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mla
MEAT & LIVESTOCK AUSTRALIA

PRODUCTIVITY & PROFITABILITY
series

Assessing and Managing Business Risk

Presenter: John Francis

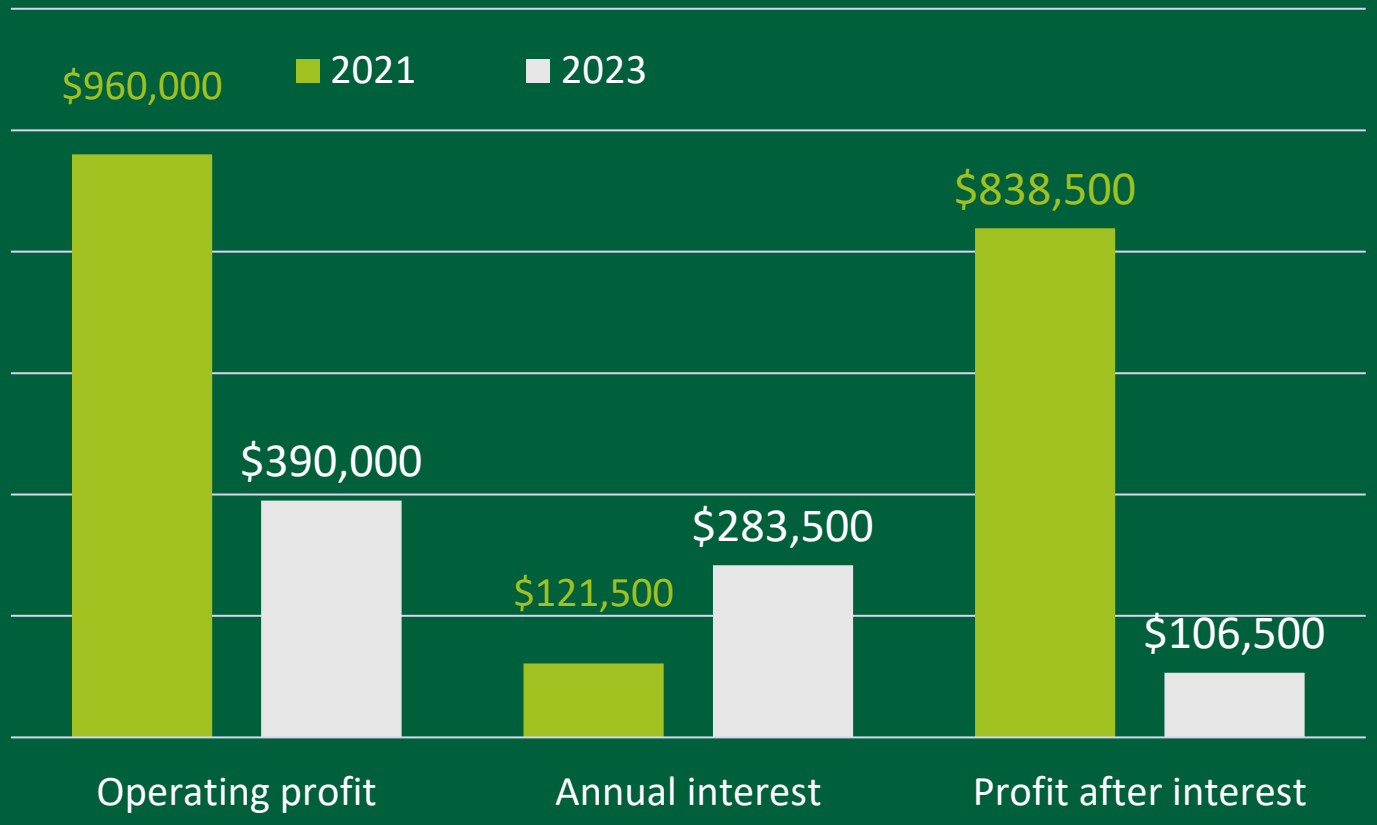
To ask questions head to slido.com and enter #Dec2023

Too busy to fix the problem?

Source: Mark Rober (https://www.youtube.com/watch?v=hFZFjoX2cGg)

