

# Making More From Sheep



## Profitable Lamb Finishing Systems

Geoff Duddy  
Extension Officer (Sheep and Wool)  
Industry and Investment NSW

## Profitable Lamb Finishing Systems

- Lamb Finishing Systems – what are they??
- What are the key profit drivers within each system
- Budgeting and reducing risk

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## Profitable Lamb Finishing Systems

The past decade has seen an increase in the intensification and specialization of the Australian lamb industry

Lamb production and pattern of supply have continued to improve, in part, due to the increased use of lamb finishing systems nationally



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## Lamb Finishing Systems Project

In response to the increased interest in finishing systems MLA funded the “Prime Lamb Finishing Options” project

## Lamb Finishing Systems Project

The Projects principal Objectives were:

- to identify key profit drivers and the order of importance within each finishing system reviewed
- to compare each systems profitability
- to conduct a sensitivity analysis of all the profit drivers to key business and management elements

## Lamb Finishing Systems Project

Finishing systems have generally involved:

- the use of high performing pastures
- strategic grazing of cereals
- greater use of short term fodder crops
- supplementing stubbles
- the construction and use of grain-based feedlotting systems

## Lamb Finishing Systems Project

Producers within the 'lamb finishing sector' were categorised as:

- Traditional breeder-finishers
- Specialist pasture finishers
- Specialist grain finishers
- Opportunistic grain finishers

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## Lamb Finishing Systems Project

So what are the major issues that impact on the profitability of lamb finishing systems ???

Twenty one (21) elements were reviewed

General findings within pasture and feedlot based systems were:





# Lamb Finishing Systems Project

## Pasture Systems

- Pastures with lower costs of production were more profitable
- Select pastures suited to your area, that fit feed demand
- Select pastures with highest potential dry matter production and quality

# Lamb Finishing Systems Project

## Feedlot Systems

- Where all lambs are purchased off-farm specialist systems were generally more profitable due to efficiencies of scale
- Opportunistic feeders finishing own lambs were however the most profitable due to value adding of cropping enterprise

## Principal Profit Drivers

- carcass (sale) price
- lamb purchase price
- optimal stocking rate/align feed demand
- lambing rate; pre-weaning survival and weaning weight
- achieving target growth rate

## Profit Drivers

### Carcass Value

- Conduct market research and Profit Margin Analysis before buying lambs and consider Contracts to reduce risk

### Lamb Purchase Value

- Greatest effect on profit within specialist feedlot/pasture finishing
- Finishing lambs to heavy weights (>50kg) significantly increased risk

## Profit Drivers

Optimising **Stocking Rates** by matching  
feed production with feed requirements

- lowers cost of production and
- increases profit margins

Improving **Lambing Rate/Weaning Weights**

- improves efficiencies
- reduce cost of production

## Profit Drivers

### Increasing **Scale of Operation**

- reduces cost of production
- improved efficiency and profitability
- has a greater influence on merino based systems due to wool return

## Profit Drivers

### Growth Rates/ Feed Conversion Ratio

- Varies between lambs
- Has a significant affect on profit
- Genetics is important
- Monitor weights regularly

## Profit Drivers

### Replacement Stock

- Focus on improving genetics not cost per animal
- Genetics will heavily influence :
  - Growth rates
  - Lambing Rates and Weaning weights
  - Ability to meet specifications



## Profit Drivers

### Ration Cost and Formulation

- Must meet the lambs nutritional need
- Need to take into account
  - Breed effects
  - Lamb nutritional history (consider backgrounding, prewean training etc)
  - Growth rates and
  - Finishing weights

## Profit Drivers

### Mortalities/Animal Health

- Small mortality rates used in the analysis were often not enough to significantly affect profitability
- Disease outbreak however would impact on profit margins
- Prevention is critical (vaccination, worm monitoring etc)

