

From 40 million to 14 million – where
to for the WA sheep industry?
What would it take to turn the ‘production’
tide?

Kimbal Curtis

Livestock Dynamics

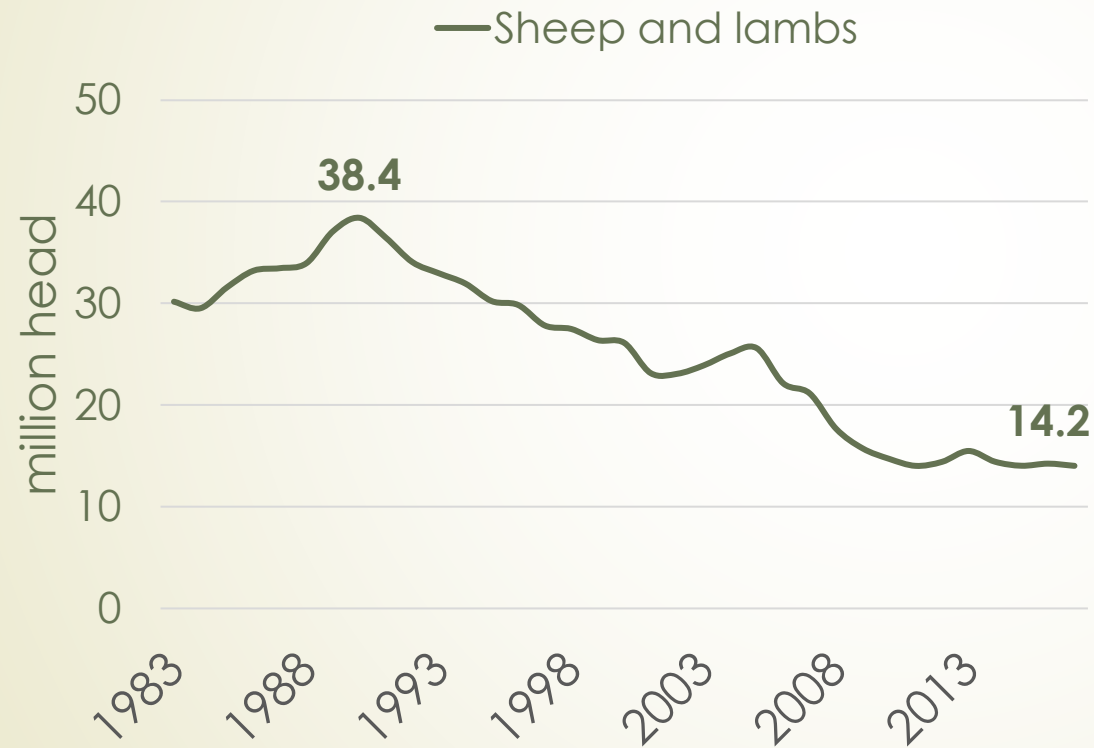




Outline of presentation

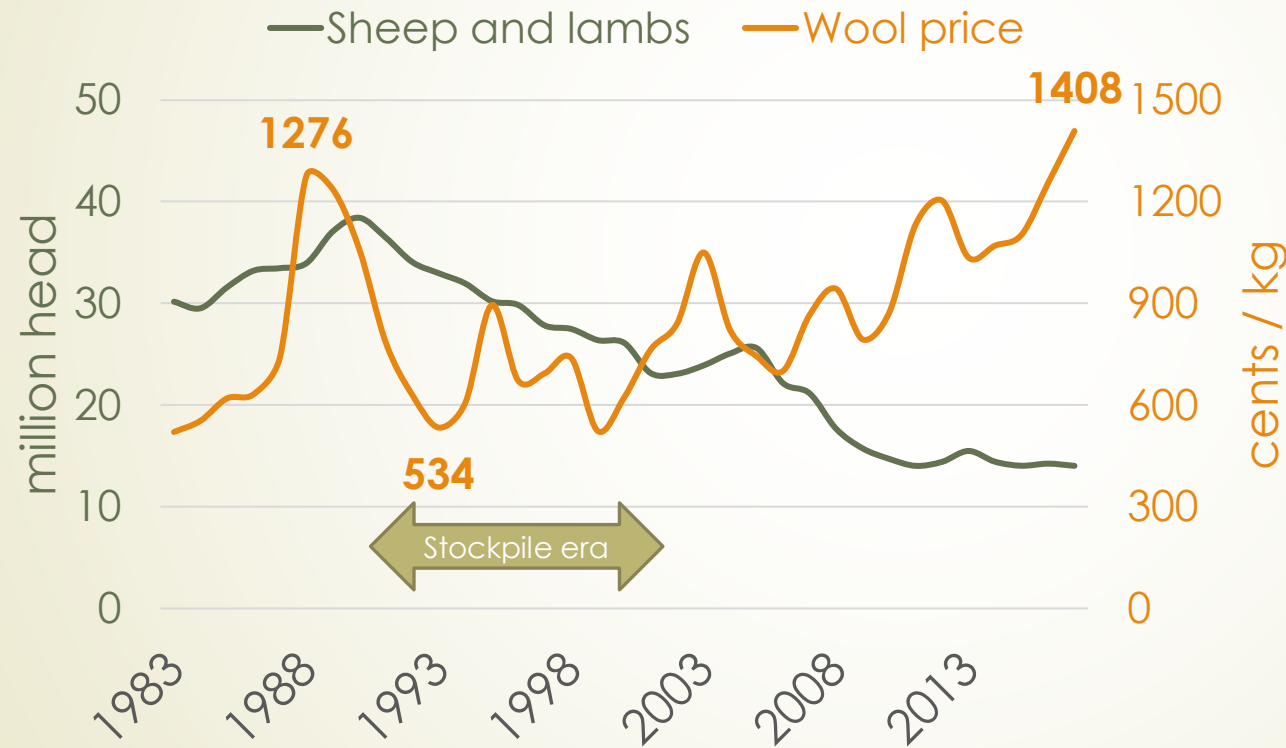
- ▶ Transition from a “wool industry” to a “sheep meat and wool” industry
