

Sheep Industry Benchmarking

If you don't know where you are on a map, then how can you plan a route to get to where you want to go? Benchmarking tells you where your farm is in relation to other farms so that you can plan a route to meet your business goals.

Benchmark to build and maintain your competitive edge in the sheep industry

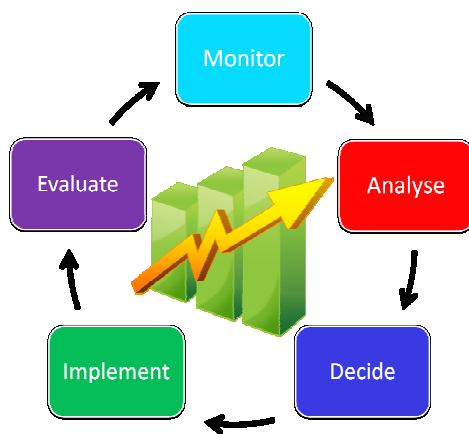
Success hinges on effective use of information, both on-farm and external, in making knowledgeable management decisions. Benchmarking is a method of finding this information so that you, the producer, can capitalize best practice methods on your farm. Essentially, benchmarking is done to compare your farms performance against external benchmarks (peers and competitors) to reveal opportunities for improvement in your operation. Specifically, benchmarking identifies key performance indicators, which are the critical success factors of your business. Around the world, there has been a variety of research to discover key performance indicators in the sheep industry. The trends in key performance indicators vary in both geographic location, and production type.

There has been considerable sheep benchmarking research done in Australia and New Zealand. Since the wool industry is more prominent in these markets, it is reflected in their key performance indicators. In Australia, producers are able to take advantage of inexpensive pasture, and thus many of their profitability indicators are defined per unit area. The most prominent key performance indicators are stocking rate (livestock grazing per unit area), and measures of profit per unit area (Ritchie, et al., 2007). The other key indicators are related to wool production, such as wool fibre diameter, wool production per unit area, and profit per labour unit (Fleming, et al., 2005).

In the United States, both lambing rate and market price are closely followed by producers with an assumed high correlation with financial success. However, research from North Dakota State University documented no relationship between lambing rate and profitability (Nudell, et al., 1998). Results from this study suggest that the key performance indicators for the prime lamb market in North America relate more closely to the Unit Cost of Production. In fact, a change in the Unit Cost of Production has the greatest potential to change your profit picture; the most significant cost factors being the cost of growing feeder lambs and the cost of weight gain after weaning (Nudell, et al., 1998). However, adding value to the flock's base production in the feedlot has been shown to be a profitable investment. An added benefit of profit enhancement at this

stage of production is that the labour requirement and death loss risk are low, relative to other times, i.e., the added post-weaning weight gain returns appear to be well above the post-weaning costs (Nudell, et al., 1998). So, it's all about managing your flock to optimize the cost of production and production profit post weaning.

There are also measures of gross flock output in North America, indicating that your farm needs to have a sufficient volume of production in order to be financially efficient. As well, you need to be aware of how efficient use of labour affects your profit potential, especially at labour intensive times like lambing. Using labour effectively to minimize the death loss in lambs in the first three days of life was acknowledged as a critical factor of success (Ringwall et al., 1994).



One of the key requirements to complete benchmarking is a good system of record keeping. To conduct an ongoing analysis of your farm it's important to have a system that allows you to track and monitor the factors that determine your farm's performance. Benchmarking is an effective analytical tool in the monitor - analyze - decide - implement - evaluate cycle (Kaliel, 2000). The practice of benchmarking has long been established as a farm management tool for detecting areas where individual producers could

increase net operating profit by adopting the methods of their peers who were able to achieve better results (Fleming, et al., 2006). Benchmarking helps to gain a holistic overview of your farm and to see your farm from an Integrated Resource Management standpoint i.e. management that integrates both financial and production information.

Getting good quality information about your farm is the key to sound business analysis. If you would like to have benchmarking information specific to your farm, Ontario Sheep is recruiting a selected number of producers who have 250+ ewes in either accelerated or annual lambing to take part in our Benchmarking study. If you would like to participate, please contact Shannon Meadows at shannon@ontariosheep.org

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