Change - strong financial performance

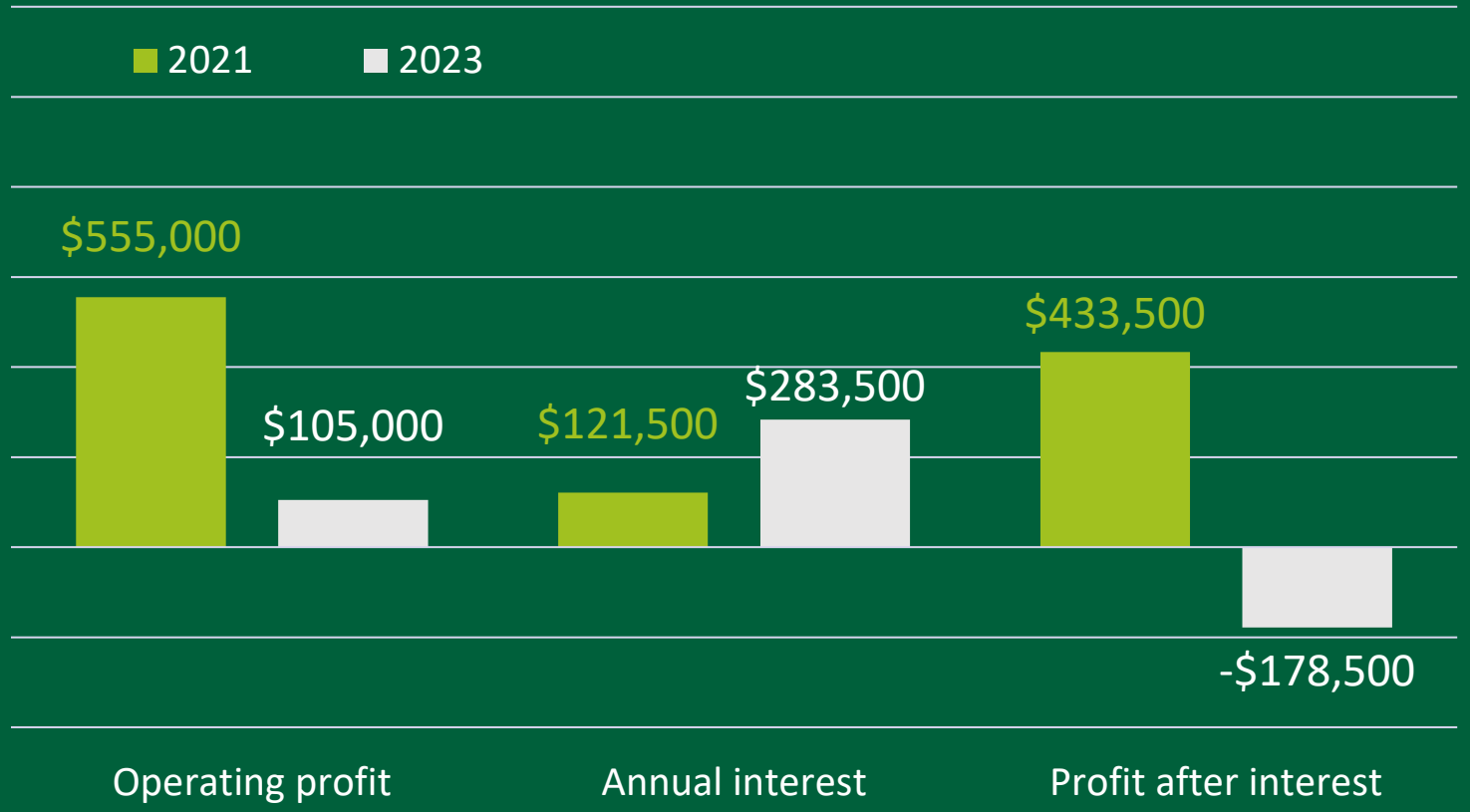
Scale 15,000 DSE at 80% equity



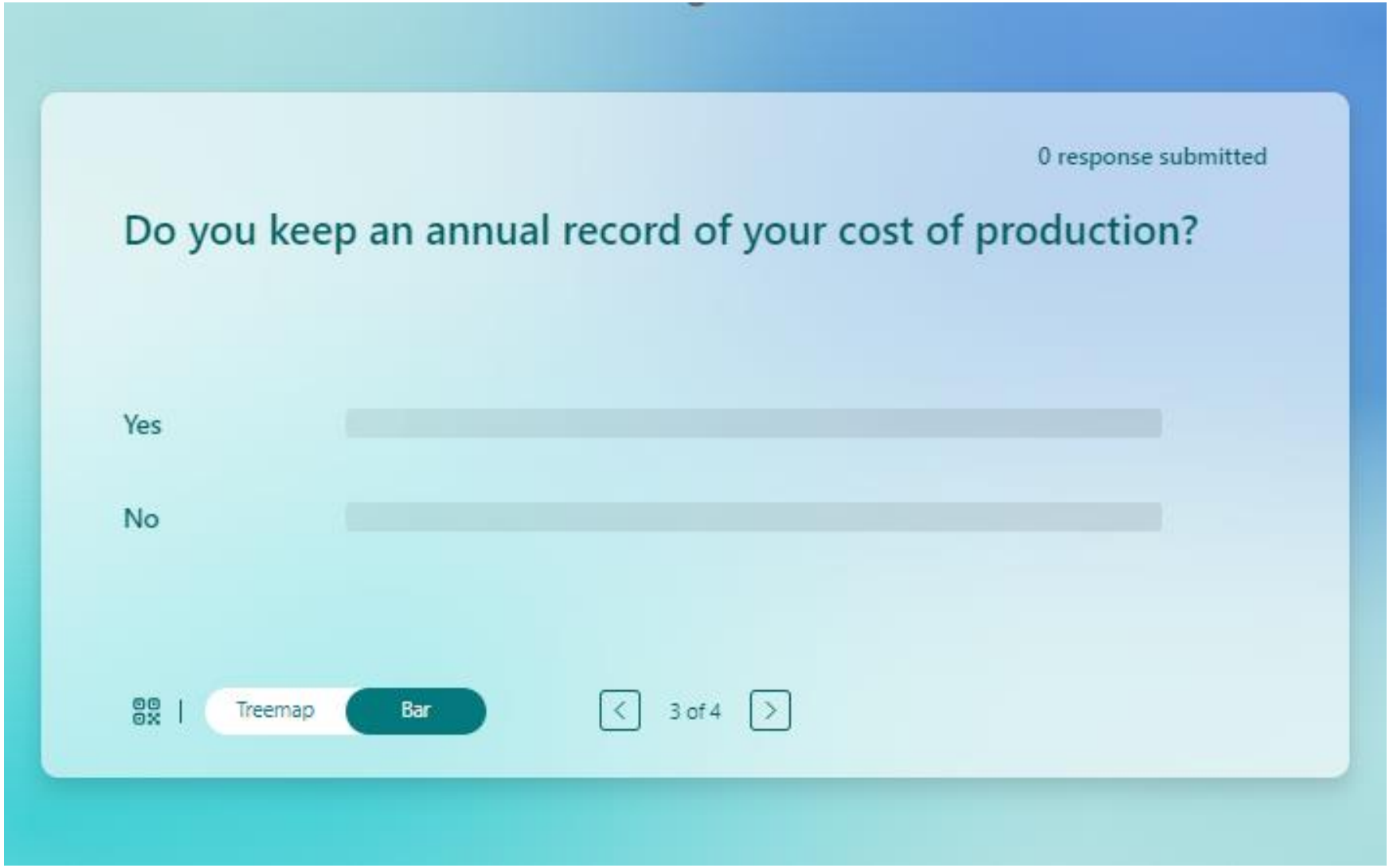
$730,000 less cash now relative to 2021

Change in a livestock business with moderate financial performance

Scale 15,000 DSE at 80% equity



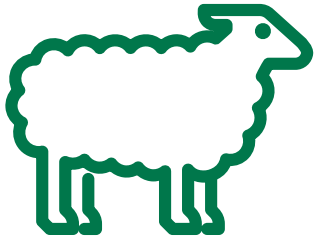
$612,000 less cash now relative to 2021



https://forms.office.com/r/i8u1RDLB5W