- ▶ Economic value of productivity gains over 20 years
- ▶ What might drive growth
 - ▶ Price
 - ▶ Productivity
 - ▶ Profitability
 - ▶ Popularity
- ▶ Are there signs of growth?

From 40 million to 14 million ...



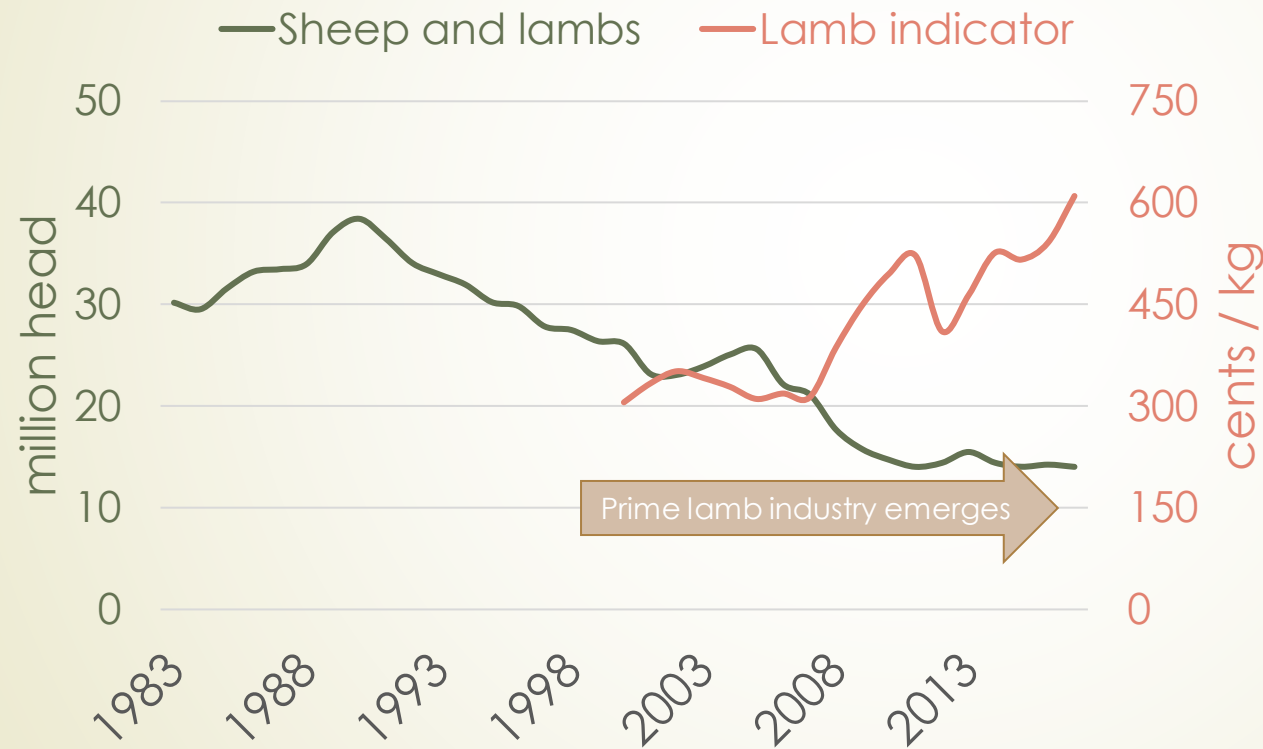
- ▶ The 1980's were ...
 - ▶ a period of optimism for the Australian wool industry
 - ▶ punctuated by a perfect economic storm

