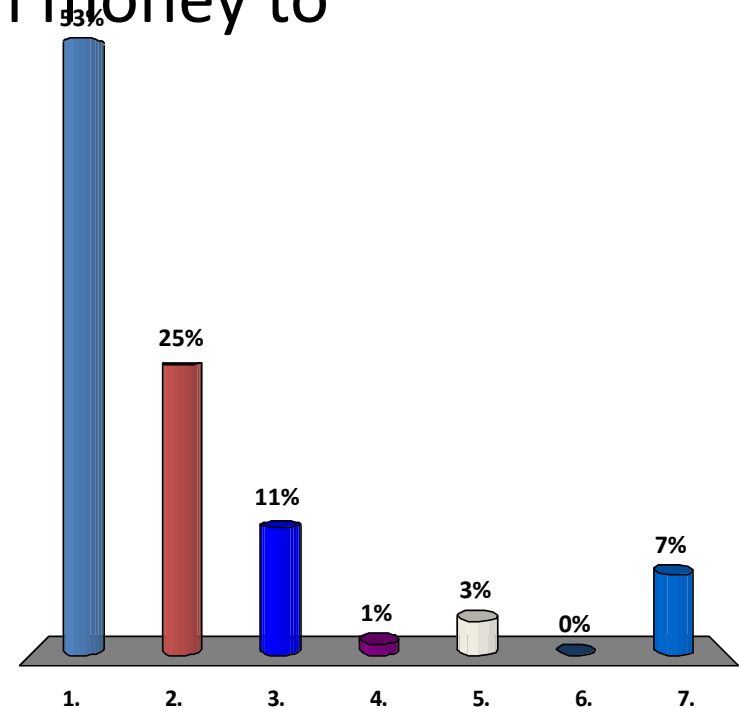
# What **ewe type** do you predominantly run?

1. Merino – self replacing
2. Merino – terminal prime lamb
3. Meat Merino (incl Dohnes & SAMM)
4. First Cross
5. Maternal composite
6. Cleanskin
7. Stud terminal
8. Stud maternal



# How do you run your farm?

1. Generally as a business but also looking for the 'lifestyle'
2. Simply as a business
3. Lifestyle that can make enough money to be comfortable
4. Almost entirely lifestyle
5. Expensive hobby
6. Really don't know
7. Not applicable



# **Areas to Invest in the sheep Enterprise**

- Yourself – knowledge and skills
- Livestock management
- Livestock Genetics
- Sheep Infrastructure
- Labour Efficiency
- Use of Technology

# Investing in yourself

- As manager you are the number 1 profit driver
- Finance, budgeting & economics
- Communication and negotiating skills
- Investing in holidays
- Professional development
- Good record keeping

# Investing in livestock management

- Lifetime Ewe Management
- Containment areas
- Pastures and feedbase
- Good dogs – dog training school
- Bred Well Fed Well workshop

“Biggest gain for most is stopping what is slipping through your fingers”

# Ewe is too costly to be a passenger

Total			Overall Ewe Wastage				
	No Lambs	%					
1645						Ewes Lose Lamb	
749			Twin Surv	Live Twin	Dead Twn	1/2 One	1/2 Both
	1498		60%	899	599	200	200
722	Twins	67%	Sing Surv	Live Singl	Dead Sing	Ewes Lost	
	722		85%	614	108	108	
	Single	33%					
174				1513	Alive Lambs at Marking		
	% Drys	10.6		68%	Survival of scanned feotuses		
	Ewes SIL	89%		708	Lost Feotuses & Dead Lambs		
				92%	Lambing %		
				308	Dry Ewes at Lamb Marking		
	2220			18.7%	Ewes Lost lambs		
		135.0					
			Ewe Wastage Register				
			3.0%	Dead Ewes			
			10.6%	Drys at Scan			
			-8.6%	Remate Drys			
			18.7%	Drys at Lm Marking			
			23.7%	Ewes no Lamb			
			1645	Ewes at Start			
			390	Ewes no Lamb			



# Ewe dies of Preg Toxemia = \$500 cost

- Dead Ewe = \$150
- 1<sup>st</sup> Twin Lamb lost = \$80
- 2<sup>nd</sup> Twin Lamb lost = \$80
- Ewe Fleece not shorn = \$40
- Buy Replacement = \$150
- Total = \$500