2 measures one means

Cost of production

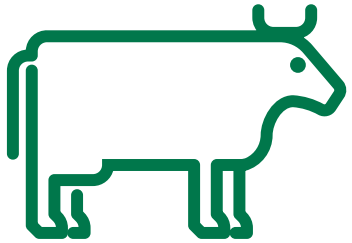


Production

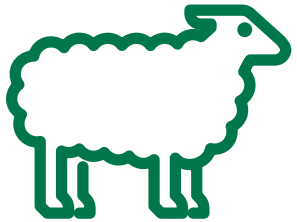
Optimise feed utilisation

What are the targets?

Beef breeding



Prime lamb



Production targets depend on the

Targets for >500mm rainfall - majority improved pasture base

<$1.50/kg lwt

<$4.50/kg cwt

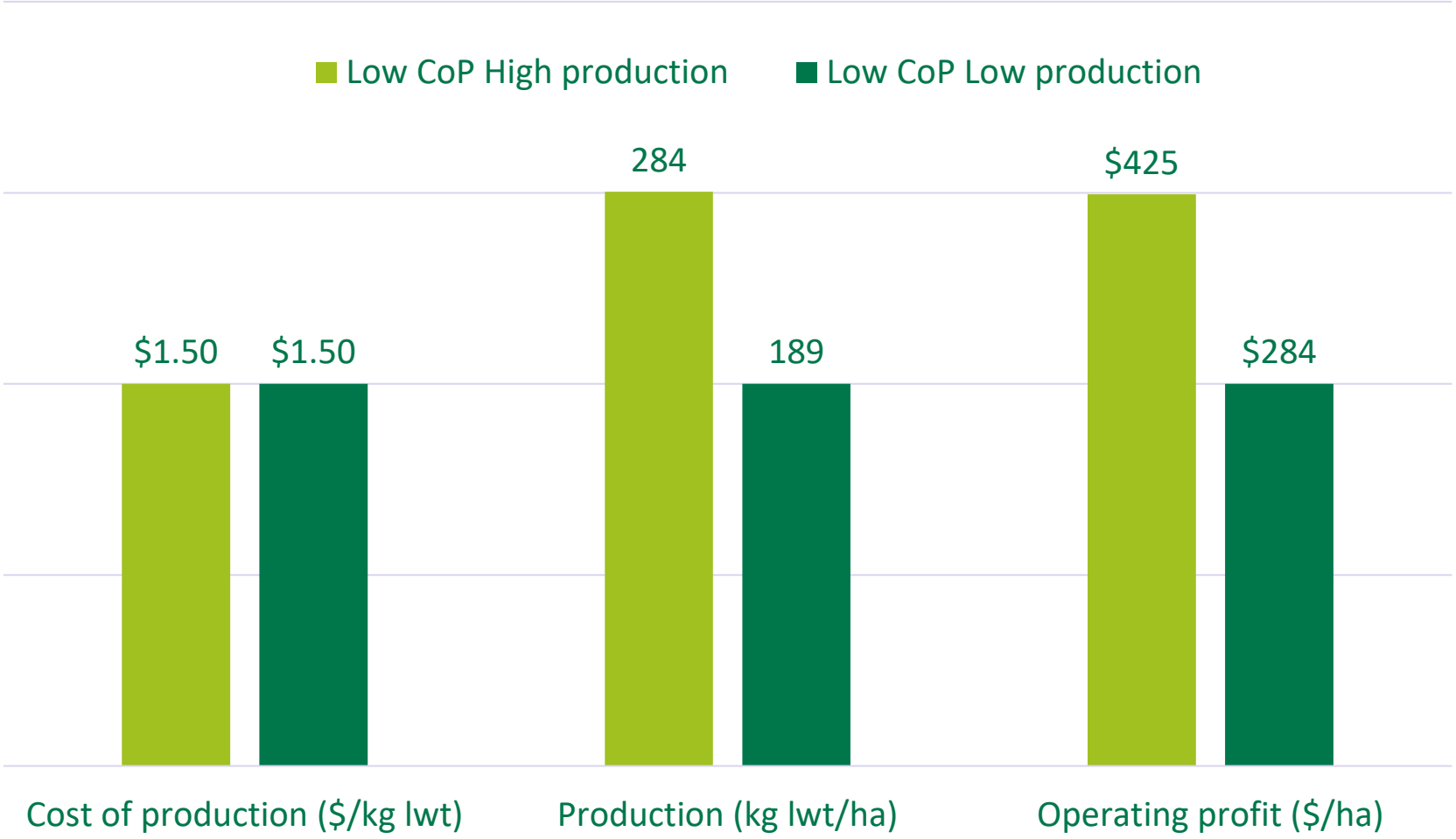
Engineering a low-cost beef production system

