

# MARY HAD A LITTLE LAMB, ITS FLEECE WAS WORTH BUGGER ALL!



## Agrista farm benchmarking data shows prime lamb enterprise profits have lagged behind other enterprises over the last five years

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Agrista farm benchmarking data over the five year period between 2019 to 2023 shows that prime lamb enterprises have been one of the worst performing livestock enterprises when ranked on operating profit per dry sheep equivalent (DSE).

A dry sheep equivalent is a measurement of the energy required to maintain a castrated male merino sheep (~8.3 Megajoules metabolisable energy per day). Using the DSE as a universal measure allows for comparison between enterprises on a like for like basis.

A comparison of a performance measure per DSE between enterprises is therefore effectively a comparison of performance per unit of energy consumed.

Livestock enterprises other than prime lamb have delivered lower profits per DSE than prime lamb within years over this period but they outperform when averaged over the five year period assessed.

One feature of prime lamb enterprises that is eroding profits per unit of pasture energy consumed, is the contribution of wool to enterprise performance.

Figure 1 (below) shows the change in wool indicators that combine to deliver net wool returns between 2018 and 2023. Wool income has declined by 66 percent or \$6.89 per DSE due primarily to wool price falling \$4.60 per kilogram clean over the period. At the same time costs, directly attributable to the harvesting and sale of wool (shearing, crutching and selling costs), have increased by 42 percent or \$1.93 per DSE.



Prime lamb enterprise - change in wool indicators 2019-2023



**Figure 1** The contribution of wool to prime lamb enterprise profits has declined from \$5.81 to \$3.01 per DSE

Agrista farm benchmarking data shows prime lamb enterprise profits have lagged behind other enterprises over the last five years. Part of the reason for this is the change in contribution of wool to prime lamb profits. Wool income has gone from over \$10 per DSE to less than \$4 per DSE while at the same time the direct wool costs have increased by 44 percent.

Wool has gone from delivering net value of \$6 per DSE to costing the enterprise \$3 per DSE.

This puts more pressure on the meat production component of the enterprise to perform now. This article delivers the detail and the implications for prime lamb production.

The net result is a reduction in net wool return of 150 percent equating to \$8.82 per DSE. Wool has gone from generating a positive net return of \$5.81 per DSE to a negative net return of \$3.01 per DSE over the period assessed. Net wool return is calculated as wool income per DSE less shearing, crutching and selling costs.

The real cost of shearing is of course far greater than this simplified calculation because the farm labour is not included in these calculations.

## So what?

At the same time that the wool contribution to prime lamb profit has declined the value of assets managed has increased by 80 percent from \$701 to \$1263 per DSE managed. This means that a target return on assets managed of 4 percent has gone from an operating profit of \$28 per DSE in 2019 to \$51 in 2023.



**Figure 2** The meat component of a prime lamb enterprise has to work even harder now to deliver target returns

After deducting the contribution of wool to operating profits in 2019 the meat components (lamb and sheep trading) of the enterprise only needed to contribute approximately \$22 per DSE to achieve the 4 percent return (Figure 2).



In 2023 wool erodes profit by \$3 per DSE thus the meat components of the enterprise need to work even harder to deliver the 4 percent target. In fact, these components need to increase by 141 percent on 2019 levels to \$53 per DSE to deliver a target operating return of 4 percent (Figure 2).

In other words, where a carcass weight of 10 kilograms per DSE can be achieved, a margin of only \$2.22 per kilogram of carcass weight above the cost of production was required in 2019 to deliver a 4 percent return. In 2023 the margin above the cost of production to deliver a 4 percent return is \$5.35 per kilogram carcass weight.

Given the average cost of production per kilogram carcass weight was \$6.47 in Prime lamb enterprises in 2023, after adjusting for wool costs then price received would have to be \$11.83 per kilogram carcass weight to deliver a 4 percent operating return in 2023 and the market is a long way from that currently!

For more information on Agrista's Benchmarking services please contact [ellie@agrista.com.au](mailto:ellie@agrista.com.au) or visit our website at <https://www.agrista.com.au>

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