

2001/Q10



Producer Research Support

Investigating Different Marketing Options for Cattle

Morven Bestprac



The project

The Morven Bestprac group comprises 12 businesses located in a 100km radius of the town of Morven. The members are beef-sheep, beef and beef-sheep-goat producers all operating family businesses.

Group members developed strategic plans for their businesses using the Property Management planning process. These plans highlighted that all businesses have different visions and business decisions will be made in order to best deliver these respective visions. The group benchmarked business performance over three consecutive years (1999, 2000 and 2001) and identified that average gross price received (\$1.01/kg) for the sale of cattle is a limiting factor in improving the profitability of their beef enterprises. Around 70 percent of group beef revenue comes from the sale of weaner steers and heifers. The rest comes from the sale of cull cows and bulls. An increase in the net return per kilogram of weaner beef sold has been identified as a priority for the group.

Objectives

1. monitor the average time that cattle take to grow from 240kg to 310kg average liveweight, and the performance of individual animals through this period, and use this information to develop a cost benefit analysis for agisting cattle;
2. monitor pasture condition through the trial period and compare this to growth rate to determine best strategies for agistment;
3. develop the skills for group members to monitor the performance of their own animals and then access market information prior to the animals reaching target weight to determine the market the animals will fit into and decide how to get them there;
4. develop trends in animal performance across the trial period and relate these trends back to selection criteria and management practices for breeding cattle;
5. develop a series of contacts to help group members add value to their cattle off farm;
6. using gross margin analysis, determine if value adding by agisting and feedlotting is a viable marketing technique; and
7. collate all information to create a series of marketing options for cattle enterprises.

What was done

Five of the 12 group members committed cattle to this trial and two non-group members accepted an invitation to be part of the trial.

An initial attempt to conduct the trial 12 months previously did not occur as a result of a poor season and lack of suitable agistment. The original plan was to have 200 head in the trial but this was reduced to 75 head due to the unavailability of sufficient animals following the postponement of the trial.

The aim of this project was for Morven Bestprac group members to develop skills to monitor the performance of their own animals and then access market information prior to the animals reaching target weight to determine the market the animals will fit into and decide how to get them there.

The group regularly monitored the growth rates and values of trial cattle over 12 months, then sold the animals as two groups. The first group was sold to the domestic trade market and the second group sold as grain fed Japanese ox.

This trial does not indicate that breeds or herds of animals used in this trial grew at different rates than others, nor are they more suited to either market evaluated.

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Sheep Genetics Australia (SGA) is the national genetic evaluation service for the Australian sheep industry. It is built around the world's most comprehensive sheep genetics database, and will deliver genetic information on a fee-for-service basis.

Tel (02) 6773 2493 or
www.sheepgenetics.org.au

EDGEnetwork

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Workshops cover breeding, nutrition, grazing management, marketing and selling.

Call MLA on 1800 993 343 or
www.edgenetwork.com.au

Seventy five cattle were agisted on one group member's property for seven months - until animals reached liveweights suitable for entry into the feedlot. Animals were regularly monitored for weight gain and health.

The group met at the property four times. Cattle were weighed and group members discussed what they had learned and made plans for future project activities. People with expertise in marketing, nutrition and cattle husbandry were invited to these group meetings to contribute to planning. The property owner made stocking strategies and supplementary feeding recommendations, with decisions endorsed by the group. One group member was initially appointed as a project administrator, but because of other time commitments, a facilitator from DPI was used for most of the project period.

To maximise the amount of information on different finishing methods, the group decided to finish cattle with feedlotting. Two group members evaluated several feedlotters and decided to send all the cattle to the Craiglea feedlot at Drillham. This feedlot provided monthly feedback to the group on animal growth, feed intakes and health.

The heifers and steers were fed for 72 days and a draft of 30 head was sold to Woolworth's Australian domestic market using the Craiglea feedlot contract. Three group members visited the feedlot at time of sale to learn what subjective characteristics the market required and reported back to the group. The remaining 45 head were sold into the grain fed Japanese ox market after 109 days in the feedlot. Two group members evaluated the options available to the group for marketing these animals and reported on a regular basis to the remainder of the group through fax, email and phone.

Seven members of the group and the Charleville DPI Cattle Husbandry Officer travelled to Warwick to see the animals slaughtered. Cattle handling and processing practices within the abattoirs and individual animal carcass characteristics were observed and evaluated, with conclusions presented to the group at the final project workshop.

Objective data was collated for the trial period and sent to all group members for perusal. This information and reports completed at each group meeting were used to evaluate the trial. Several people outside the project group were invited to share their experiences with the group and participate in the final group meeting. The group documented their learning in relation to each of the objectives.

A poster was developed for this project and the Morven Bestprac group to be used at field days and shows in south-west Queensland.