Production (kg lwt/ha/100mm)	45	⇦ Target
Rainfall (mm)	630	6.3 x 100mm increments
Production (kg lwt/ha)	284	
Production (kg lwt/DSE)	21	⇦ Production system
Stocking rate (DSE/ha)	13.5	Output of target production
Cost of production ($/kg lwt)	$1.50	⇦ Target
Operating cost ($/DSE)	$31.50	
Overhead cost (% operating cost)	80%	⇦ Production system
Overhead costs ($/DSE)	$25.20	
Enterprise costs ($/DSE)	$6.30	

Engineering a low-cost lamb production system

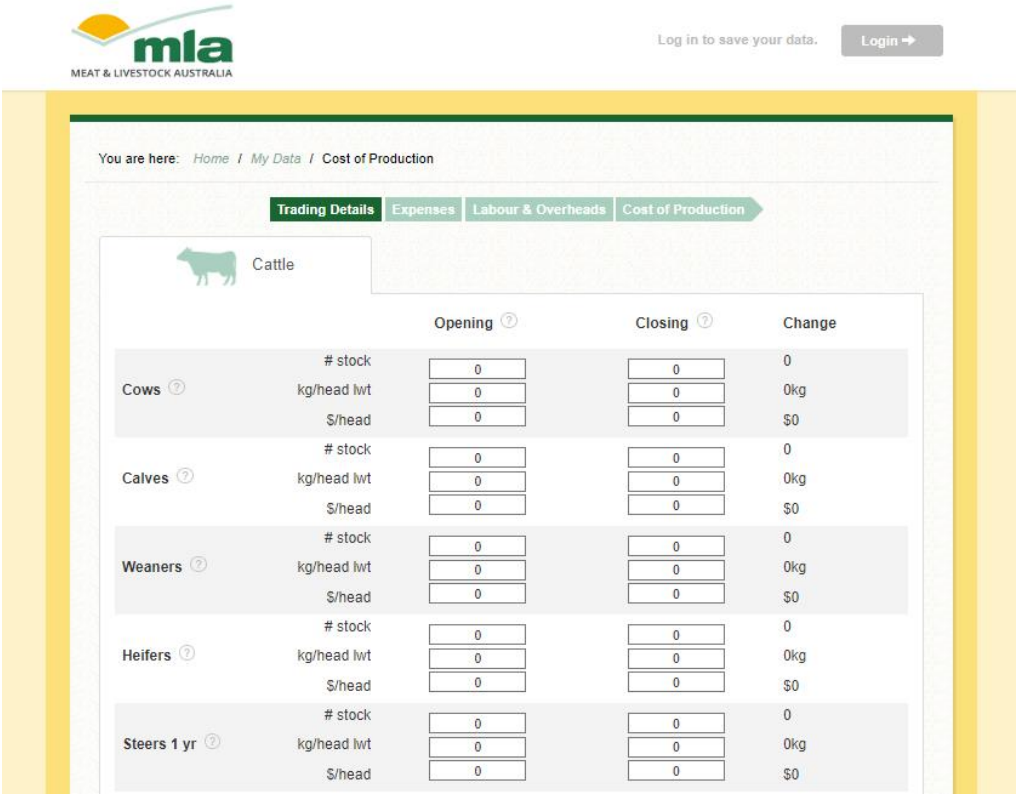
Ewes joined/ha/100mm	1	⇦ Production target
Rainfall (mm)	630	= 6.3 x 100mm increments
Ewes joined/ha	6.3	
DSE/ewe joined	2.5	⇦ Production system
Stocking rate (DSE/ha)	15.75	Output of target production
Production (kg cwt/DSE)	11	⇦ Production system
Production (kg cwt/ha)	173	
Production (kg cwt/ha/100mm)	27.5	Approx half beef target
Cost of production ($/kg lwt)	$4.50	⇦ Target
Operating cost per DSE	$51.03	97% income lamb 3% wool
Sheep trading loss ($/DSE)	$10.00	Rams & ewe depreciation
Operating cost ($/DSE)	$41.03	

