

meatup FORUM

For the latest in red meat R&D

Alternative approaches, models & opportunities

Ashley Herbert
Agrarian Management

Making money from livestock

- Land
- Livestock
- People - Management & Labour
- Working capital
- Infrastructure, facilities & equipment

Making money from livestock

Land	Security of tenure Wealth creation Control over improvements	<ol style="list-style-type: none"> 1. Own 2. Lease 3. Share farm/ Profit share 4. Agist
Livestock	Control/ discretion Wealth?	<ol style="list-style-type: none"> 1. Own 2. Finance 3. Lease/ Share farm
Management/ Labour	Expertise Competence Continuity	<ol style="list-style-type: none"> 1. Owner operator 2. Employed 3. Casual
Infrastructure, facilities & equipment	Discretion on livestock options Quality Water supply, grain storage Efficiency of operation	<ol style="list-style-type: none"> 1. Shed & Yards 2. Fencing 3. Silos 4. Fertiliser storage
Working capital	Operating capacity Control over inputs & activity	<ol style="list-style-type: none"> 1. Cash 2. Bank - Overdraft 3. Supplier finance

Making money from livestock – Capital Intensive

2,000 hd ewe flock - Kojonup

- Land \$3.0M
- Livestock \$0.5M
- Equipment \$0.15M
- **TOTAL \$3.65M**

Plus ~\$100,000 working capital

➤ \$9,217/ha

➤ \$922/dse

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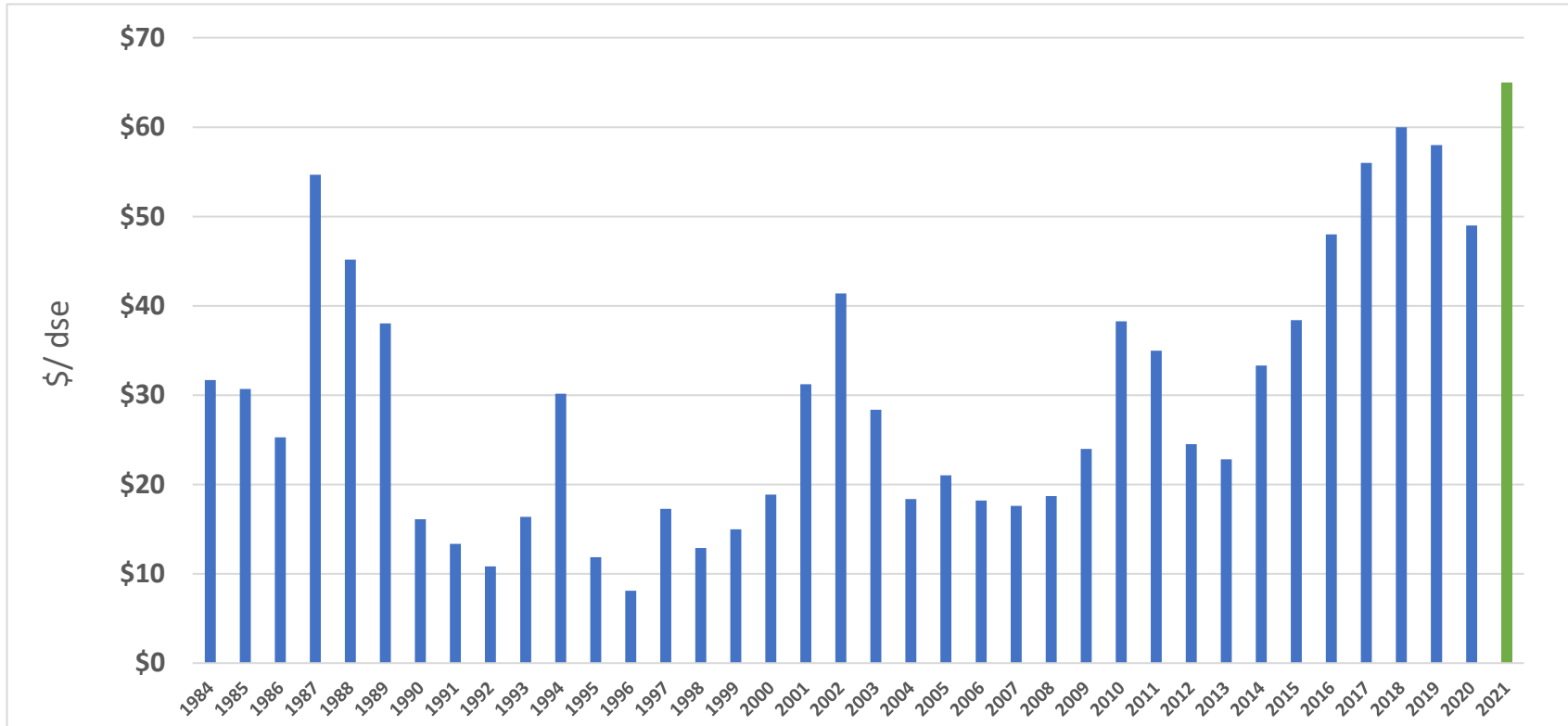
Profit & wealth accumulation

