



# Declining flock numbers sparks serious discussion

*LEFT: The size of the national sheep flock is dwindling as many producers make the switch from wool to cropping and meat production. The debate rages on how to sustain a breeding ewe population for future sheep-based enterprises. (Photo: Catriona Nicholls)*

## Not so fast

However, Alex Ball (MLA) suggests the current economic and climate conditions could see the flock stabilise for several reasons.

“With improved prices, and relatively attractive returns for lamb, we’re seeing a slow in the decline,” Alex said.

“There has been some improvement in seasonal conditions and the cropping enterprise expansion is slowing, particularly in Western Australia.”

Alex suggests producers are recognising the importance of sheep as a risk minimisation tool in a mixed enterprise operation. He also believes new flock improvement campaigns through MLA and its partners will have a stabilising effect on sheep numbers.

In light of Kimbal’s comments about the way forward, Alex points out that sheep slaughter figures are already showing signs of decline.

“During the nine months to September, sheep turn-off has declined 14% on the same period last year and is forecast to fall a further 14% during 2009.”

MLA forecasts also predict lamb production will increase at an average rate of 1-3% per year from 2008 to 2013 – a total increase of about 11% on 2008.

“Lamb prices are at a historic high,” Alex said. “This has been driven by resilient demand for lamb despite the global economic crisis and domestic economic downturn.

“We expect prices to remain strong over the projection period to 2012-13.

“It’s much the same for sheep prices, however limited supply has driven prices even higher.

“We have seen strong demand for mutton and live exports and expect prices to move higher over the projection period due to the reduced capacity to supply sheep and continuing strong demand from the Middle East.”

**Table 1. Sheep balance sheet – 2008-09**

Opening number of sheep	76.9 million
Per cent ewes	61%
Per cent ewes joined	80%
Marking percentage	85%
Lambs marked	32.0 million
Lambs slaughtered	20.8 million
Sheep slaughtered	11.3 million
Live exports	4.2 million
Total turn-off	36.3 million
Deaths on farm (1.4%)	1.1 million
Closing number of sheep	71.6 million

Source: Kimbal Curtis (DAFWA)

By **Catriona Nicholls**  
Kondinin Group

**A**s Australia’s sheep population plummets and livestock production focus shifts from wool to meat, the Future Farm Industries CRC Board has called in the experts to provide their perspective.

During November, the Board saw presentations from different industry perspectives. They are now discussing the information in order to determine impacts on future research direction.

## Facts and figures

The national flock – currently estimated at 71.6 million – is lower than it has been for more than 100 years.

According to Kimbal Curtis (DAFWA) the reasons are fairly clear cut.

“Sheep numbers have been falling for the past 20 years, not because of any one factor, but due to a rolling sequence of factors,” Kimbal said.

“The offloading of the wool stockpile and the associated decline in prices started the population decline.”

“Continued low returns from wool and high returns for alternatives enterprises, such as cropping have further stimulated producers to move away from sheep.”

This trend has been compounded by widespread drought.

“Combine drought with high returns from grain production and producers simply haven’t wanted to feed their sheep.”

## Faltering focus

It’s not only grain prices that have driven the move out of wool. Steadily-rising lamb prices provide an incentive for stalwart sheep producers to make a more discreet shift – from wool to meat.

During the early to mid 90s the gross value of wool production was 10 times that of sheep meat (\$4293M per year vs \$470M/yr). During the past few years on-farm production for both commodities has been roughly equal (\$2112M/yr vs \$2215M/yr).

In response to the shift from wool to meat, there has been a shift in the composition of the flock from wethers to ewes and lambs.

“Merino ewes have increasingly been joined to other breeds to produce prime lambs,” Kimbal said.

However, total turn-off is exceeding the number of lambs marked exacerbating the declining flock numbers (see Table 1).

High prices for live exports and mutton have also led to a sell-down of the adult portion of the flock.

“With falling numbers, demand for meat has been holding and this combination has provided a unique opportunity for some disenfranchised wool producers to sell their sheep,” Kimbal said.

To arrest the situation Kimbal suggests a number of strategies: “Firstly an increase in marking percentages to about 94% would maintain current turn-off.”

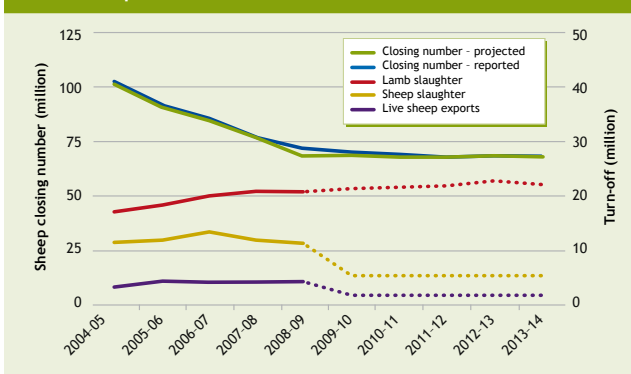
“Alternatively, reducing turn-off through sheep slaughter to four million and live exports to two million would allow lamb turn-off to continue without further liquidation of the flock.” (See Figure 1)

Kimbal also suggests lamb turn-off could be maintained if marking percentages reached 87% and overall sheep slaughter and live exports decreased to 47% of 2008-09 figures.

## key points

- Sheep numbers on a national level are plummeting and if the trend continues the outlook is grim
- Future Farm Industries CRC will review its R&D investment to better separate technology development for sheep meat and wool industries
- Increasing reproduction levels, retaining ewes longer and reducing sheep turn-off could stabilise the downward trend.