Getting it half right doesn't pay



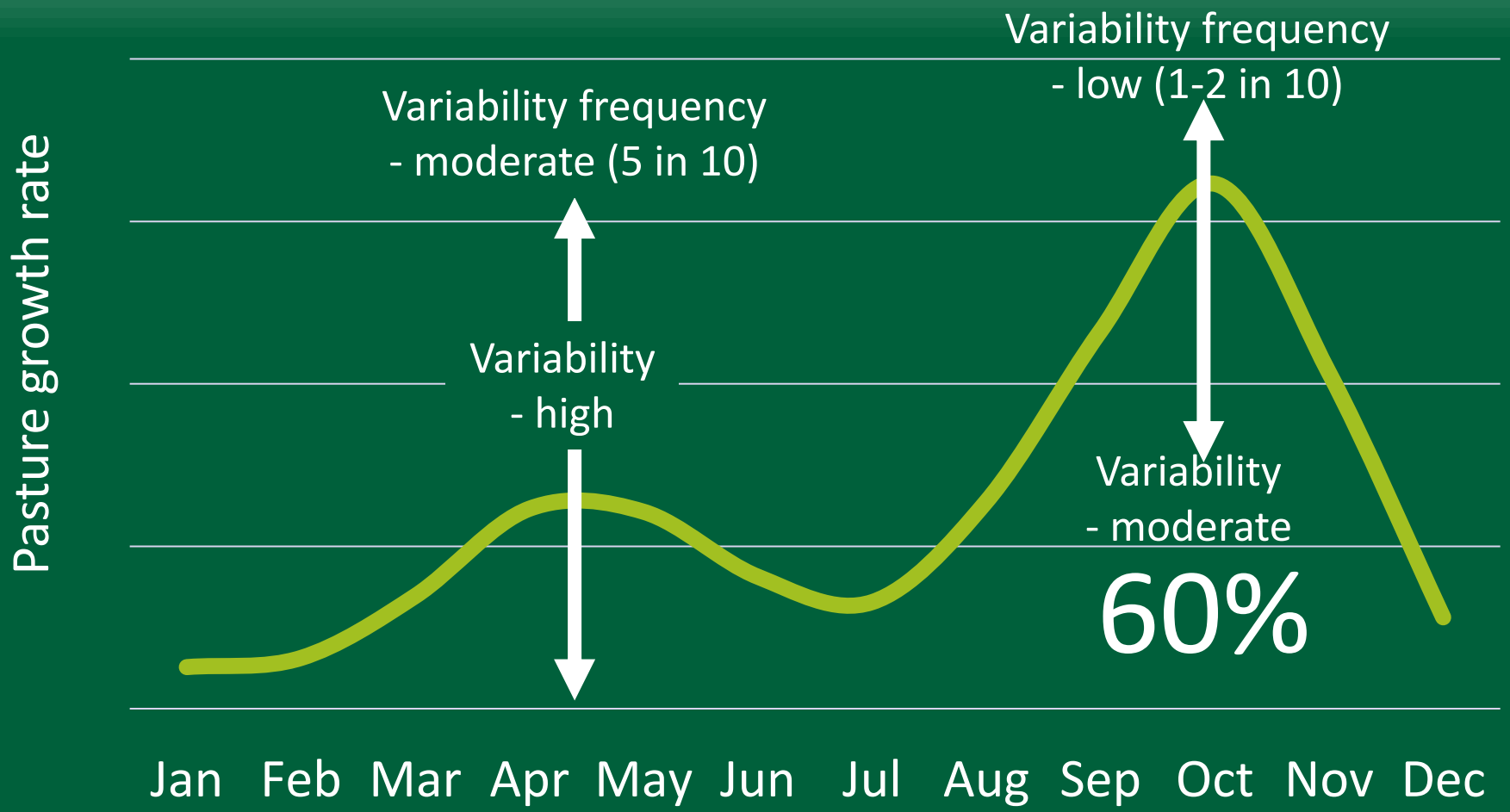
How do I calculate production?

