

Leading Sheep

— information to lead you (ewe!) forward

Leading Sheep has run a number of very successful events recently, including a Sheep Technology field day in Dirranbandi with over 140 attendees and a Managing for More Lambs forum and dinner in Cunnamulla where 60 lucky people got to hear special guest speaker Billy Moore (Queenslander!!!!).

A massive thank you must go to Leading Sheep's regional committee members (most of whom are also sheep producers) for their hard work in making these events a success.

If after attending one of these events (or one of the 12 other events Leading Sheep has run in the last 12 months) you feel that you could step up and help make a difference to the industry then please get in contact with someone from Leading Sheep. My details are below or you can find the committee members details on our website at www.leadingsheep.com.au, just click on the 'About us' tab at the top of the page.

This edition of Flock talk focuses on one producer's confidence in the wool industry through a major exclusion fencing investment, and evaluating enterprise options.

Happy reading! And hopefully we will see you at a Leading Sheep event in the near future.

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Fencing

— an investment in the future of the wool industry

Mungallala wool producers Graham and Jan Chambers have spent close to \$180,000 on exclusion fencing during the past two years, with the investment reflective of their faith in the future of the industry.

The couple, who run Glenelg, a 4050 hectare grazing property in south west Queensland, erected the fence to combat a combination of predator and pest pressure.

'We were losing 500 wethers a year to wild dogs and the kangaroo pressure on our buffel country was significant so in terms of sustainability we knew we had to make some changes,' Graham explained.

After considerable deliberation and some practical research, the Chambers made the decision to re-fence their boundary.

With the help of their son Matthew, they have spent the past 18 months building a 1.65m high fence that stretches 31 kms.

The fence is 1.55m high netting with barb on top, and includes a 0.40m apron, which is hinged 150mm from the fence base and sits out at a 45 degree angle.

'The fence cost \$5800 per kilometre and that is just for materials, but we did go to the extra effort of putting in heavy posts every fifth post,' Graham said.

'We wanted something that would withstand the pest pressure and still be standing in 30, or even 50 years.

'The fence was totally funded by us, so we needed it to work and we did our homework — we got in a vehicle and drove around and looked at other exclusion fences — before we started.'

Graham also attended a predator control field day run by Leading Sheep in Mitchell in 2014 that offered valuable insights into control options, including fencing.

'When we started we did just 5 km of fencing to make sure it was what we wanted, then we ordered the rest of the equipment.'

The family finished the exclusion fencing in July, just weeks before they started shearing, and say while they are yet to quantify the spend in terms of stock numbers they are confident it will make a difference to production.

'We had reached the point where we couldn't run sheep on about 2000ha, because the dog pressure was so bad,' Graham said.

'Even with baiting and trapping the dog numbers had really built up over the past 15 years.

'Before the fence we were losing up to 500 wethers a year and they were worth \$100 each and carrying \$30-\$40 worth of wool.

'These sort of losses are not sustainable in any business.'

He said being able to lessen the impact of wild dogs and reduce the kangaroo pressure on their predominately improved pasture were key to ensuring his family's future in agriculture.

'We've spent money and time on this exclusion fencing, because we believe in the future of the wool industry and want to run a sustainable business,' Graham explained.

'This investment in fencing allows us to have more control over some of the issues that were impacting our operation, and plan for the future.'

Currently the Chambers are running 3000 Merinos, including 1800 ewes and 1200 weaners, along with 100 Santa Gertrudis breeders.

Their plan now is to gradually build their sheep numbers to capitalise on what Graham calls a stable wool market.

'Our wool is generally 19-20 micron and this year we will cut about 70 bales and prices are reasonable,' he said.

'And I believe they will continue to be reasonable, especially considering the reduced sheep numbers nationally, but we do need to be careful not to price ourselves out of the fibre market.'



Graham is confident in the future of the wool industry and plans on building his sheep numbers.

Looking to the future, both long and immediate term he is optimistic.

'We've got 1800 ewes joined this year, with lambing due to start in September and the season is looking exceptional so I feel it is a good time to be in the industry,' Graham said.

'The weaners we're shearing now are some of the best we have ever had.

'What we want to do now is continue to build up flock numbers. In recent years we have sold our young wethers, because of the seasonal conditions and the problem we were having with dogs, but this year we'll be holding onto them.

'So overall we're feeling pretty positive about the future of sheep and wool and the exclusion fencing has taken most of the anxiety out of our day-to-day operations as well.'

Graham's tips for exclusion fencing

- Ask other producers what has worked in terms of practical design and construction
- Get out and have a look at different exclusion fences so you can assess what might work on your property
- Buy enough material to do a short section of fencing and check it suits your requirements before investing in all the gear
- Do it right from the start and build something that is going to withstand pest and predator pressure for years.



Do you improve your sheep and wool business, or change enterprises?

A destocked property can offer a unique opportunity for producers to re-examine their enterprise, but decisions to change should be based on what they're passionate about and what suits their country, advises Toowoomba-based Bush AgriBusiness director Ian McLean.

