

AN INITIATIVE OF  
*Making More From Sheep*



## Plan for Success

Sandy McEachern – Holmes Sackett Pty Ltd

EVENT  
PARTNERS:



EVENT  
SUPPORTERS:



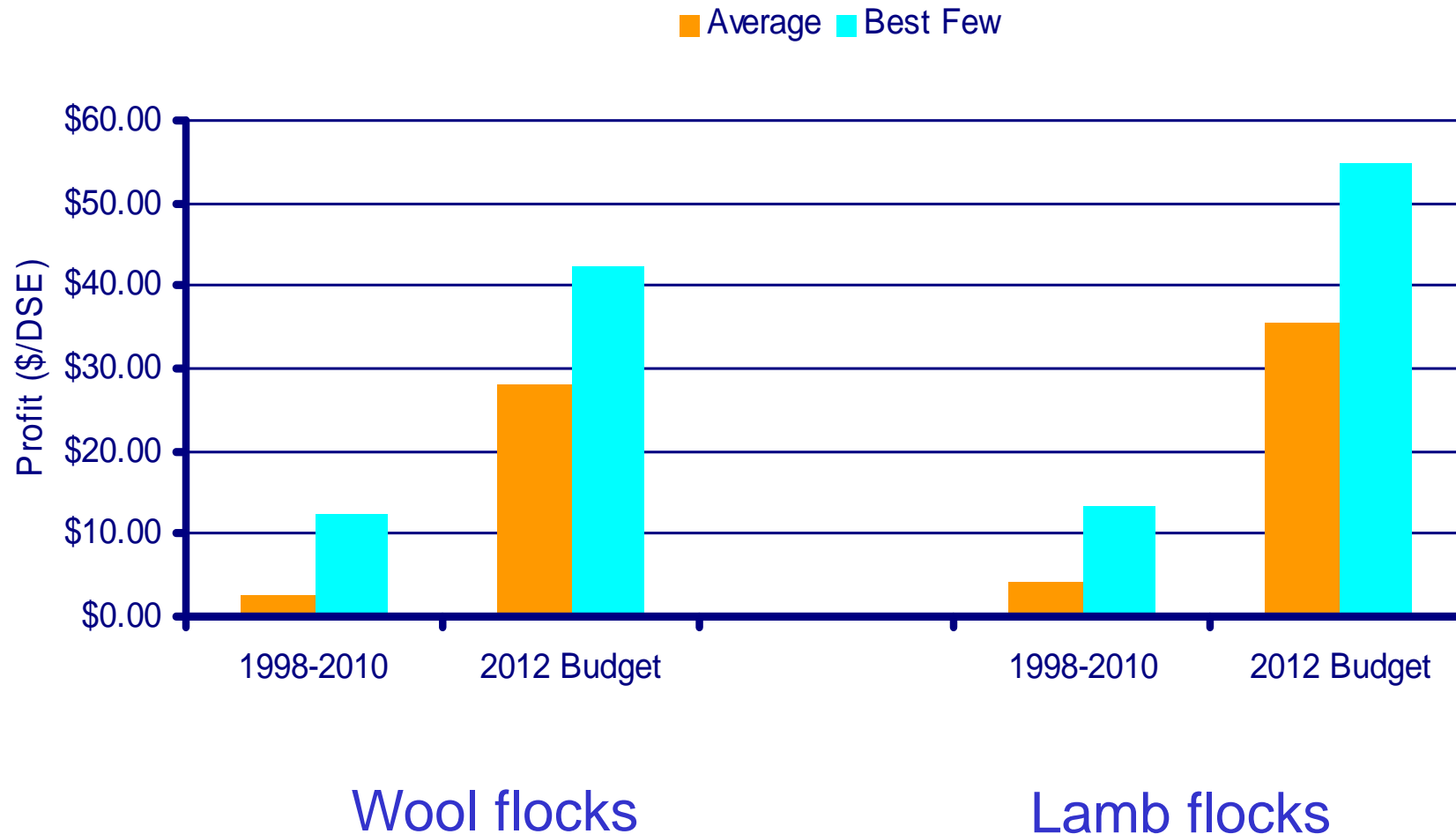
STATE  
PRIMARY  
INDUSTRY  
AGENCIES

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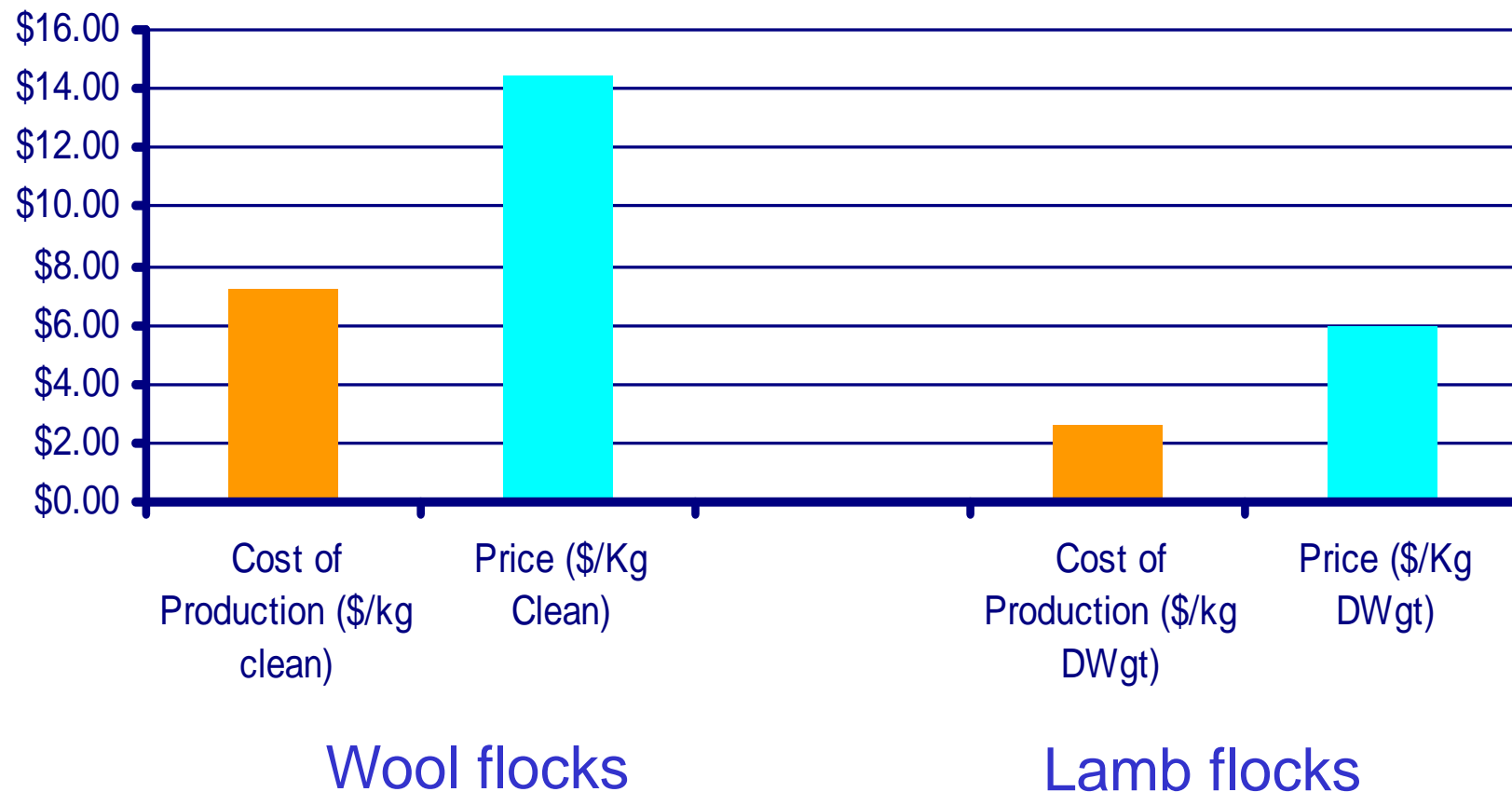
# Topics

- Just how profitable are sheep at the moment?
  - What strategies have been successful over the last ten years?
  - What tactical decisions need to be made in order to maximise opportunities?
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# Historical v Expected profits in 2011



## Does the plan involve keeping at least half the gross as profit before interest, leases and tax?



## Key components of successful wool strategies over the last decade

- Essential
  - Fleece value
  - Stocking rate/fertiliser
  - Cost control
- Valuable
  - Drought management
  - Genetic gain
  - Clean animal health status



## Key components of successful lamb strategies over the last decade

- Essential
  - hybrid vigour
  - fertiliser
  - >1 ewe joined /ha/100mm of rain
  - 8kg lamb per DSE
- Valuable
  - good infrastructure
  - 9000 DSE/Labour Unit
  - 120% lambs weaned/ewe joined