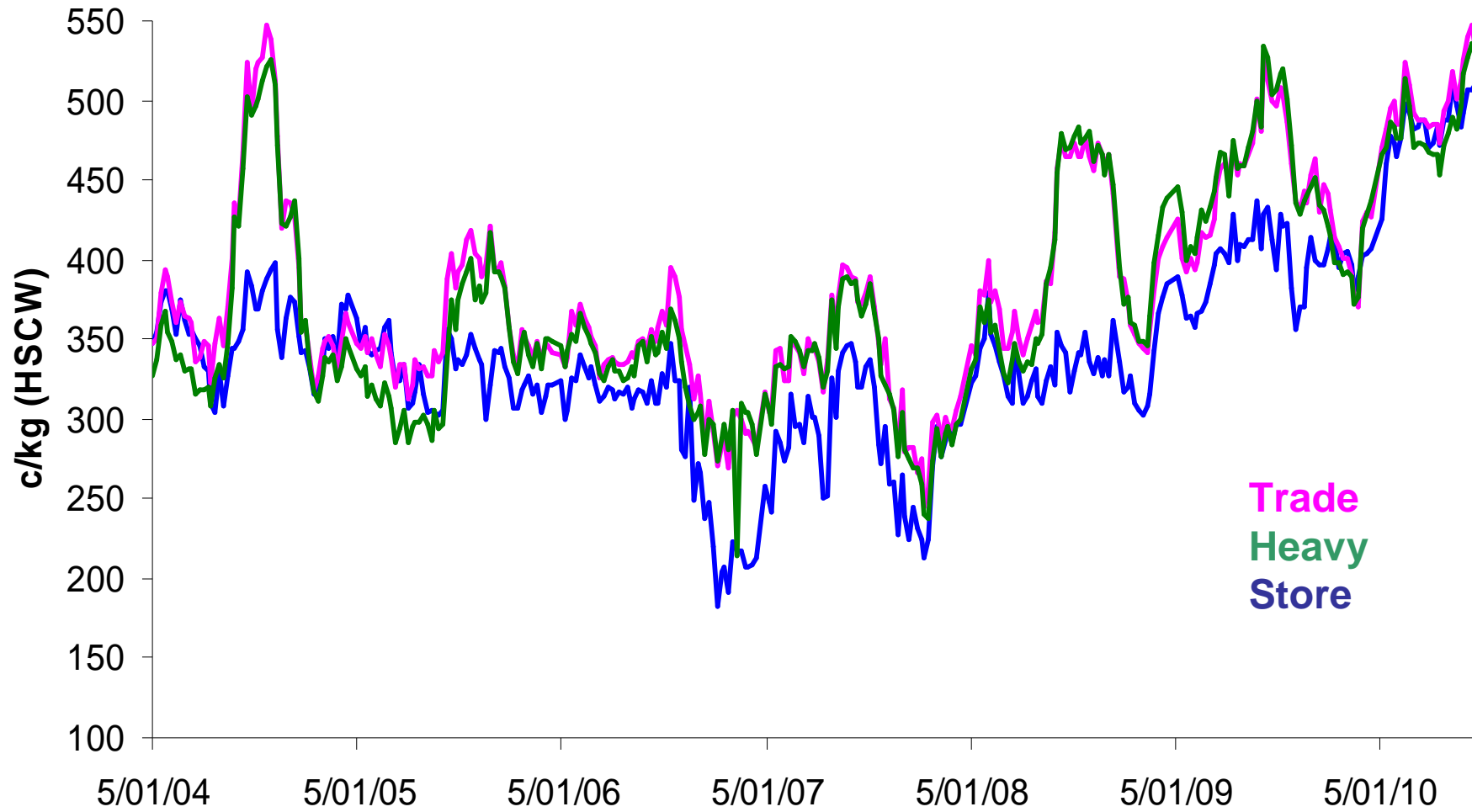
## Market Focus

Since 2004 we have experienced:

- large variation in returns
- record prices and
- issues with supply but
- improvements in quality