- Livestock inventory
- Livestock sales & purchases
- Livestock trading schedule

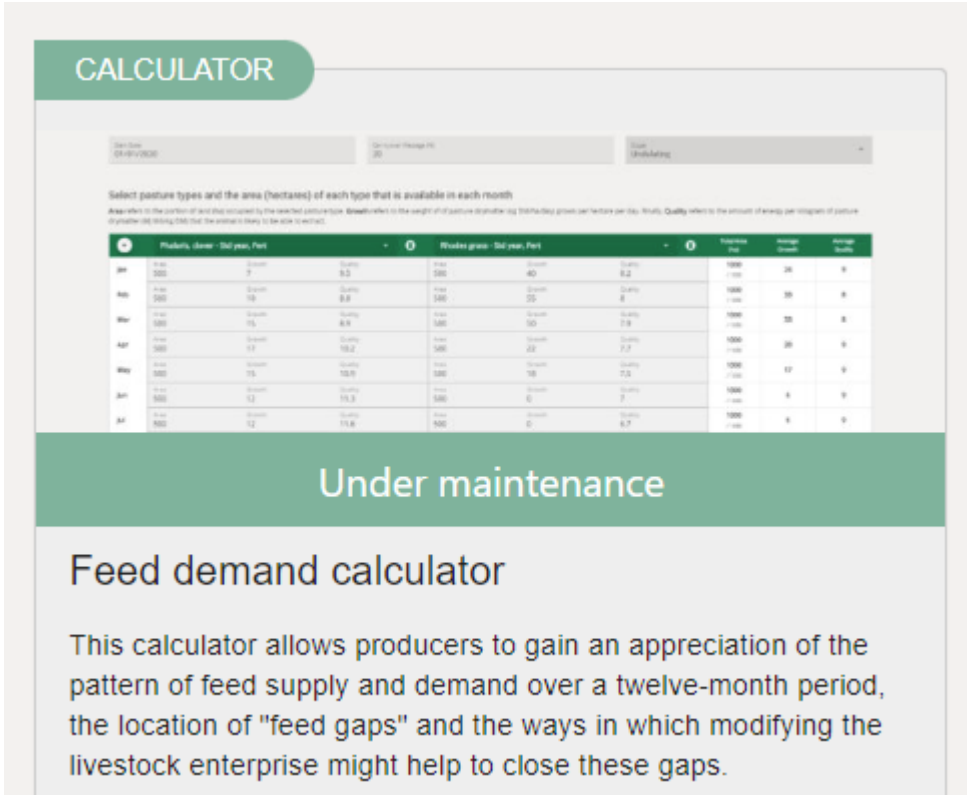


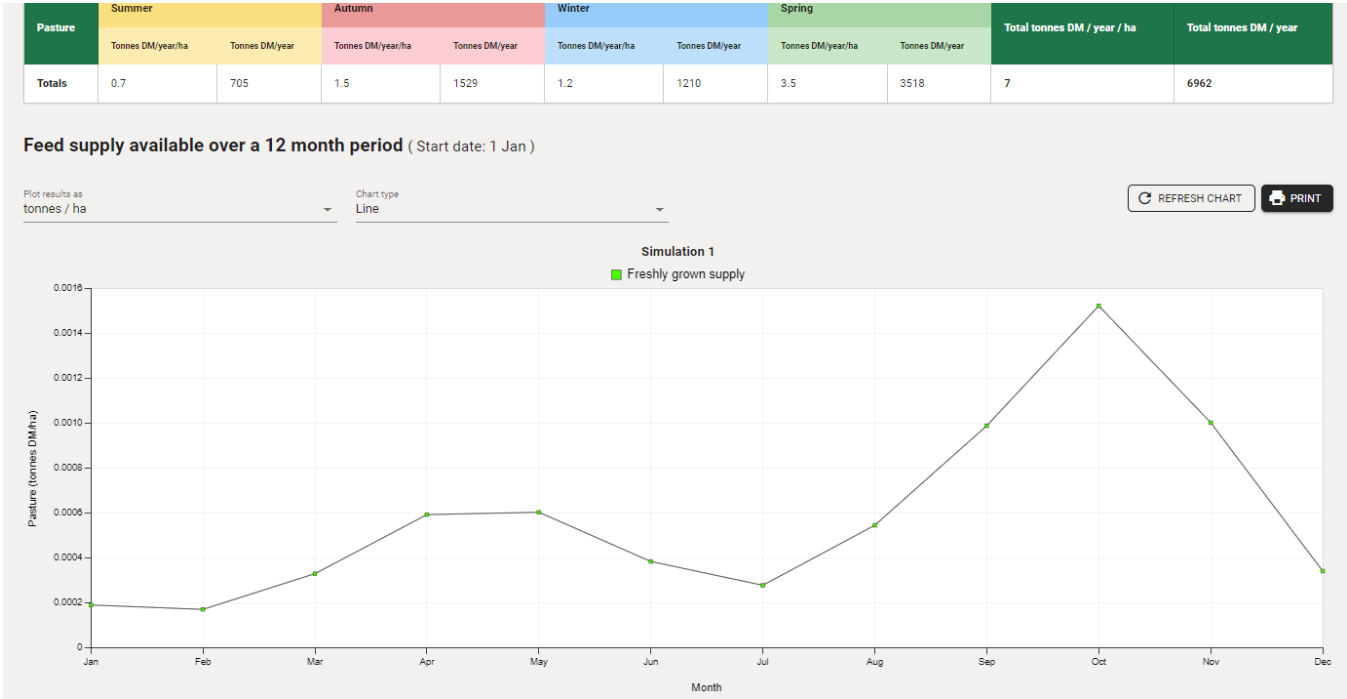
https://tools.mla.com.au/

System design considerations to drive a low cost of production



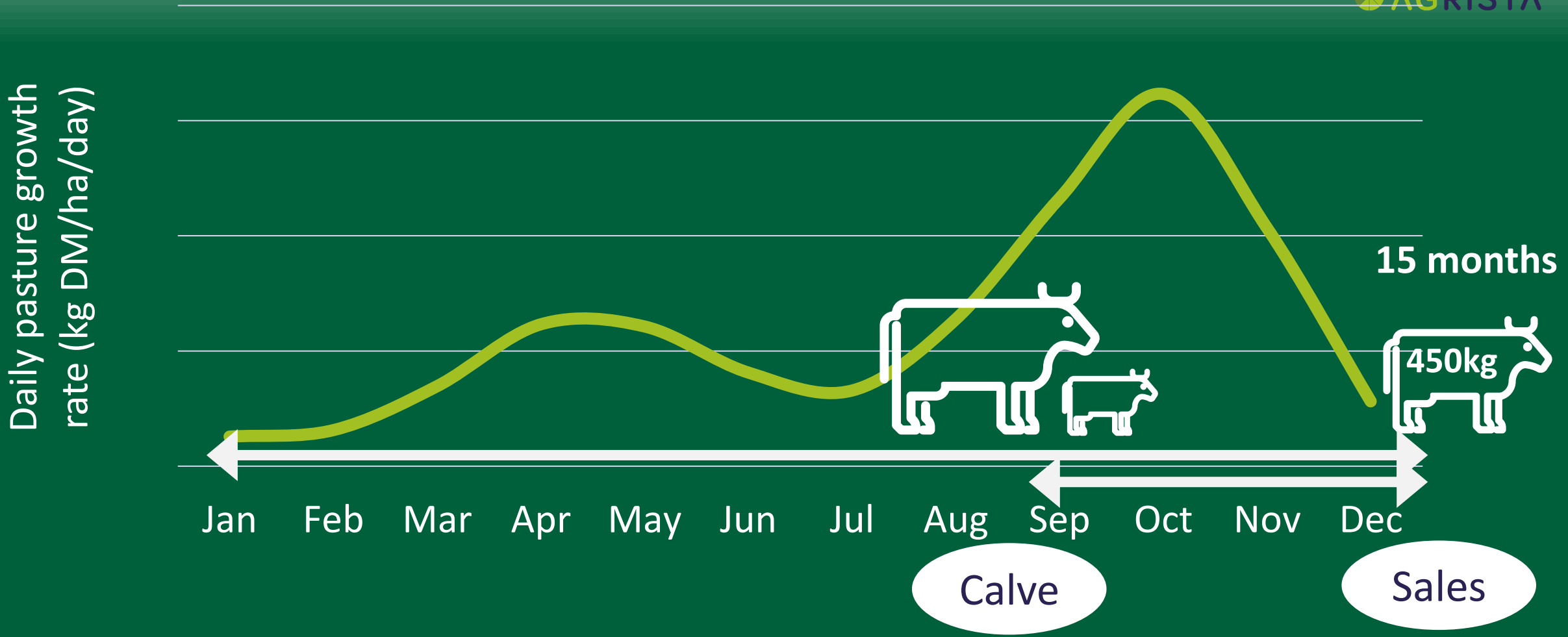
What are the tools?
https://etools.mla.com.au/hub/