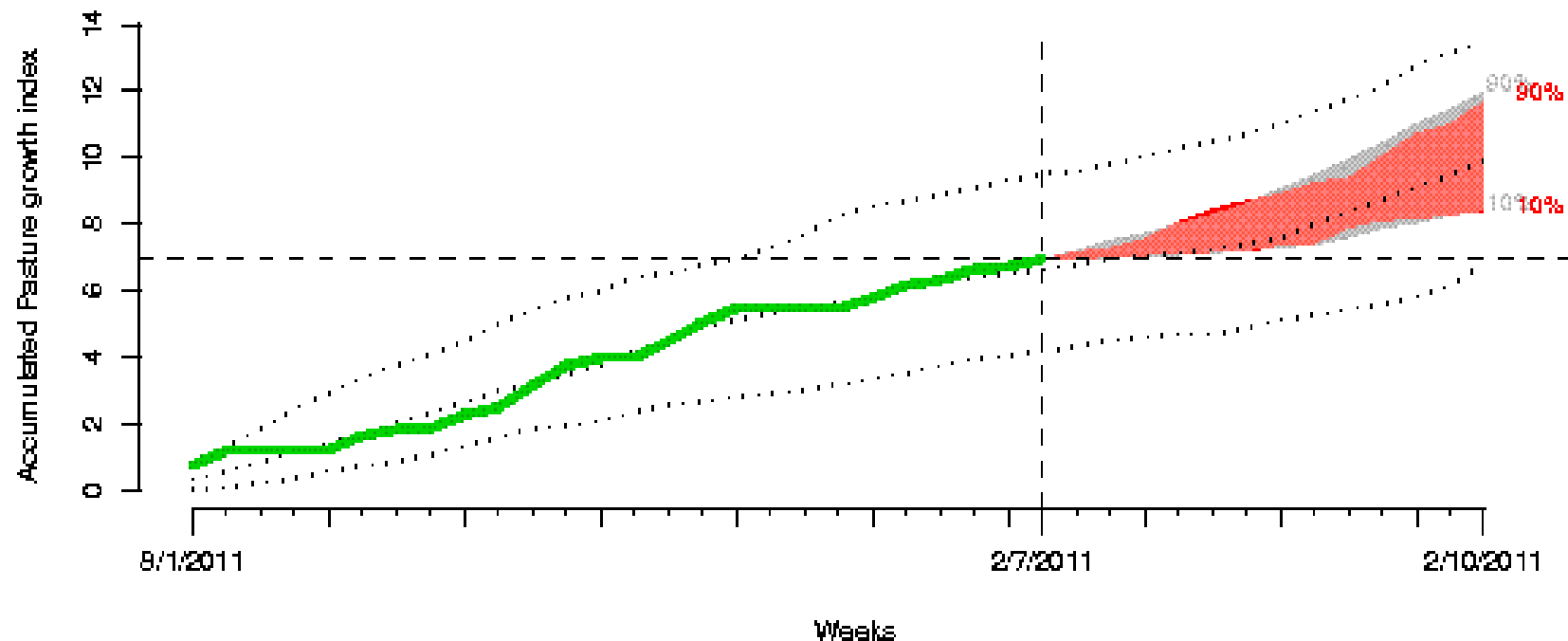


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## Tactical issues for 2011

- Is my stocking rate right for the season?
  - Is my animal health program going to be suitable to handle the increased disease pressure of a good season?
  - Will it pay to target higher production than normal this year?
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# Accumulated pasture growth - Tamworth