Wool, from over 1200 cents to under 600, and back ...



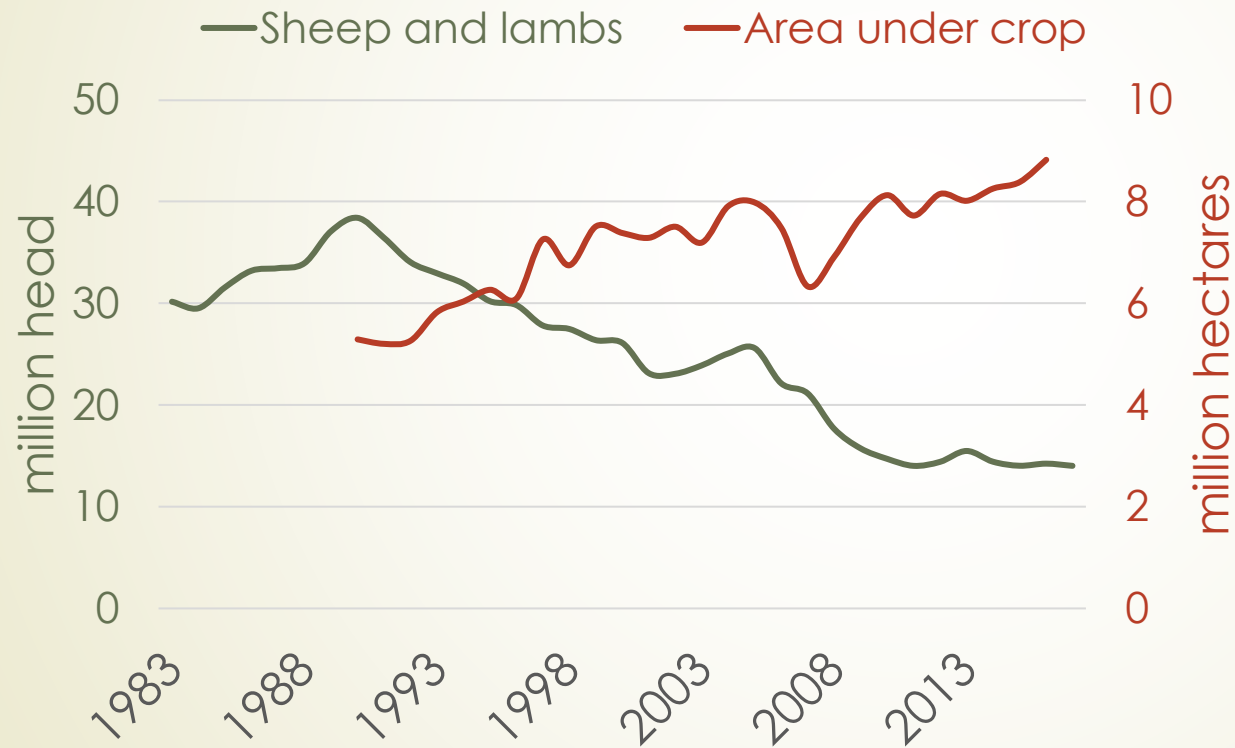
- ▶ Price peaked in 1988
- ▶ 1990's sheep industry defined by
 - ▶ Wool price crash
 - ▶ Reserve price scheme closed
 - ▶ Flock liquidation
- ▶ Since 2000 ...
 - ▶ Price rising
 - ▶ Supply constrained