Pasture	Summer		Autumn		Winter		Spring		Total tonnes DM / year / ha	Total tonnes DM / year
	Tonnes DM/year/ha	Tonnes DM/year	Tonnes DM/year/ha	Tonnes DM/year	Tonnes DM/year/ha	Tonnes DM/year	Tonnes DM/year/ha	Tonnes DM/year		
Totals	0.7	705	1.5	1529	1.2	1210	3.5	3518	7	6962

Beef system design to deliver >50% feed utilisation



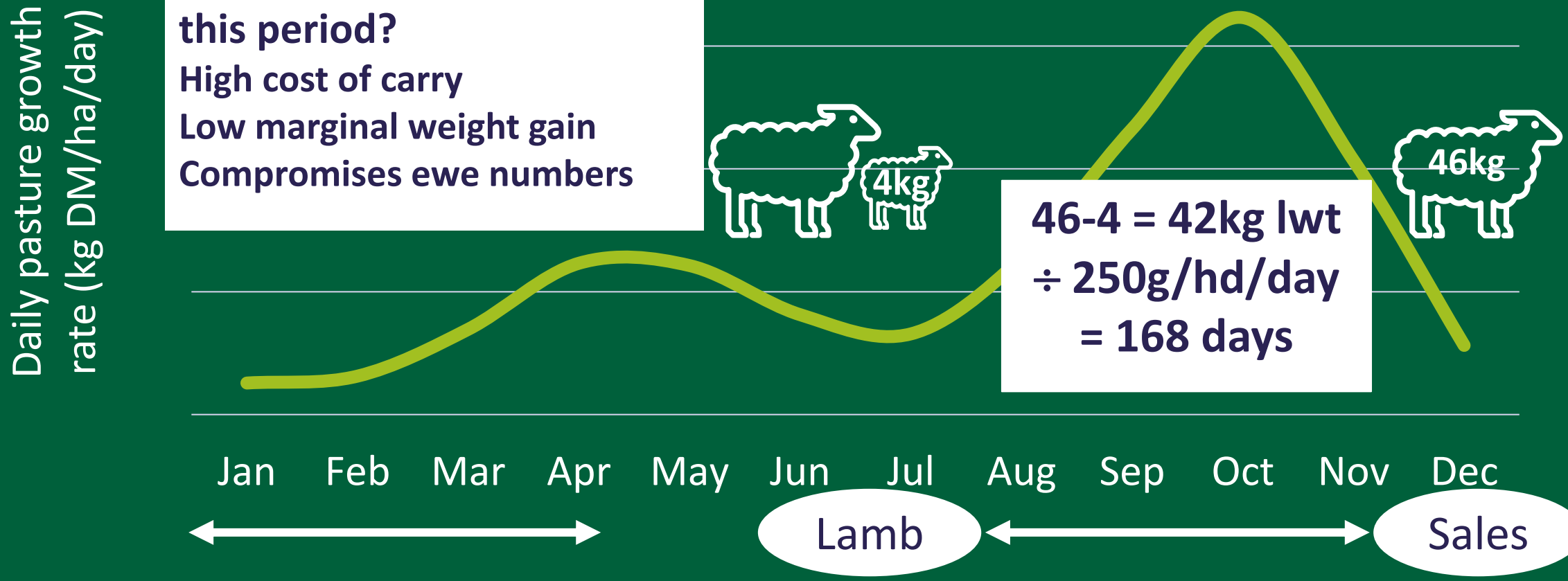
Prime lamb system design to deliver >50% feed utilisation

Why not carry lambs over this period?

High cost of carry

Low marginal weight gain

Compromises ewe numbers



What do low-cost systems look like?