within all lamb carcass categories

**Eastern States (2004-2010)**  
**Prime Lamb Values**  
**(c/kg HSCW)**

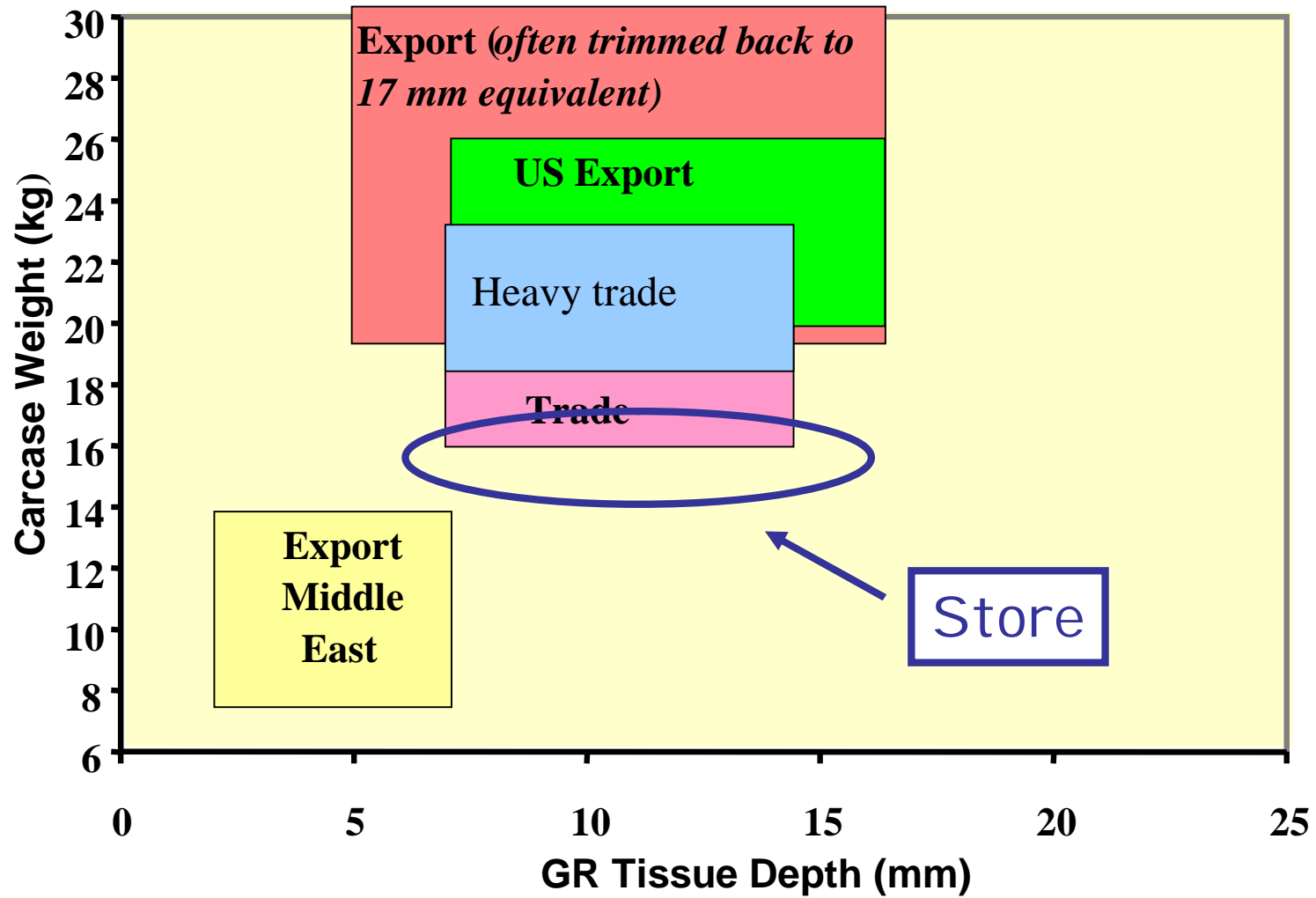


## Market Focus

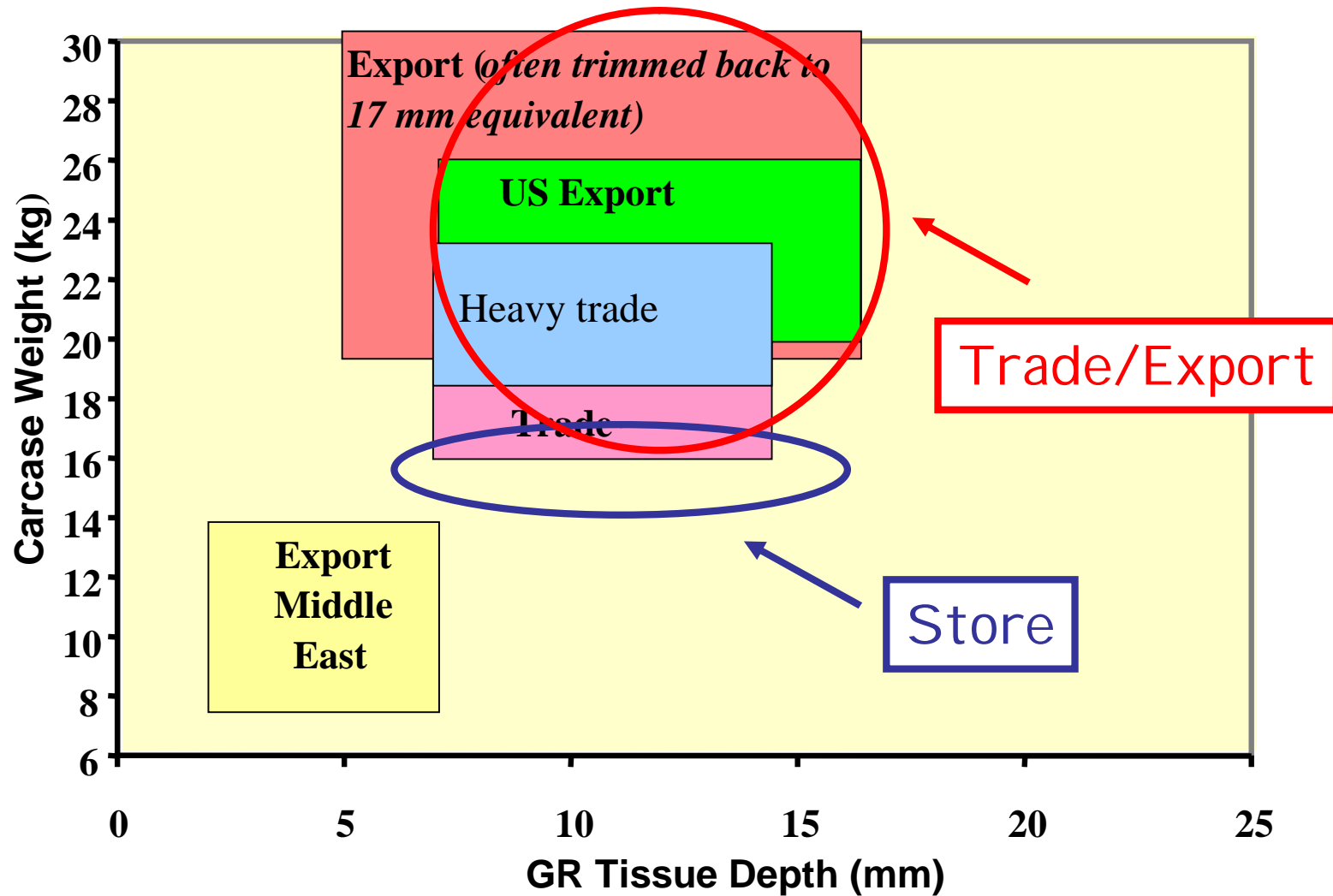
With this uncertainty and the impact seasonal conditions can have on your operation you must be flexible in terms of your final target market

Should you, for example, sell lambs at lighter weights ???

*What are your targeted market specifications ???*



*What are your targeted market specifications ???*



## Market Focus

Should you consider backgrounding lambs  
to “on-sell” to other finishers

Should you consider contracts ??