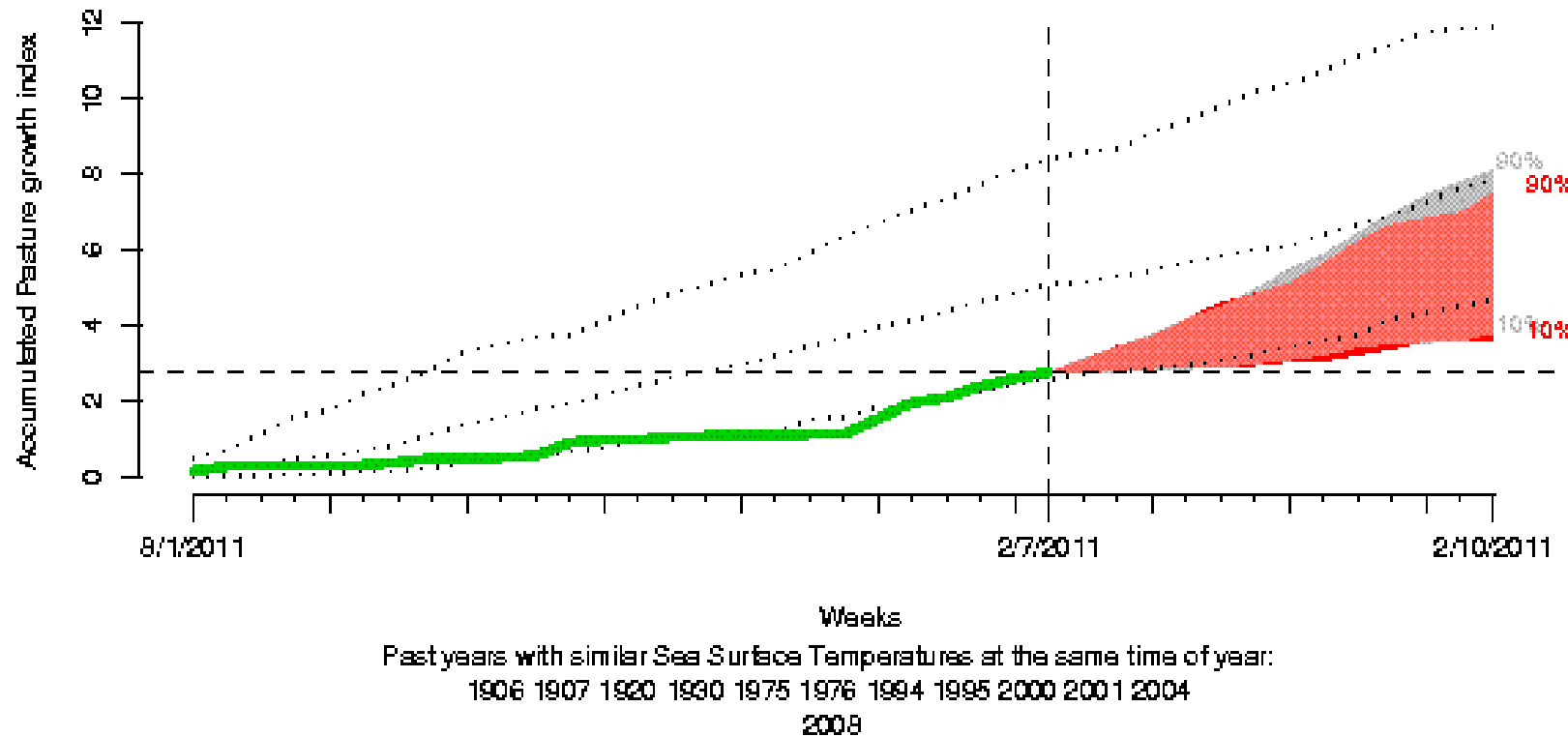
Past years with similar Sea Surface Temperatures at the same time of year:

1906 1907 1920 1930 1975 1976 1994 1995 2000 2001 2004

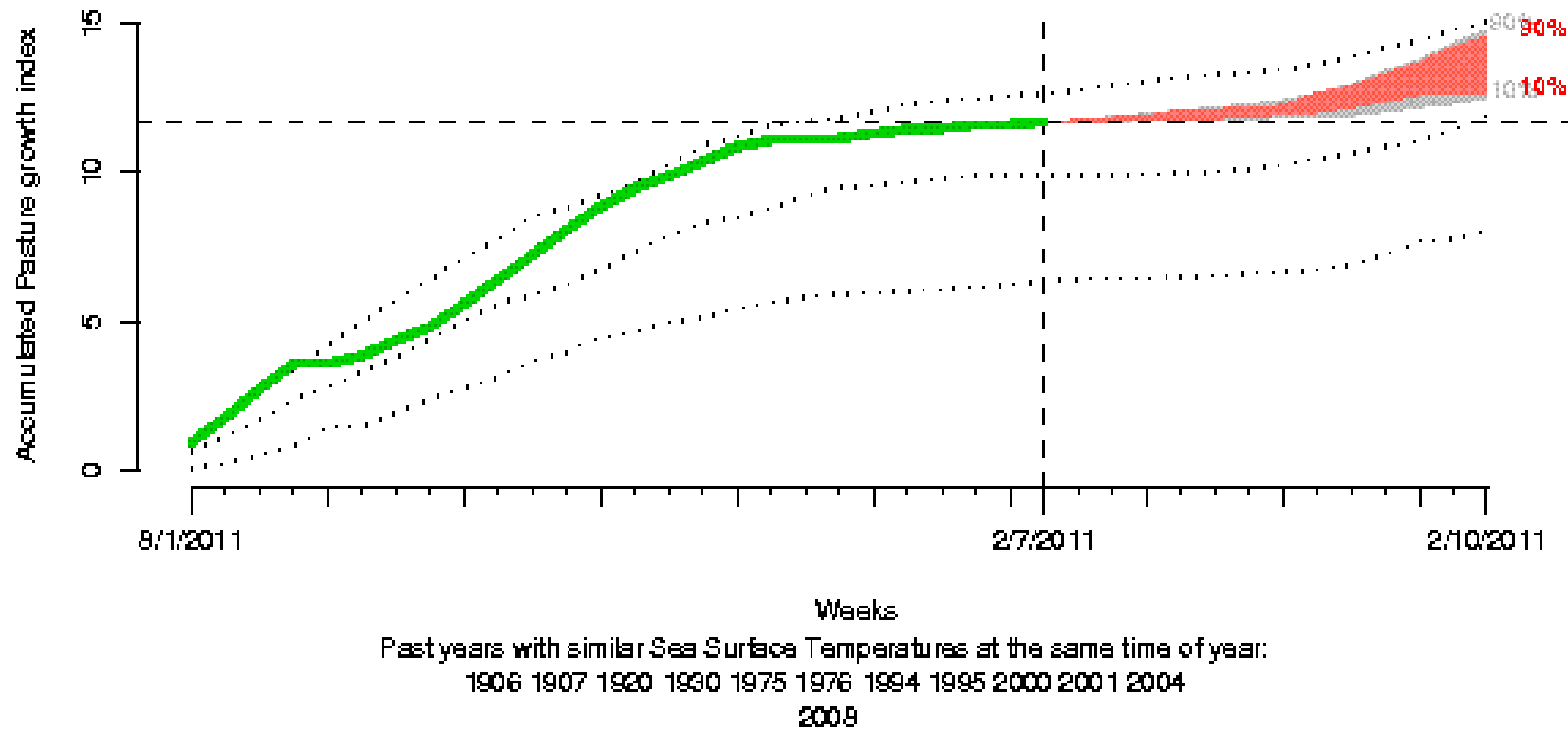
2008



# Accumulated pasture growth - Coonamble



# Accumulated pasture growth - Walcha



## Stocking rate

- How much pasture is on the farm now?
- Is there enough of the right quality pasture for each stock class?
- How much pasture will stock eat?
- How fast will pastures grow in this next season?
- Will there be enough surplus pasture to get you through next season?

# There is scope to expand the sheep business profitably

## Holmes Sackett Livestock Valuation Tool

Discount Rate	15%		
	<b>Mob 1</b>	<b>Mob 2</b>	<b>Mob 3</b>
Name	Scanned Empty X'bred Ewe Lambs	Old Merino Ewes	Finest Merino Wether Lambs
Years Sheep Run	4	1	2
Annual Death Rate	5.0%	5.0%	5.0%
1st Weaning % (LW/EJ)	110%	85%	
Subsequent Weaning % (LW/EJ)	125%		
Fleece Value (\$/Sheep Purchased)	\$12	\$27	\$45
Lamb Sale Value from Ewes	\$120	\$70	
Winter DSE Rating	3	1.3	1
Direct Costs (\$ Sheep Purchased)	\$15	\$12	\$8
Selling Costs	7%	7%	7%
Additional Costs in Year 1	\$0	\$0	\$0
Current Value or Purchase Value	\$200	\$110	\$75
Final Sale Value of Sheep	\$80	\$80	\$85
<b>Discounted Av. Ann. GM (\$/WinterDSE)</b>	<b>\$26.30</b>	<b>\$21.44</b>	<b>\$26.11</b>
<b>Investment (\$/Winter DSE)</b>	<b>\$66.67</b>	<b>\$84.62</b>	<b>\$75.00</b>
<b>Discounted Return on Investment</b>	<b>39%</b>	<b>25%</b>	<b>35%</b>

## Where will you spend the after tax profits?

	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	?	very high

## Key Messages

- Good strategies do not have to be changed.
- The present opportunity will be maximised by;
  - Precise sheep husbandry
  - Good tactical decision making
- Manage stocking rate actively throughout the year and between years.
- Account for the risks of building stock numbers by targeting high rates of return.
- The future of the business is dependent on how effectively you spend the profits.