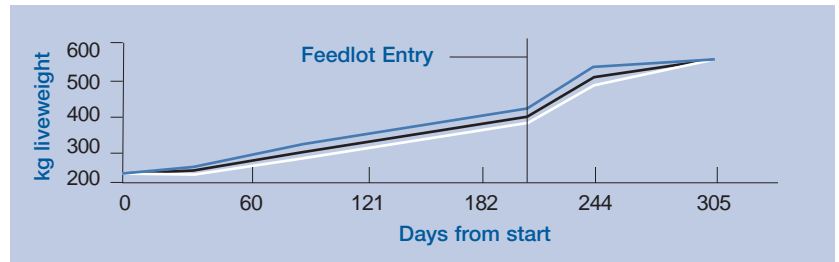
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What happened?

The group regularly monitored the growth rates and values of trial cattle. Live weight changes are summarised in *Figure 1*. The vertical line indicates when the cattle were introduced to the feedlot. These animals were then sold as two groups - the first group sold to the domestic trade market and the second group sold as grain fed Japanese ox.

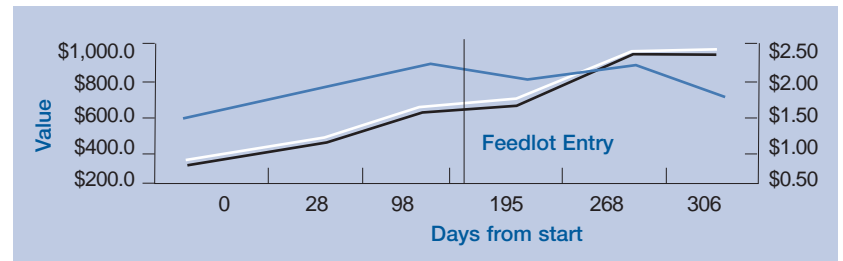
Figure 1. Liveweight of the two turnoff groups



■ Average all □ Average 1st turnoff ■ Average 2nd turnoff

Data indicated a small difference in growth rate of the two groups. The first turnoff group were predominately British breed cattle with some European, and grew at a rate of 0.9kg/day. The second turnoff group were a combination of *Bos Indicus* cross and European breed cattle and grew at 1.1kg/day. The difference in the growth rate may have resulted from the first group laying down more fat than the second group due to different ages of maturity, or as a result of differences in nutritional and management conditions prior to joining the trial group. This trial does not indicate that breeds or herds of animals used in this trial grew at different rates than others, nor are they more suited to either market evaluated.

Figure 2. Gross return for two turnoff groups and market value throughout turnoff periods



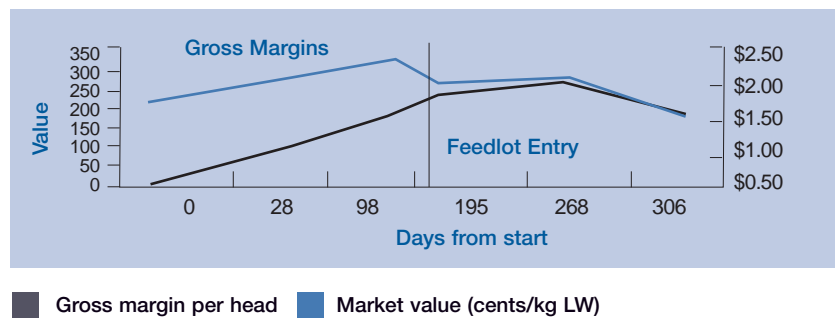
■ Turnoff 1 □ Turnoff 2 ■ Market Value

The values for both turnoff groups to 195 days from the start were obtained from an individual valuation from a local stock and station agent. The rate quoted was cents per kilogram liveweight and was for all the animals in the trial. Gross return for the two turnoff groups and market value throughout turnoff periods is summarised in *Figure 2*. The value at 268 days reflected the price received for the first turnoff group, which were marketed into the premium local trade market. The value at 306 days reflected the price received for the second turnoff group. The average market value of this group was discounted because of the inclusion of animals that did not fit into this market. This situation is a reality as all mobs have animals that do not meet the required market specifications and will be discounted.

The gross value of the animals in the second turnoff group increased by only \$17.00 per head in the last 38 days of the trial, while gaining 0-72kg. The low increase in value of the second group was due to the 55c/kg carcass weight reduction in market value of the animals compared to the first group, not the animal performance.

The measure of profitability used was gross margin analysis. Cumulative gross margin over the 306 days of the trial is expressed in *Figure 3*.

Figure 3. Cumulative gross margin of trial cattle



The market value line was inserted into *Figure 3*, to show the influence of price on gross margins.

A sensitivity analysis of the agistment showed that the group could have paid up to \$4.00/hd/wk agistment and still received a positive gross margin at a growth rate of 0.67kg/day and \$0.20 price difference between purchase and sale. The group actually paid \$1.37/hd/wk for the agistment and the sensitivity analysis showed that gross margins were positive when the difference between purchase and sale price of the animals was -\$0.50.

The sensitivity analysis showed that to break even when the price differential is zero, cattle would need to gain 1.8kg/hd/day. When the price differential is \$0.25 the cattle must be growing at a rate of 1kg/hd/day to break even.

Discussion

Overall the project was very successful and provided all group members with greatly improved knowledge about feeding cattle for weight gain finishing to meet market specifications.

Project outcomes are supported by robust financial data to provide project members with clear rules for weaning and selling or holding their cattle with backgrounding or feedlotting.

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