You should definitely consider the impact  
purchase price has on profitability



## Purchase Price Impact

Since 2004 we have seen:

- little difference between **trade** and **heavy** lamb values on a c/kg basis **but**

## Range and Averages for 2004-2010

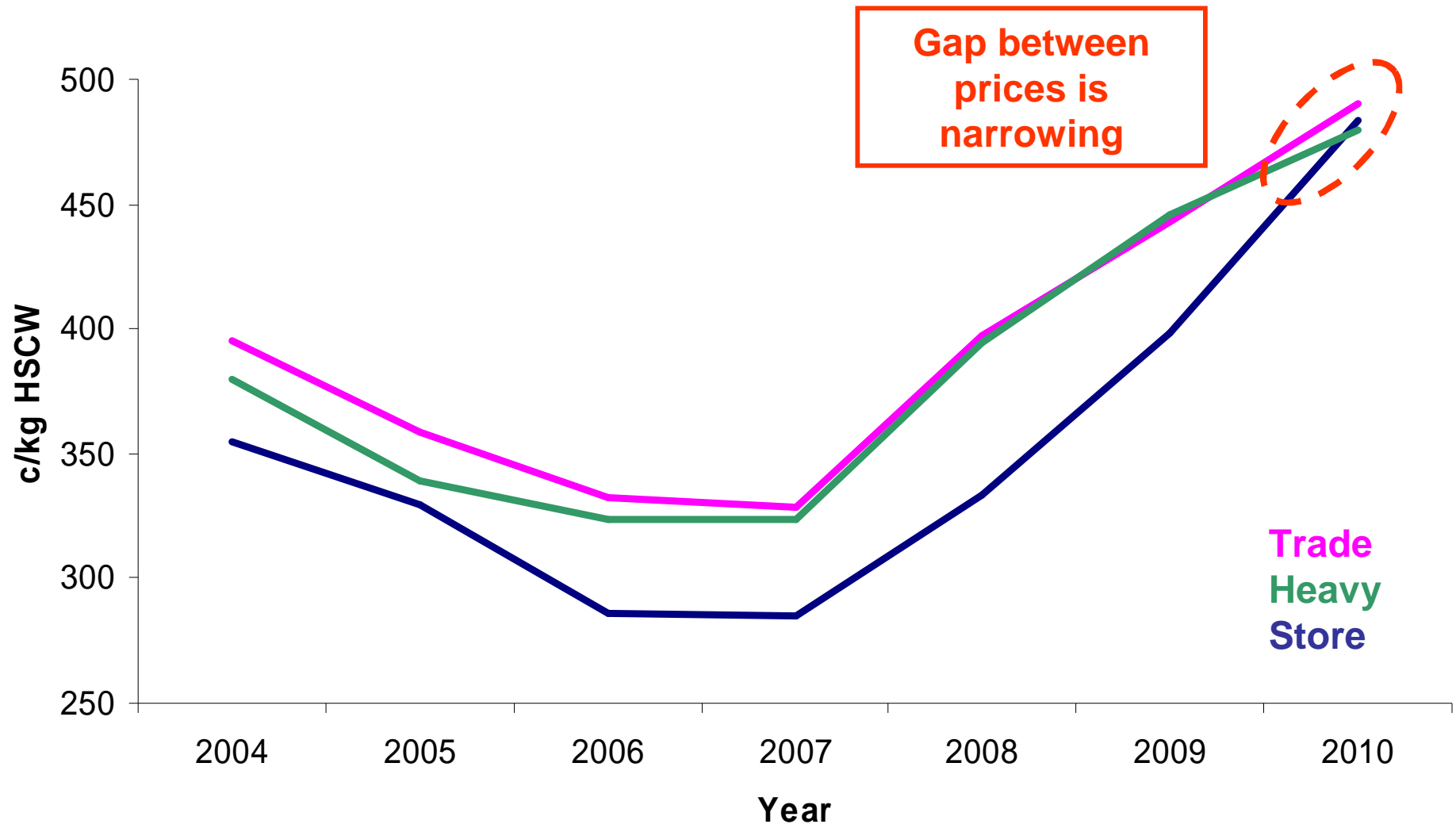
	<u>Range</u>	<u>Average</u>	
Stores	284-511	342	
Trades	329-548	385	
Heavy	323-536	376	c/kg

## Purchase Price Impact

Since 2004 :

- little difference between trade and heavy lamb values on a c/kg basis but
- we have seen a ‘narrowing’ of store lamb returns relative to the finished categories

**Eastern States  
Store vs Trade and Heavy Lambs  
(2004-Current)**



**Gap between  
prices is  
narrowing**

**Trade**  
**Heavy**  
**Store**

What happens when prices are  
“off-set”.