# Investing in Genetics

- Use Lamb plan or Merino Select information
- Need good technology to measure and record
- Measure to manage, not set and forget.
- Bred Well Fed Well workshops
- Ram Select workshops
- Request the information from the studs

# Crunching the numbers

Estimating Ram Value			
INSERT A NUMBER IN YELLOW BOX		FORMULA ALREADY IN BLUE BOX	
How much more can you pay for Ram 1			
	BAND	ASBV	
Ram No 1 ASBV Post Weaning Weight		14	Kgs
Ram No 1 Percentile Band	15%		
Ram No 2 ASBV Post Weaning Weight		11	Kgs
Ram No 2 Percentile Band	60%		
Difference in Post Weaning Weight		3	Kgs
Difference in actual weight at time of sale		1.5	Kgs
Half from Ram & Half from Ewe			
	Dress %	Cwt	
Predicted Difference in Carcase Weight at nominated dressing percentage	0.46		
		0.69	kgs
Total Number of rams Progeny	Ewes	Wean %	No Yrs
	70	110	4
Total Progeny		Lambs	308
Total Predicted gain in Carcase Weight		Kgs	213
Average price received per KG Carcase Wt		\$	4.8
Value of Predicted gain in Carcase Weight		\$	1020

# Ram Cost per Lamb?

RAM COST PER LAMB		Lambs weaned in life of ram & Ram cost per Lamb				
	\$/Head	150	200	250	300	350
Purchase price per ram	800	5.33	4.00	3.20	2.7	2
	1000	6.67	5	4	3.3	3
	1200	8.00	6	4.8	4.0	3.4
	1400	9.33	7	5.6	4.7	4
	1600	10.67	8	6.4	5.3	4.6

# Total Ram Revenue in its life

Return CWT & Weaning Number & Price	LM CWT	Lambs weaned in life of ram & total revenue per ram				
	21	150	200	250	300	350
Total Carcase Weight		3150	4200	5250	6300	7350
Price per Kilogram Carcase Weight	\$	4.8	4.8	4.8	4.8	4.8
Dollars returned per Ram (And Ewes)		15120	20160	25200	30240	35280
Skins	6	900	1200	1500	1800	2100
Total Carcase Value and Skins	\$	16020	21360	26700	32040	37380

# Labour Efficiency

- It is when the labour employed achieves the optimum outcome for the amount of resource invested (skill, time and dollars)
- Distinguish between activity and achievement

# How do we measure Labour Efficiency

Which “D” – DSE or Dollars

8000 to 9,000 DSE?

7,500 SA Merino Wethers - 1.2 dse/wthr

4,400 SA Merino Ewes - 1.8 dse/ewe

4,000 1<sup>st</sup> X Ewes - 2.0 dse/ewe

Plus some followers in ewes case

DSE = **D**ry **S**heep **E**quivalent

Can also mean **D**ead **S**heep **E**verywhere????

DSE = 50 kg wether maintain in Condition Score 2 to 3

# Do what it takes to generate?

- \$500,000 to \$600,000 gross income per year per labour unit.