Speaking at a Leading Sheep Restocking Forum in Longreach, Mr McLean told sheep and wool producers the key was to focus on what they did well and how they could do it better.

He warned against changing enterprises purely to chase market premiums.

'Drought, prices and predation have prompted an exodus from Queensland's sheep industry in recent years and we are now getting queries from producers about changing enterprises,' Mr McLean said.

'In any business you need to understand and focus on what drives profits. If you go from enterprise to enterprise chasing market premiums and don't do it well, you are not going to put yourself in a better position.

'Grazing businesses are slow ships to turn around, with considerable time needed to establish functioning flocks or herds. However, if the current enterprise isn't performing, producers need to be prepared to change.'

He said the key question when it came to change was whether to shift industries or improve an existing business. With the current market, the relative replacement cost per unit of grazing load (AE - animal equivalent or DSE - dry sheep equivalent) for cattle and sheep also requires careful consideration.

For an accurate answer he advised producers to evaluate their current position against the universal drivers of profit, such as cost of production, land and labour productivity, and optimised enterprise expenditure.

'There can be variation in profit between businesses in the same industry, in the same region, of around -\$10 to +\$10 per DSE. What successful producers do is understand their financial performance and the financial implications of their decisions.'



Focus on what you do well and how to do it better. Don't make enterprise changes to purely chase market premiums according to Bush AgriBusiness director Ian McLean.

Mr McLean said improving financial literacy was often the key to better business outcomes.

'Do you know what it costs you on average to produce a kilogram of wool or meat? Within this, how many kg of meat or wool are you producing per unit of grazing pressure, and how efficiently are you using labour,' Mr McLean said.

'Quite often, improving labour efficiency can be the most effective way to reduce overhead costs, for example building laneways to make mustering easier and quicker with less people.

'Secondly, optimise enterprise expenses. What are you getting back for every dollar you spend on inputs?'

'Scale is also vital. A lack of scale, or not having enough animals to spread the overhead costs, is a major problem across businesses. If businesses are multi-enterprise, it's important they each have sufficient scale to operate efficiently.'

Mr McLean said another important consideration for producers was to know their long-term carrying capacity and understand how to get the mix right for sustainability.

'There is a lot to consider when it comes to assessing the future of your enterprise. In

the past, working hard and being frugal was enough, today you need to make considered business decisions to be a success,' Mr McLean said.

Evaluating enterprise options

When it came to change in the sheep and wool industry, research by the Cooperative Research Centre for Sheep Industry Innovation (Sheep CRC) also found an increasing number of producers were rethinking traditional sheep enterprises, driven by high sheep meat prices relative to wool prices.

A Sheep CRC study of 14 enterprises in 2004 in Southern Australia consistently found a dual-purpose (19 micron) Merino enterprise was most profitable, followed by prime lambs, then self-replacing Merinos, with Merino wethers the least profitable.

The results mirrored Sheep CRC farm benchmarking studies that indicated Merino dual-purpose (meat-wool) flocks performed better than wool or prime lamb flocks.

The dual-purpose and prime lamb enterprises produced more meat per hectare than the self-replacing Merino enterprises and so received more meat income. While the fine and medium dual-purpose enterprises had a higher wool income than the prime lamb enterprises.

For the prime lamb enterprise to be more profitable than a dual-purpose enterprise, significantly more meat per hectare has to be produced.

In the Sheep CRC study the average weaning percentage for a dual-purpose enterprise was 96 per cent and 127 per cent for prime lambs. For a prime lamb business to be more profitable than a dual-purpose enterprise it needed to boast a weaning rate of 140 per cent.

Meanwhile wether enterprises produced the most wool, but less meat per hectare than the ewe enterprises and so had the lowest profitability.

The Sheep CRC research also found the amount of meat and/or wool produced per hectare had the most significant effect on income.

What enterprise will work for you?

1. A dual-purpose Merino (meat-wool) enterprise can offer resilience against market fluctuations

2. Be cautious about changing to a first-cross ewe operation, particularly with high ewe prices or low weaning rates
3. Enterprise change is not an 'all or none' decision and can involve part of your flock.



Ian McLean has presented at many events around Queensland and is well known and respected for his business management knowledge.

Risky business

Mr McLean emphasised there were risks and costs associated with changing enterprises.

Importantly, he said producers needed to understand that there was almost always considerable scope to improve the performance of their existing enterprise.

'A well run business will do better than a poorly run business, regardless of the enterprise type. So for many producers focusing on doing what they do well and making improvements to their existing enterprise will result in improved financial outcomes,' Mr McLean explained.

Other factors he urged producers to consider when evaluating the future direction of their enterprise was what were they passionate about, and what enterprise best suited their country?

Five tips for evaluating enterprise change

1. Change should be driven by what you are passionate about and what suits your country
2. There are almost always opportunities to improve the performance of an existing enterprise
3. Understand what drives profit - in both your existing business and potential enterprises - and know and compare your costs of production
4. Improving labour efficiency can be an effective way to reduce overhead costs
5. If businesses are multi-enterprise, each enterprise needs sufficient scale to operate efficiently and spread overhead costs