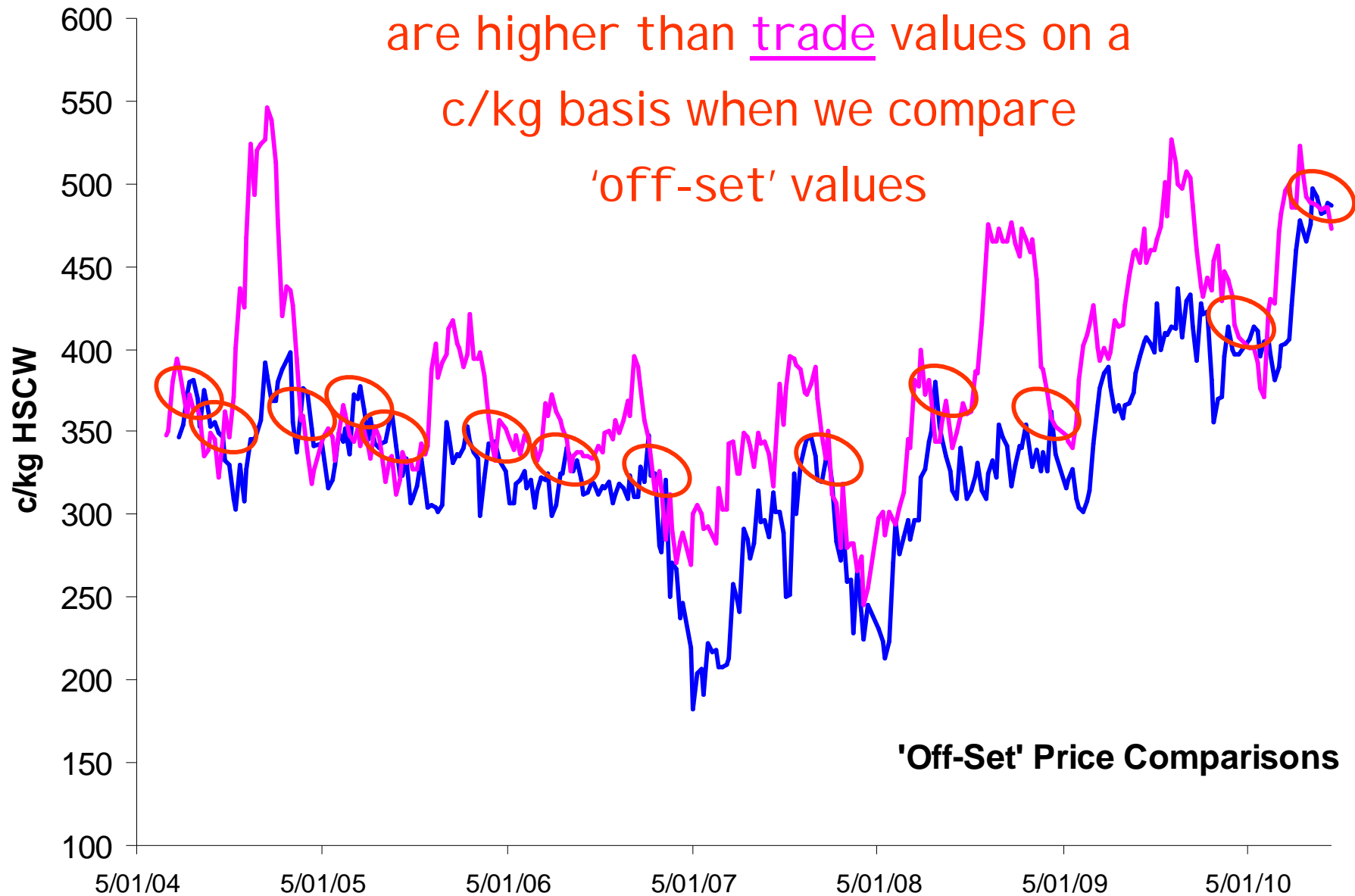
The following graphs have had  
Store lamb values 'moved' 8 and 12  
weeks respectively to reflect 'on-  
farm' price compared to sale value  
if finished to Trade or Heavy lamb  
specifications

# 'Off-Set' Price Comparisons

For Example: Sale dates for  
Store and Trade lambs  
for these sales were:

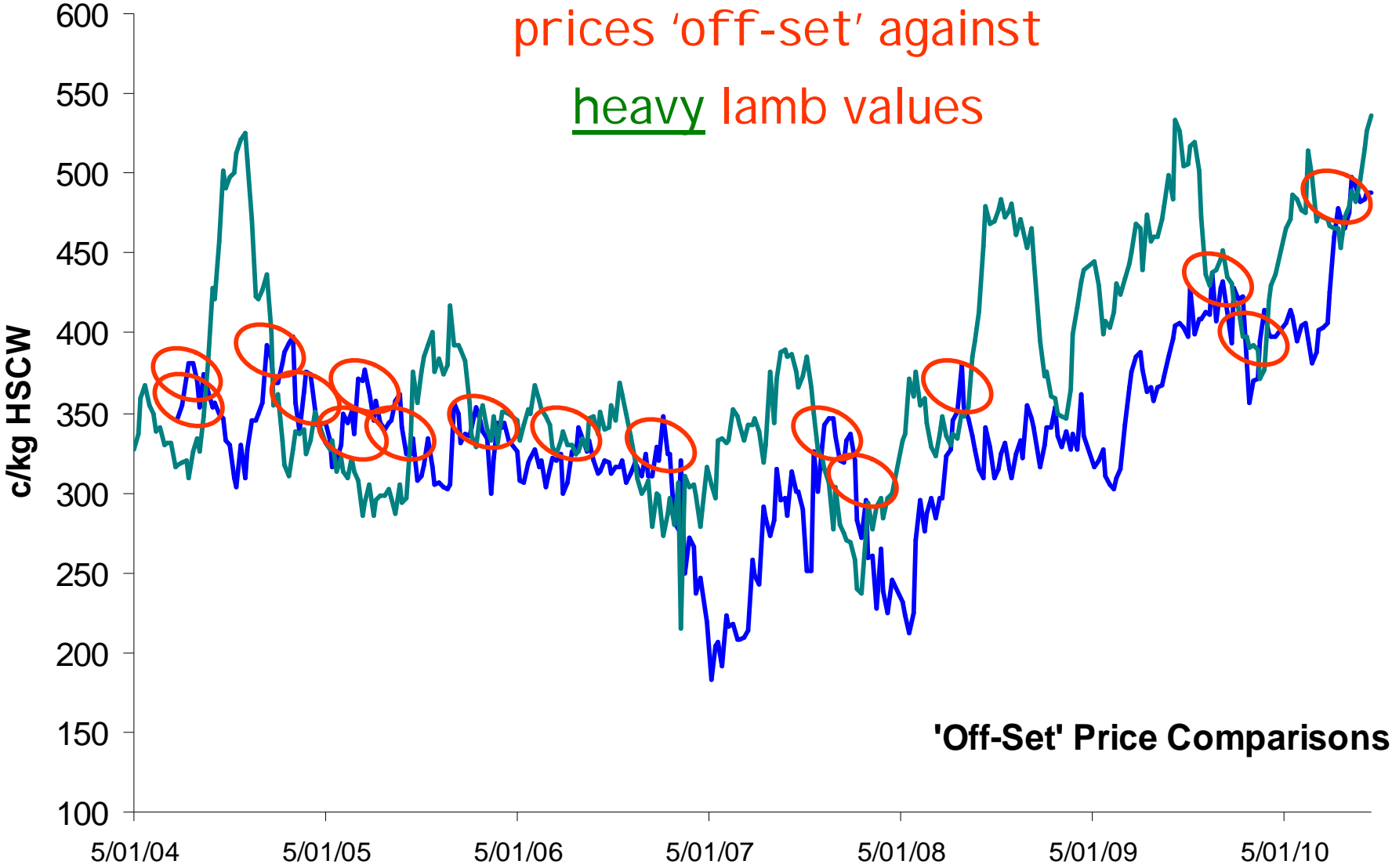


Periods where store values  
are higher than trade values on a  
c/kg basis when we compare  
'off-set' values



**'Off-Set' Price Comparisons**

Likewise when we compare store  
prices 'off-set' against  
heavy lamb values



'Off-Set' Price Comparisons



## Purchase Price Impact

Purchase price may represent from  
70 to 85% of total costs  
depending on finishing system  
used

**Do your sums !!!**

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The variability of carcass returns and improvement in 'store' lamb values are key factors likely to impact on profit margins.

It is critical that producers, particularly breeder/finishers, know their costs of production