# Understand the Fundamentals

Stocking Rate x Wean % x Kgs/Head x Price

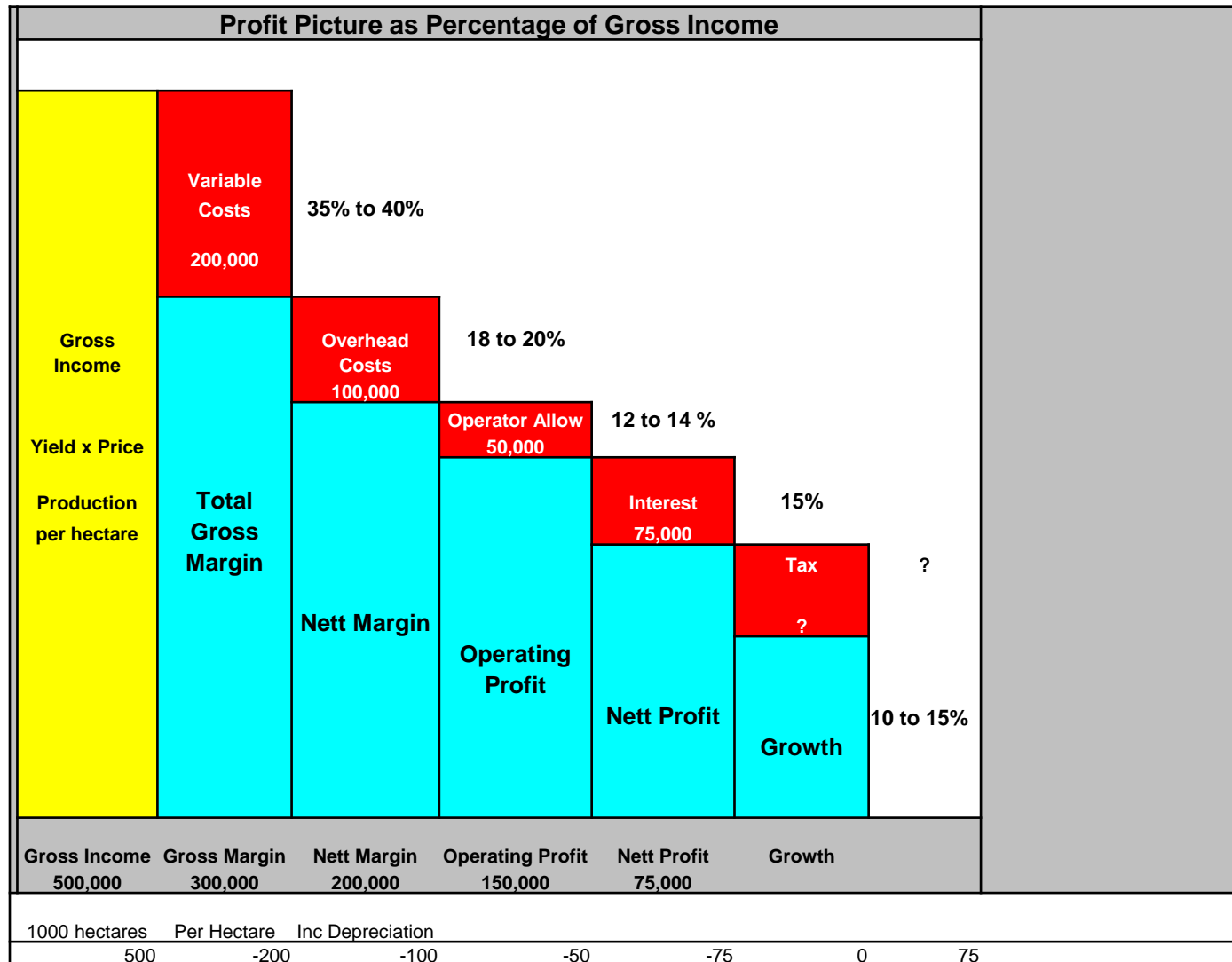
Less

Costs (Enterprise, Overheads, Labour, Tax, Interest)