Lamb price surges ...



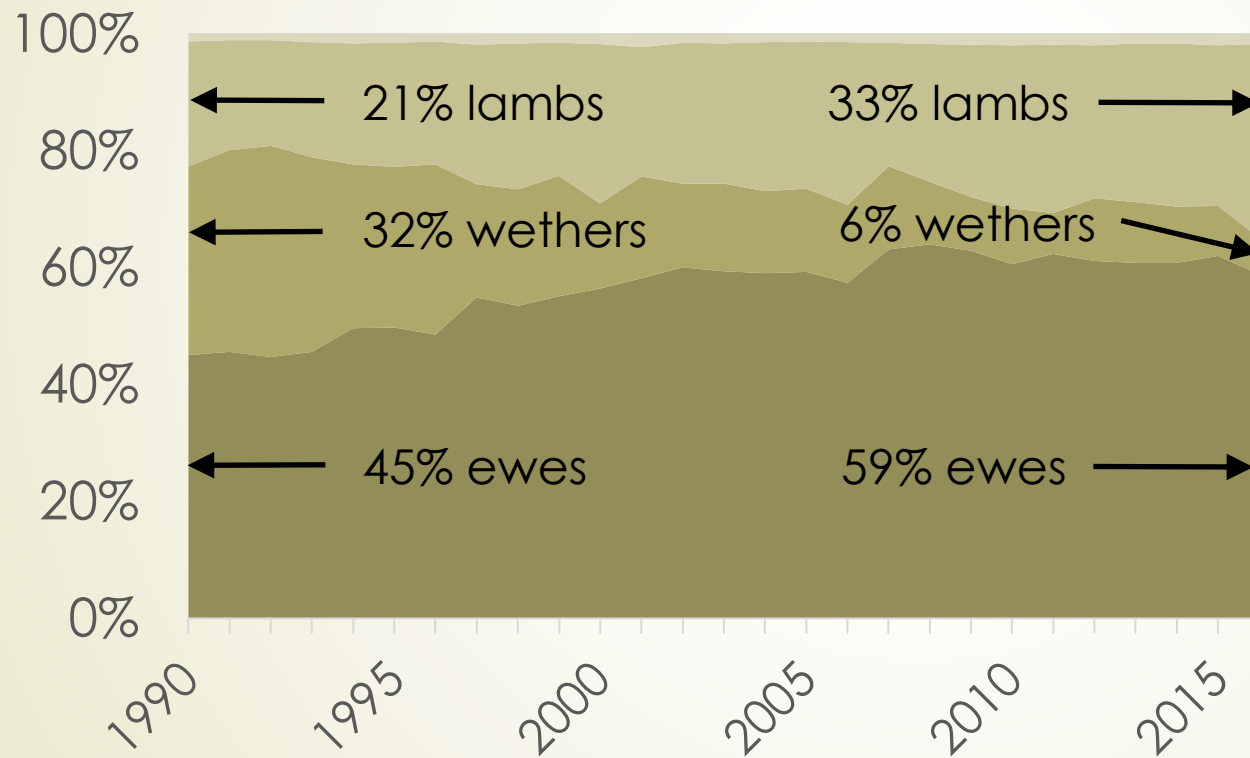
- ▶ 1990s – emergence of specialist meat lamb industry
- ▶ WA Merino dominant
- ▶ Lamb production challenging in WA
- ▶ Stronger domestic and export demand drives prices higher
 - ▶ Both nominal and real

