

AN INITIATIVE OF

Making More From Sheep



Department of
Primary Industries and
Regional Development



Australian Wool
Innovation Limited



The business of sheep – alternative expansion ideas

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EVENT SUPPORTERS:



Disclaimer

Information is general in nature, is not tailored to the circumstances of individual farmers or businesses, and does not constitute financial, taxation, legal, business or farm management advice.

Please seek such advice from appropriate professionals who have taken into account your individual circumstances.

Key questions

Could I expand with what I have through **better management**?

How could I **manage** a larger sheep enterprise?

How could I **finance** a larger sheep enterprise?

How does the industry **attract and pool investment**?

How could the supply chain change in the future to add value?

Why invest in the sheep industry?



Why invest in the sheep industry?

1. Internationally cost competitive production and processing
2. Globally renowned high quality and safe product
3. Established trade routes and markets
4. Few competitors
5. Strong price trend
6. Multiple supply chains to sell into
7. Close proximity to Asia
8. Two products – wool and meat
9. Complements, de-risks crop enterprise

Can I expand with what I have through better management?

1. **Top sheep manager?** How do my KPI's & financials compare
2. Good **reporting** systems in place? Measure, record and **ANALYSE**
3. Efficient sheep management systems in place? **Labour efficiency**
4. **Maximising FOO and pasture utilisation?**
5. **Risk management** and feed strategy plans in place?
6. **Staff management** systems & skills – IR, HR, OHS
7. **Training** up to date – negotiation, financial analysis, Lifetime ewe, Ramselect, Bred well fed well, Making more from sheep, MLA courses

Where do I need to invest BEFORE I expand?

Management expertise is critical

How could a larger sheep enterprise be managed?

- DIY **IF** you're in the top 25%

But what about.....

- **Co-operative farming** – allocate sheep to best manager
- **Contract out** sheep management – returns but not day to day operations
- **Contract with breeders** – accelerate and outsource breeding
- **Forward contracts** with processors/customers - lock in prices
- **Multiple locations** – stubble, marginal cropping, different rainfall zones

How could the sheep enterprise be owned & financed?

- Own land, sheep and finance with bank debt

But what about....

- **Joint venture** – allow individuals to combine resources to create larger operations but retain ownership and lambs divided at agreed ratio
- **Contract lamb production** – cost plus contract
- **Sell and lease back** land - increase ha managed
- **Livestock lease** through a financier – lease ewe
- **Equity** investment – pathway to ownership, distribute dividend instead of interest/lease, succession

How could we source, pool and invest new capital in the sheep industry?

- **Establish R&D companies** – genetics and pastures
- Establish **agricultural superannuation** & community funds
eg. Farmpath (Aust)
- **Establish syndicates** for retail and wholesale investors eg.
Myfarm (NZ)
- **Establish equity partnership trusts** within the supply chain
eg. Fonterra with off-take agreement

Current supply chain

At the moment the WA farmer

Pasture manipulation

Genetic selection

Breeding, rearing, finishing

Invest in retaining ewe lamb and hopes for a return in 2 years

Very few buyers to choose from

Sells at a price unknown in advance of sale day, price taker

Receives a fat score and carcass weight

How could a lamb supply chain be structured differently to add value?

Just imagine if you could access these alternative supply chains....

- **Dedicated breeding companies/centres** for genetics and pastures
- **Franchise** a production system – process all laid out for you to follow
- Introduction of **forward contracts** – see prices out 2 years
- **Dedicated supply chain** – Producer groups communicating with end markets/customers
- Commercial **feedlotting service** – company feedlots and sells your lamb for a fee
- **Niche marketing** – farmer to marketing company/broker to customer

Summary

Market signals point to a **buoyant outlook** for sheep and **WA has a competitive advantage**

How best to capitalise on the opportunity?

Consider the options in:

- Investing in improving performance of existing sheep enterprise
- Managing more sheep differently
- Raising capital
- Participation in the value chain

For further information

“Concepts for alternative investment and financing models to expand sheep production in WA”

<https://www.agric.wa.gov.au/industry-development/investment-options-expand-sheep-production-western-australia>

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Challenges (all can be overcome)

- Matching farm managers with investors
- Finding excellent sheep managers (training may be required, import labour with skills)
- Educating investors and farmers on risks & returns of alternative structures
- Improving communication across the supply chain and between farmers and investors
- Upskilling farmers to manage larger enterprises