

# Project overview



## International Benchmarking of Sheep Meat Production

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**Prepared by** David Sacket

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Locked Bag 991  
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## Brief summary

The Red Meat Industry Forum (RMIF) is an organisation established by the British Government. Part of RMIF's charter is to implement strategies that will encourage British Livestock Producers to improve their productivity with the aim to move away from subsidised practices.

As part of the process, an international benchmarking of sheep production enterprises was held in England in 2007. Holmes Sackett and Associates was asked to attend and present data from Australian production systems.

The data presented was not Australian industry average data, rather drawn from a private benchmarking service and is biased towards more business orientated producers. These producers were based in the southern eastern temperate zones with data from NSW, Victoria and Tasmania.

Standardising data between countries provided challenges due to the large differences in production systems. For example, many British producers pay land rent which is included as a standard cost, in contrast to Australia and NZ where it is uncommon. Valuing family labour in many countries was not included in costs of initial reports and had to be subsequently included. There are also challenges in ensuring the methodology for each country is comparable.

The allocation of subsidies stimulated considerable debate. The final position was that subsidies paid to the whole farm and independent of the enterprise run were identified as farm subsidies. Payments that were made direct to the enterprise were included in the enterprise income and not identified as subsidies.

There were a total of 380 flocks from six countries included in the dataset and the key findings are outlined in project outcomes. The six countries include Australia, New Zealand, UK, Ireland, Spain and France.

## Objectives

MLA assisted with Red Meat Industry Forum work in:

1. Reporting on comparative benchmarking of lamb enterprises in the countries involved, detailing on-farm costs and income including government/industry support clearly identified, and summarizing estimated production-based and regulatory-based cost of production expressed in both nominal prices as well as on a common scale (to be developed, but could be for instance either based on average wages or using the McDonalds Budget price index used by Economists).
2. Contribution to stories for ProGrazier and Feedback Magazines on the project and its implications and messages for Australian Lamb producers.

## Project outcomes

The key findings from the benchmarking activity are described below.

- Australia and NZ production systems could be described as low cost but also low income with approximately half the gross income per ewe as flocks in Europe.
- Australia had the lowest flock fertility by a considerable margin (approximately 30%). This is a reflection of our extensive production systems and the large influence of Merino genetics.
- There is disparity in the amount of subsidies paid with Australia and NZ being much lower.
- There is a high cost of power and machinery in European countries compared to Australia and NZ. This is because many farms tend to own the machinery but lacked the scale in the business to spread the costs over a sufficient number of sheep. There is very little use of contractors which is a strategy that could provide efficiencies.

- The size of the sheep flock was declining in all countries. This was most dramatic in Europe where FMD recovery was still in progress. In all countries, sheep enterprises were being squeezed for land resources by other competing land production such as beef and dairy.
- Australia was the only country where commercial benchmarking data for producers exists. In all other countries it was government funded activities. This did not impact the standard of data presented in the analysis.

## Benefits to industry

The information from this small study reveals unique differences in costs and income from differing countries, with the opportunity to continue benchmarking data between countries in the future. The continuation of benchmarking will assist countries to encourage producers to improve their practices. In particular, the reliance on subsidies for British Livestock Producers. If the scope of activities benchmarked expand, there is opportunity to align with international expectations on larger industry issues such as environmental and social challenges.

## Future research and recommendations

The international benchmarking activity has the capacity to continue and expand to include other sheep producing countries involvement. The breadth of the data comparison and activities of the international benchmarking group has the capacity to expand to other sheep industry issues such as environmental issues and labour challenges.