## CoP to Store lamb weights

Pastoral

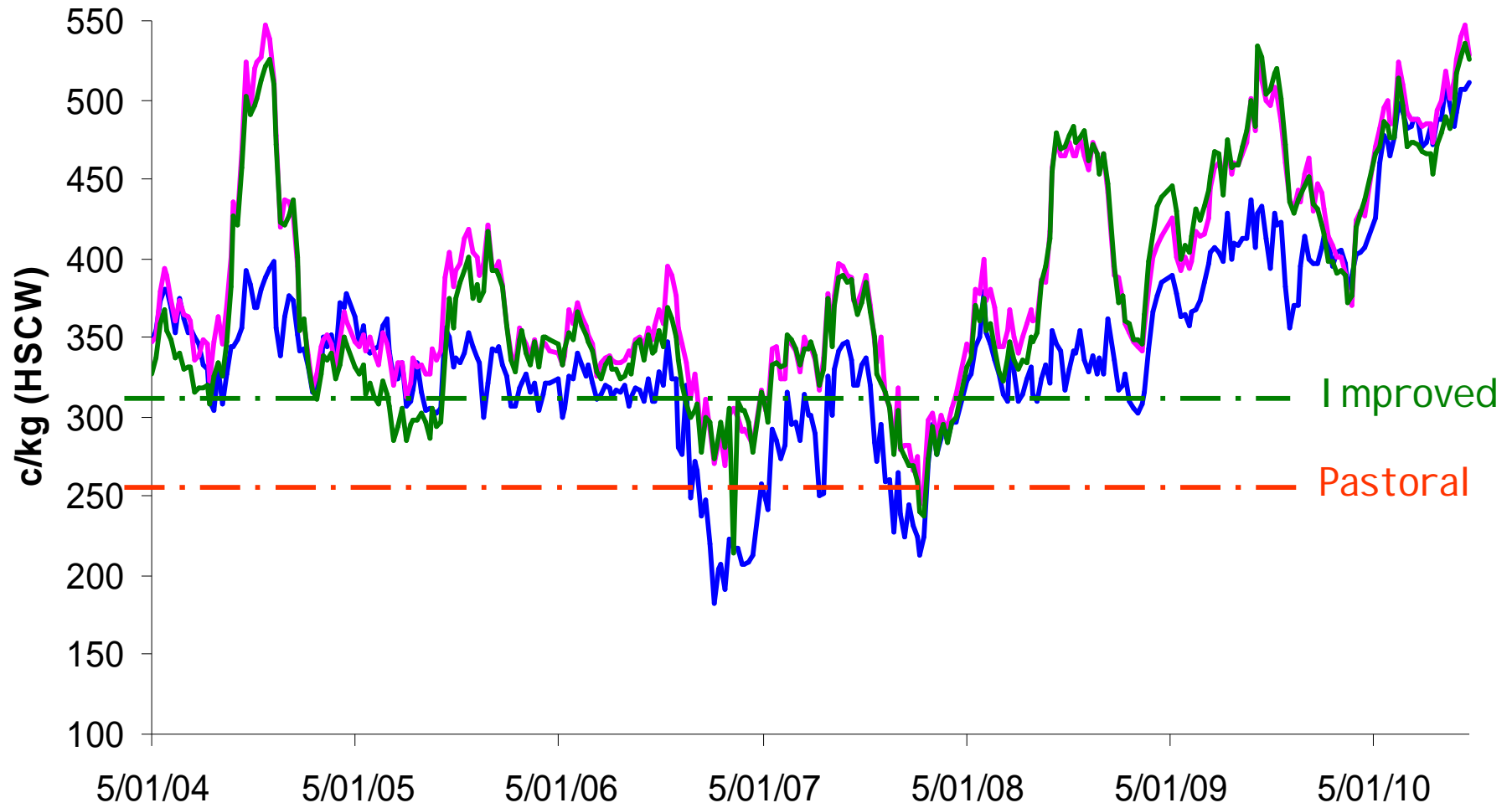
250-260c/kg

Improved

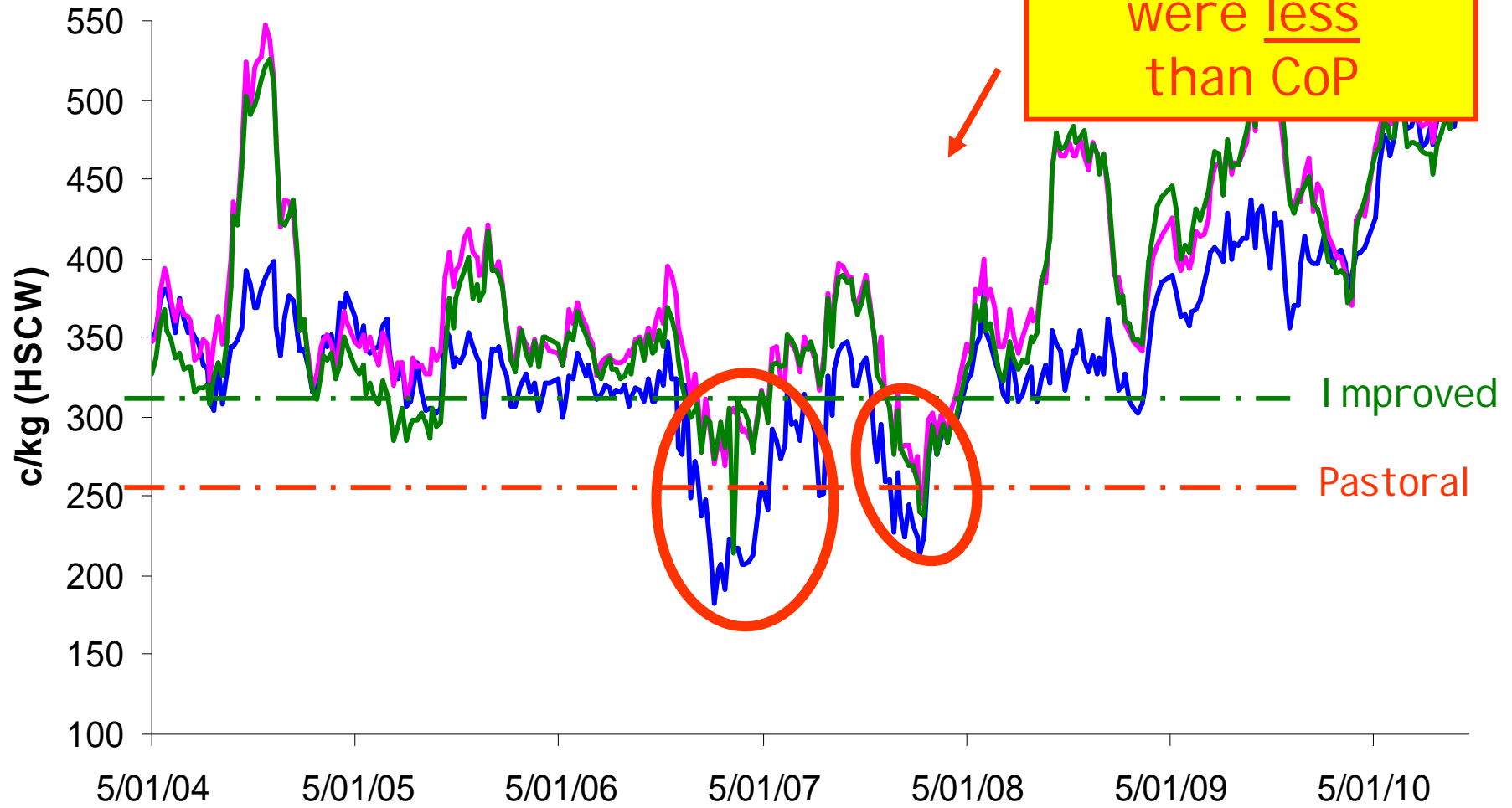
300-320c/kg

(Source: Duddy 2010)