Area under crop increased 40%



- ▶ Arable land turned over to cropping
- ▶ Consequences:
 - ▶ Removal of fences, watering points
 - ▶ Investment in expensive machinery
 - ▶ Sheep infrastructure deteriorated

Change in composition of the WA flock



- Change in composition
 - Ewes dominate
 - More lambs on hand at time of counting
 - Wool production no longer driving wether retention

Progress over 20 years contributes \$185 million/year to the sheep industry

- **Increased carcass weights** ➤ **\$58 million**
 - Lambs 15.1kg to 21.0 kg
 - Sheep 19.9 kg to 23.0 kg
- **Increased marking rates – from 78% to 88%** ➤ **\$35 million**
 - Deliver an extra 0.7 million lambs
- **Increased live exports** ➤ **\$24 million**
- **Improved wool quality** ➤ **\$68 million**
 - Lower average fibre diameter (22 to 20 μ m)
 - Increased wool cut per head (4.38 to 4.52 kg clean)



What might drive growth in the flock?

Price is important

Improve productivity and profitability

Make sheep a desirable enterprise

Price is important

- ▶ **Good commodity prices**
 - ▶ Competitive against other enterprises
 - ▶ Confidence the good prices will continue
 - ▶ Provides incentive to invest
- ▶ **Market mechanisms that encourage production to specification**
 - ▶ Defined quality parameters – know what to produce and be paid accordingly
 - ▶ Forward pricing scheme – supports good business planning
 - ▶ Out of season production
 - ▶ Production to meet peak demand
- ▶ **Contracts – that are enforceable**

Improve Productivity and Profitability

- ▶ **Higher stocking rate**
 - ▶ Help to run more sheep, more intensive management, exit strategy
 - ▶ Sheep handling equipment – ease of running extra sheep, saves labour
- ▶ **Improve reproductive performance**
 - ▶ More lambs, better survival, fewer ewe losses
- ▶ **Training programs**
 - ▶ e.g. Lifetime Ewe Management, Sheep's Back
- ▶ **Better management, better animal welfare outcomes**
- ▶ **Complementarity of cropping and sheep**
- ▶ **Benchmarking – put a value on the sheep enterprise**

Make sheep a desirable enterprise

- ▶ **Develop a clear vision for the industry**
 - ▶ Develop a positive image for the industry
- ▶ **Bring a 'technology buzz' to the sheep industry**
 - ▶ Use of sensors
 - ▶ Drones
 - ▶ Virtual fencing
 - ▶ Autonomous vehicles
 - ▶ Tools for the *i-Generation*
 - ▶ Block-chain technology
- ▶ **Create an environment that is attractive to investors**

Options for flock expansion

- ▶ **Buy in 1.5-year-old replacement ewes**
 - ▶ Shortest break-even period (6 years), high capital requirement
 - ▶ Replacement ewes might be difficult to source
- ▶ **Increase lambing percentage (90% to 105%)**
 - ▶ Greater impact on long term profitability than purchasing replacement ewes
- ▶ **Retaining older ewes**
 - ▶ Low cost option, where only a modest increase is sought, 20-30%
- ▶ **Increasing ewe lamb retention**
 - ▶ Simple method, but high debt and long payback period

Are there signs of flock expansion?

- ▶ ABARES – forecast
 - ▶ “flock rebuilding continues, albeit slower”
- ▶ MLA – survey
 - ▶ “strong intent to maintain or increase breeding flock”
 - ▶ “tempered by seasonal conditions”
- ▶ Ram sales strong, particularly Merinos
- ▶ Both lamb and sheep slaughter down this year
 - ▶ Though sheep slaughter up 60% since July
- ▶ Field day attendance
- ▶ Consensus – most growth will be by flock expansion
 - ▶ rather than new or returning producers





Thank you

I wish to thank the many colleagues who helped me prepare this presentation.
I trust I have done justice to their valuable and thought provoking input.