**FIGURE 1. Projected effect of reducing sheep slaughter and live exports**



The key question being asked is: ‘how many breeding ewes will be needed to maintain lamb production levels?’.

Alex’s answer is: In 2008-09 20.8 million lambs were slaughtered from 37.6 million breeding ewes at a marking rate of 85%.

“This level of lamb slaughter could have been achieved from 35.3 million breeding ewes.

“It goes without saying however, that a prime-lamb focused flock would be insufficient to support the growing demand for live sheep and mutton in export markets.”

In essence Alex and Kimbal agree – to halt the flock liquidation, productivity needs to improve and sheep turn-off needs to decline to meet the global demand for sheep meat and current forecast levels of turn-off.

However, in terms of boosting reproductive rates, Alex suggests Kimbal’s suggested goal of 94% could be unrealistic.

### Hesitant to invest

Internal research carried out by Landmark suggests producer confidence in sheep, regardless of the final commodity, is still low compared with grain production. And while grain producers are currently keen to invest in new technologies to improve and expand their cropping business, sheep producers may not be quite so motivated to do so.

This could impact on the levels of adoption of new production technologies aimed at boosting marking percentages according to Landmark National Farm Services Manager, Bruce Cairns.

“Of the producers we surveyed, 37% of grain growers described their enterprise as easily viable, while only 13% of sheep producers described theirs in the same way.”

“As such, it is not surprising they are reluctant to invest in new technologies to the same extent.”

When questioned on whether they were looking to grow or expand their business only 12% of sheep producers indicated this was the case, while 42% of grain growers were opting for growth.

“We see this as a potential challenge in terms of getting sheep producers to invest in new technology,” Bruce said.

“You may have the best new technologies but unless an enterprise is looking to expand they won’t invest.”

from a traditional livestock background,” Sandy explained. “These producers tend to take a rational approach to their decision making.”

In support of Bruce Cairns’ observation, those wool producers sticking to their guns are not expanding, let alone at a fast enough rate to compensate for those leaving the industry.

Long-term benchmarking data supports the notion that flock composition is changing.

“Currently, 65% less DSEs are devoted to Merinos than 10 years ago,” Sandy said. “This, combined with the a shift to ewe-dominant flock with a meat focus, is not conducive for stabilising or increasing sheep numbers – if that is the goal.

“Even though there has been a three-fold increase in DSEs devoted to prime lambs, the prime lamb industry is starting from a very low base in number terms,” Sandy said.

“What the industry needs to get their minds around is that replacing wool with sheep meat does not help increase flock numbers. Producers cannot run the same number of meat sheep per hectare as wool sheep.”

In other words a switch from wool to meat means less sheep for the industry not more.

Sandy believes the declining national flock will continue because the wool industry is not making strong enough productivity gains to stay relevant and remain the dominant source of sheep.

“Cropping will still remain the enterprise of choice as current and potential productivity gains make it inherently more profitable and expandable,” Sandy said.

However, Sandy suggests all is not lost for wool: “A core group of wool producers will inevitably remain and if profitability returns, the flock will expand from that core.”

### A broader perspective

Future Farm Industries CRC Research Director Dr Mike Ewing believes there is no need to panic about the recent decline in sheep numbers from a research perspective, given the time frame for developing technologies is often five to 10 years.

“We need to be able to ignore the short-term fluctuations and have a longer-term focus,” Dr Ewing said.

“If you think about it, producers, particularly in mixed farming areas have behaved quite

Benchmarking carried out by private farm business consultants, Holmes Sackett supports Landmark findings. Although, Director and consultant, Sandy McEachern admits up front that Holmes Sackett clients (the source of his analysis) do not represent the wider industry.

“We are dealing with a skewed sample of larger and more profitable producers who come

rationally in recent times – increasing the emphasis on cropping and reducing the emphasis on livestock.

“During early 2009 when producers were planning the current year’s activities, there was a contrasting outlook for crops vs wool, which support the recent trends presented.

“But if we look to early 2010, the position will have changed enormously and cereal outlook is substantially depressed, while the outlook for sheep, particularly wool is substantially better – any further decline in sheep numbers is likely to be reversed within the limits set by reproductive potential.”

Forward-looking producers traditionally use the balance between livestock and cropping to minimise long-term risks and we are likely to see adjustments back towards livestock during the coming 12 months.

According to Dr Ewing this strategy is supported by insights from whole-farm economic analyses developed through MIDAS modelling. Whereas cropping proportions in the range of 70-80% across farms were clearly logical 12 months ago the best profit outlook going forward might be as much as 20% less cropping, creating more opportunities for livestock expansion.

“In developing longer-term research strategies, this more balanced position appears to be the more appropriate context,” Dr Ewing said.

“If they over commit in any one direction it makes it difficult to shift back when the outlook changes.”

“If we look at the situation 12 months ago, when grain prices were in the order of \$350 per tonne, there was a view in some quarters that this represented some fundamental shift in the 10-year price squeeze between livestock and grains,” Dr Ewing said.

“But the events of the past 12 months remind us that this isn’t the case – we still need to have productivity growth across the whole farm business.

“There is no sign that the basic drivers have stopped and pasture and livestock, particularly meat production, remain key drivers of whole-farm profitability.

“A mixed enterprise emphasis is fundamental to the work of the Future Farm Industries CRC.”

### What next?

The Future Farm Industries CRC Board will consider these expert views when it discusses the impact of sheep decline for its part of R&D investment. Directors will be advised to consider technology pathways from sheep meat productivity and wool sustainability, each on their own terms. ➤

### ➤ More information

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