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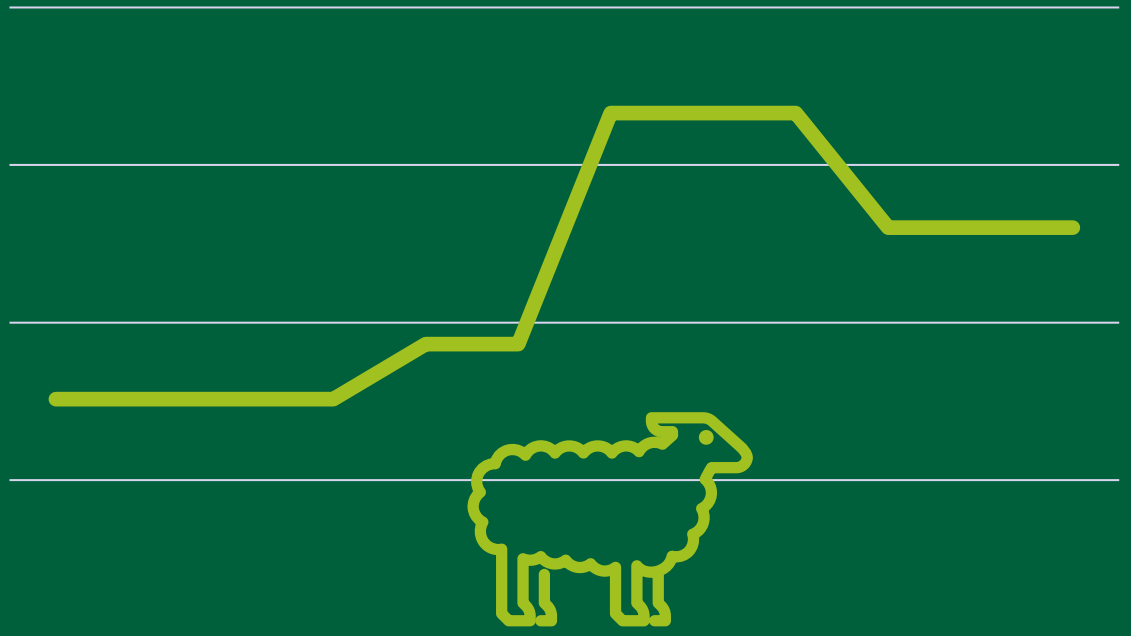
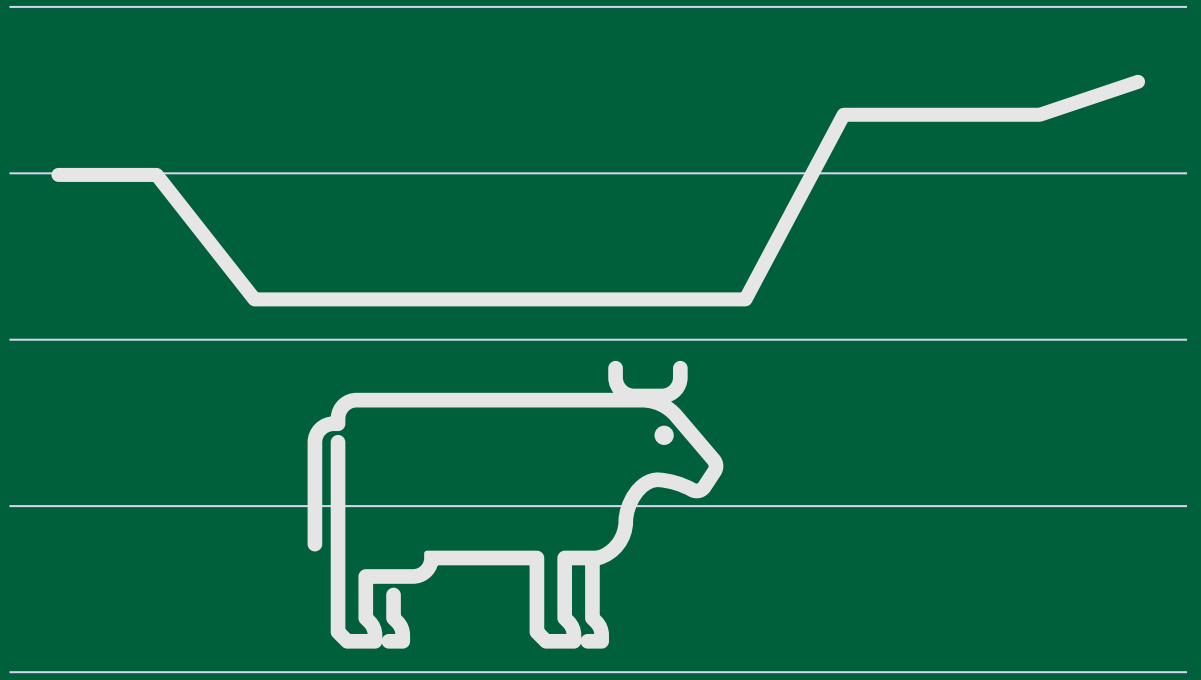
Lamb system – feed demand curve



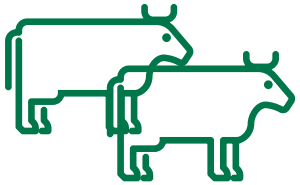
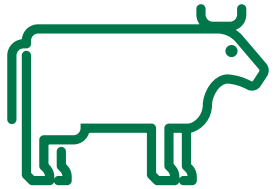
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Beef system – feed demand curve



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Outputs of high feed utilisation

High feed utilisation		Low feed utilisation
	Greater stocking intensity	
	More production/unit area	
	Better labour efficiency	
↓ CoP	Lower cost of production	↑ CoP

Attributes for success

Skilled decision maker

High feed utilisation is not for everyone

Understands compromise – OK feeling uncomfortable

But
Can you afford production discretion?

Cows plus followers	469	
Equity	75%	
Asset value	$15,736,301	
~~Profit after interest~~	~~$199,358~~	
Profit after interest	-$110,317	$155,128
Production (kg lwt/ha)	187	
Cost of production ($/kg lwt)	$2.21	

+15% price from a low pricing base

Steps to get back on track

- Engineer the production & cost targets
- Design a system that delivers
- Conduct a partial budget (existing vs potential)
- Assess capital requirements/perceived risk/skills required
- Calculate production & cost of production annually

To ask questions head to slido.com and enter #Dec2023

Tools and resources

Business EDGE Workshop

FREAKONOMICS
THE HIDDEN SIDE OF EVERYTHING

HIDDEN BRAIN

CHOICE OLOGY with KATY MILKMAN

To suggest future topics scan here: