

# The role of meat production in the wool sheep industry

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*In South Africa wool sheep farming is unique. The wool industry produces products for the international market (wool) and the national market (meat). It is important to realize that these two products ensure stability.*

The risk is lower as wool and meat compete in different markets. The increasing and declining phases of these markets are complementary, thus decreasing risk, for a stable income. According to the Cape

Wools SA overview for the 2007/2008 season, it has been one of the best seasons in years, both in terms of price and production. The market closed at R 62.42/kg clean wool, which was up 10% on the opening sale. With a seasonal average of R61.51/kg for clean wool, the Merino indicator was 28% higher than the average for 2006/07. The overall average price for all wool delivered was R32.90/kg for greasy wool. The gross value of sales for the season came to R 1 536.3 million, which was 26.2 % higher than the previous season. The total receipts for 2007/08 was 48.4 million kg which was 3.6% higher than the previous season.

The objective of this article is to quantify the importance of meat production in the wool industry. The focus will be on the meat component and not on wool as such. The production of meat is determined by reproduction / fertility that emphasizes the importance of the lambing and weaning percentages. The producers need to strive to farm with well adapted stock ensuring a fast turnover.

Die results of 38 producers from 12 different study groups were used. The gross production value (GPV) or total income consists of product income (wool), trading income (meat and livestock trading), capital change and the purchasing of livestock. The ratio of the wool income with the rest of the income is known as the wool to meat ratio and is expressed in percentages. The financial results are presented as Gross Margins (GM). The gross margin is calculated by deducting the directly allocatable variable costs (DAVC) from the gross production value (GPV). The meat ratio was divided into 5 percent categories. These percentages represent the number of producers present in each of the meat ratio categories.

Table 1 gives a summary of the results. The average wool to meat ratio and the average gross margins from the producers within the specific meat ratio category (percentages) are presented. SSU = Small Stock Units

Table1: Wool to meat ratio study group results for wool sheep farmers 2007/08.

Meat ratio categories (%)	No. of producers per category	% producers per category	Wool : Meat ratio		Average GM/SSU (R/SSU)	% difference between GM
			Meat %	Wool%		
80.01-90.00	6	15.79%	86.02%	13.98%	R 553.90	64.06%
70.01-80.00	15	39.47%	74.32%	25.68%	R 337.62	7.23%
60.01-70.00	9	23.68%	66.15%	33.85%	R 314.85	19.07%
50.01-60.00	4	10.53%	55.02%	44.98%	R 264.42	11.82%
40.01-50.00	4	10.53%	45.27%	54.73%	R 236.47	
Total	38	100.00%				

From Table 1 it is clear that the meat ratio category of 80.01% - 90.00% hosts the highest GM (R553.90/SSU). The average GM is also 64.06% higher than the average GM of the meat ratio category 70.01% - 80.00% (R337.62/SSU). The lowest average GM (R236.47/SSU) features in the lowest meat ratio category (40.10% - 50.00 %). The difference between the lowest average GM (R236.47/SSU) and the highest average GM (R553.90/SSU) is R317.43/SSU, a difference of 134.24%.

Figure 1 illustrates the average GM (Rand/SSU) for each meat ratio category. The highest GM feature in the highest meat ratio category (80.01% - 90.00%).

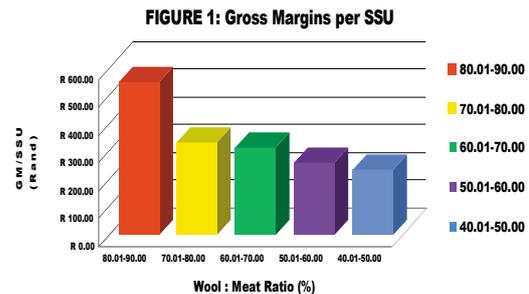
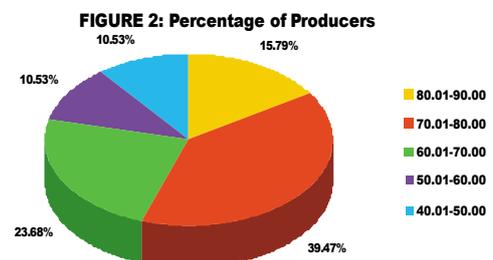


Figure 2 illustrates the distribution of the producers within the meat ratio categories. The majority of the producers (39.47%) meat ratio features in the 70.01% - 80.00% category. The minority of the producers (10.53%) are in the lowest meat ratio categories namely 40.01% - 50.00% and 50.01% - 60.00%. This low meat ratio is a direct result of reproduction and management problems - there was not sufficient meat available for proper trading of livestock (meat).



From the above results the importance of reproduction in terms of meat production for the wool farmer is quantified. The wool income is a major factor in the financial results. It is of the utmost importance for the producer not to compromise on wool quality. The wool component needs to be competitive on the international market.

The GM analyses prove that wool with good characteristics still obtained better prices.

The meat component must not be increased to the disadvantage of the wool component. The meat component is a result of reproduction (lambing and weaning percentages) and are the most important factors determining the meat ratio.

The conclusion derived from the study group results indicated that the higher meat ratio in the wool to meat ratio resulted into a higher gross margin per SSU. To utilize this outcome to the maximum, producers need to improve the management of the rams and ewes before the mating period to ensure economic, efficient reproduction.

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