=

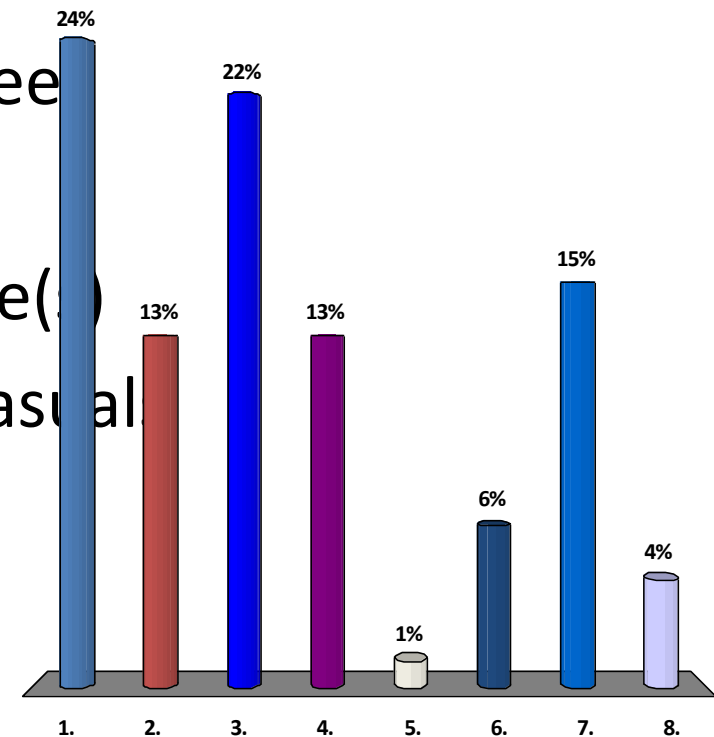
Profit

# Impact of Costs on Profit



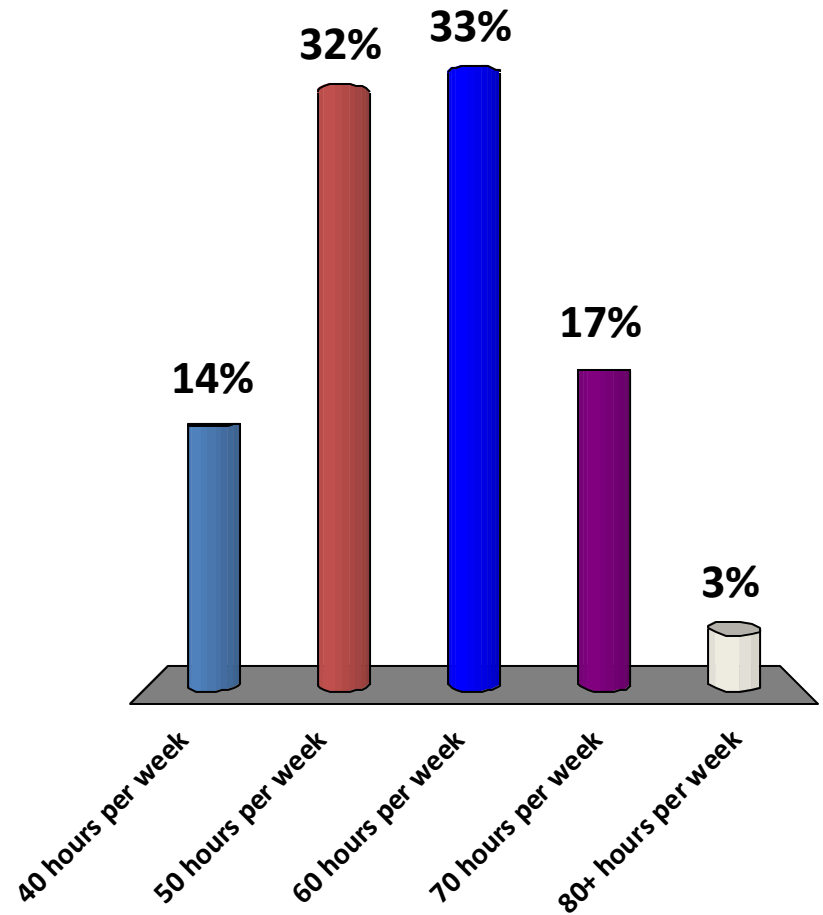
# What is your staff structure?

1. Owner Operator (self only)
2. Father/Mother (1) & son/daughter (1)
3. Several family members
4. Owner operator & one employee
5. Employed Manager
6. Employed Manager & Employee(s)
7. Owner Operator/Manager & Casual
8. Other



# How many hours do you work a week?

1. 40 hours per week
2. 50 hours per week
3. 60 hours per week
4. 70 hours per week
5. 80+ hours per week



# Work Life Balance?????

- 168 Hours in the week – that is your real currency

## Ken's Balance

- 56- Work, 56 Sleep, 56 Please Yourself = 168 hours
- 56 work = 5 days x 10 hours + 6 on weekend.
- 56 Sleep = 8 hours x 7 days
- 56 Other = Family, Community, recreation, rest

# It is not the time you put into your work it is the work you put into your time

Employee	Weeks	Owner Manager	Weeks
Full Year	52	Full Year	52
Holidays	- 4	Holidays	- 3
Public Holidays	- 2	Public Holidays	- .5
Sick Leave	- 1	Sick Leave	- .5
Prof Develop	- 1	Prof Develop	- 1
Kids & Community	- 1	Kids & Community	- .5
Productive Weeks	43 weeks	Productive Weeks	47 weeks
Hours per Week	37.5 hour	Hours per Week	56 hours
Hours per Year	1612 (18% of total)	Hours per Year	2632
Labour Unit	1	Labour Units	1.6
Employment Cost	60,000	Employment Cost	If @ \$40/hr ??
Cost per hour	\$36/hr	Total Cost Manager	\$105,000 ??????

# Some Simple Time Savers

10 Minutes per day is equal to a week per year

Do you frequently open and close gates on your farm?

Time taken=

2.5 minutes x two times/day x 300 days=1500minutes (25 hours)

3 days @ \$400 = \$1200

I stock grid paid for before end 2<sup>nd</sup> year.