**Eastern States (2004-2010)**  
**Prime Lamb Values**  
**(c/kg HSCW)**

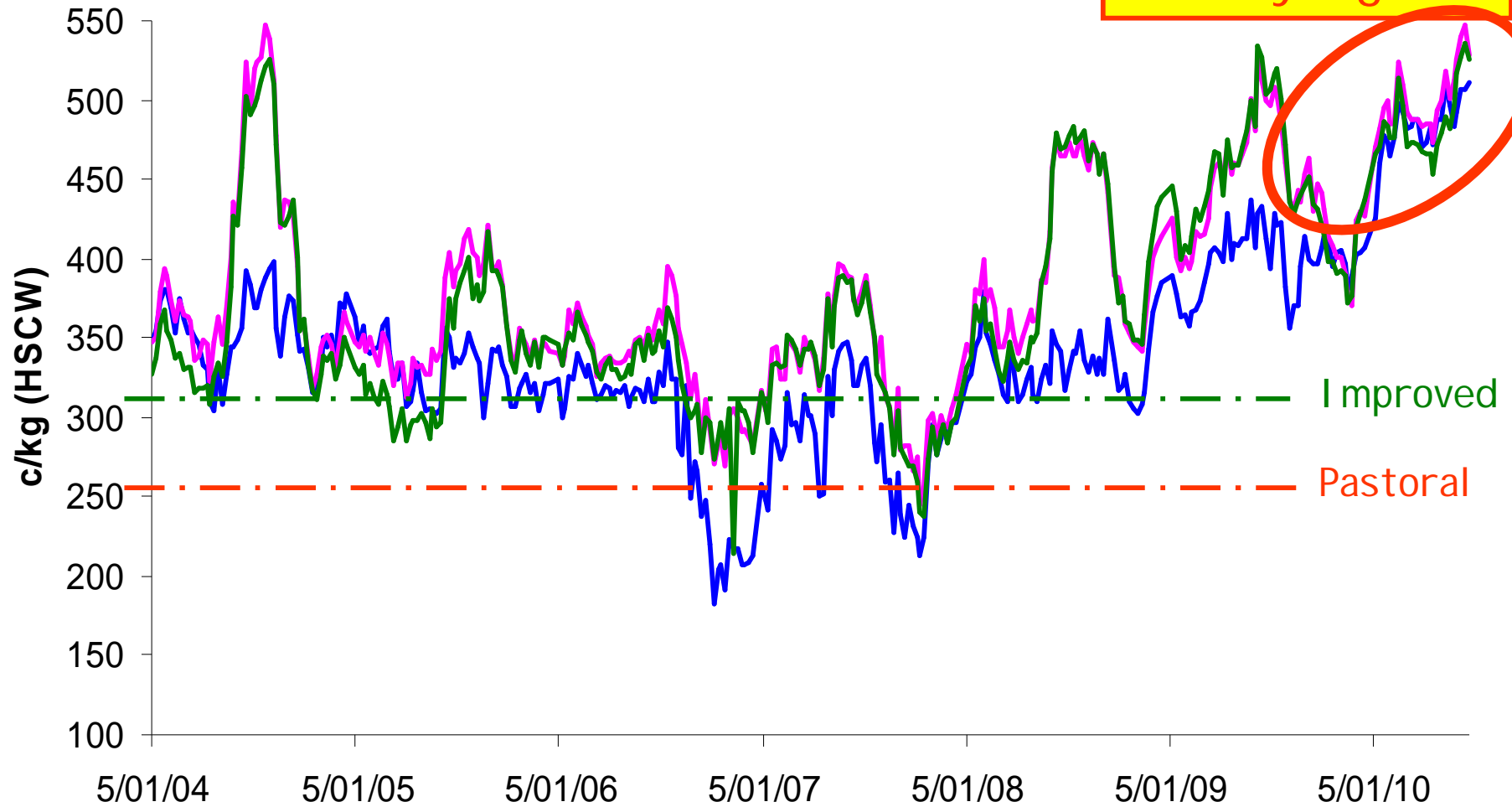


**Eastern States (2004-2010)**  
**Prime Lamb Values**  
**(c/kg HSCW)**



**Eastern States (2004-2010)  
Prime Lamb Values  
(c/kg HSCW)**

Store versus  
finished values  
are currently  
very tight



## In Summary

Professional finishers, regardless of the system used, should :

- Know the key profit drivers for your finishing system
- Do a budget
- Know and identify how you can meet your target market specifications

## In Summary

- Consider the impact 'purchase' price has on your bottom line
- Know your Costs of Production
- Consider forward contracts so as to minimise risk
- Be flexible



## The decision is yours

- Markets can be volatile and fickle
- Consider contracts and forming producer alliances
- Consider the benefits in being a “store” breeder in the short term

## In Summary

- Utilise the many tools now available on-line to
  - minimise risk
  - optimise production and
  - maximise profit
  
- Tools available include:

# Support Services include:

## MLA

- Lamb Finishing Decision Support Flow-Chart
- Feed Demand Calculator
- Gross Margin Model
- Lamb Cost of Production Workshops and programs
- Lamb Finishing Code of Practice

# Support Services include:

## AWI

- Cost of Wool Production Workshops and programs

## Sheep CRC

- Lamb Feedlot Calculator
- Gross Margin Model
- Numerous Management Tools

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# Support Services include:

## Industry and Investment NSW

- Lamb Feedlot Calculator
- Gross Margin Templates

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# Thankyou

Geoff Duddy

I & I (NSW)

0269 512688

0427 007490

[geoff.duddy@industry.nsw.gov.au](mailto:geoff.duddy@industry.nsw.gov.au)