# Understand real cost of Labour

Employment Package				
	\$/week	No. of units	Total Taxable Items	Tax Fee Items
Salary	1000	52	52000	
Leave Loading (20% on 4 wks)	800	1	800	
Taxable Income			52800	
House	130	52		6760
Bonus	0	52		0
Telephone	40	52		2080
Power	30	52		1560
Fuel	60	52		3120
Meat	40	52		2080
Training & Development				0
TOTALS			52800	15600



# The \$100,000 labour Unit

Package Cost to Employer			
	Income	Tax	Benefit
Salary	\$ 52,800.00	\$ 9,226.00	\$ 43,574.00
Superannuation	\$ 4,752.00	\$ 712.80	\$ 4,039.20
Workcover	\$ 2,376.00	\$ -	\$ -
Long Service Leave	\$ 1,300.00	\$ 409.50	\$ -
Imputed Salary	\$ 22,773.72	\$ 7,173.72	\$ 15,600.00
Total Salary	\$ 84,001.72	\$ 17,522.02	\$ 66,479.70
Plus = Ute, Interest, Depreciation, Fuel, R&M, Insurance, Rego			

## Labour Cost per Kilogram Lamb DWT

Labour Cost per Kilogram Lamb Dressed Weight Calculator						
				\$	\$	\$
Drawings/ Salary				30000	45000	60000
Non Tax Benefits/On Costs				10000	15000	20000
Employment Package \$				40,000	60,000	80,000
No DSE	Lambs	Kg Dwt	Tot Kgs	\$/kg	\$/kg	\$/kg
4500	2000	20	40,000	1	1.5	2
6750	3000	20	60,000	.67	1	1.33
9000	4000	20	80,000	0.5	0.75	1
11250	5000	20	100,000	.40	.60	.80
13500	6000	20	120,000	0.33	0.5	0.66
Needs to be below \$1 per kg dressed weight						

# Staff Retention

- Recognition, reward, responsibility, flexibility
- Treat staff the way you would like to be treated
- Don't ignore the partner
- Listen for the stories that are not told
- Profit sharing and growth
- A lack of profit in the long term is not a production problem it is a people problem.
- Get the people right and the production and profit will follow
- Are you the ball and chain in the business – holding it back
- A one percent of gross income investment in professional development is not negotiable
- Always check your own mirror

# Where should I invest?

	Capital Investment	IRR
Wool presses	\$20,000	17%
Stock proofing water troughs	\$15,000	17%
Laneways with satellite yards	\$75,000	19%
Debt Reduction		8%
Irrigation Infrastructure	\$517,000	19%
Pasture Utilisation	\$85/DSE	25%
Paddock subdivisions	\$65,000	11%-13%
Buying Neighbouring Land	\$1,072,574	12%
Pasture renovations	\$850,000	0%-13%
New Kitchen	(almost certainly very high)	
Acknowledgement: Holmes and Sackett		

# How do I decide?

You need to know:

- Cost to purchase
- Cost to set up
- Cost to train sheep and people
- Nett additional gain
- Life of the investment
- Residual value
- Internal Rate of Return is before cost of funds
- Now consider the non financial benefits

# Infrastructure - First things first

- Getting the draft and working area right
- Water and feeding systems
- Ensure the safety issues are addressed
- Heed the JD story – Just do it
- Go and inspect other systems thoroughly
- Gain the do's and do nots from each
- Can it be done in stages
- Good quality dogs just as important as good quality facilities.
- Good second hand material is still an option.

# Where do we start?





# Volume and Simplicity





# Justify in the head not the heart!





# Some require labour to make it efficient





# Requires scale to invest



# Investing in technology

- We must make Electronic Identification work – track pedigrees, selection, culling, auto drafting
- Remote sensing technology – water points
- Greater use of apps – condition scoring
- Virtual fencing

## Is Syndication a possibility ?

- Sharing high quality rams if mating at different time of year (animal Health a priority)
- Wool presses, Vee Machines, Weighing Scales  
Portable yards
- Costly yes but what does a buggered back cost
- Syndicate the labour
- Syndicate good ideas.

# Summary

- Sheep income may be a smaller part of your total income but still very important
- It is the decisions you make in the good time that get you through the bad
- Sheep income has the potential of being more reliable
- Change is not compulsory neither is survival
- Make the job interesting and challenging and the rewards will follow.
- If you treat your sheep as a second class enterprise then you will most likely get a second class result.
- Accept the challenge and enjoy the rewards and the ride.