- Operating return 4 - 7%
- Land (long term) 6 - 8% *pa*
- Livestock lease 10 - 25%

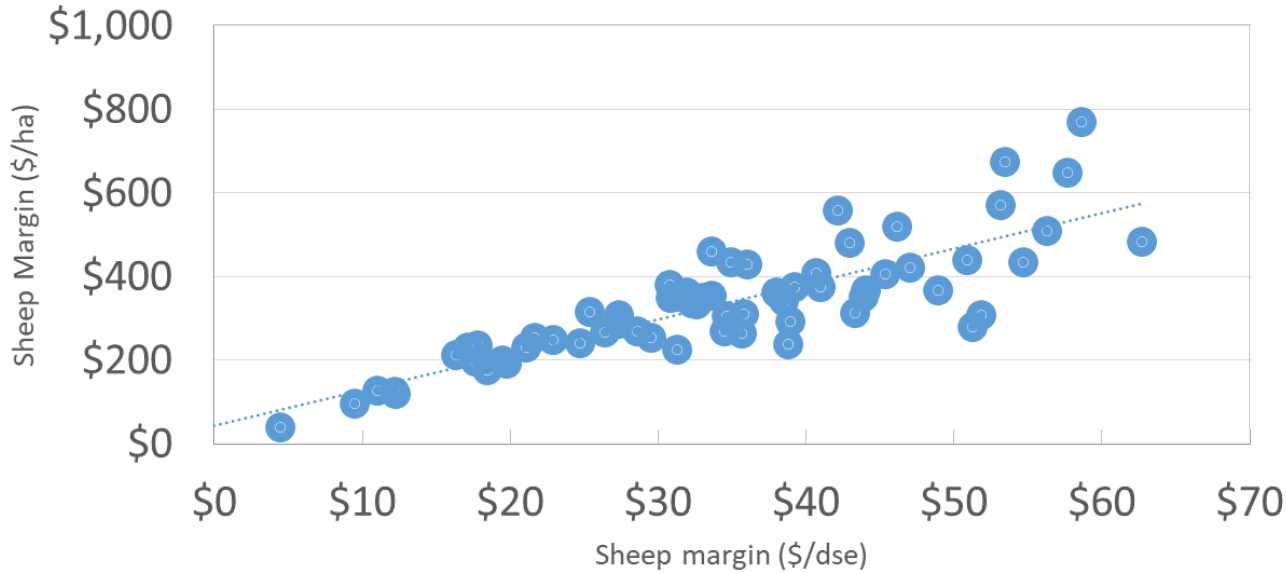
Current situation

Sheep Gross Margin CPI Adjusted

Kojonup 1984 - 2020



Reward for effort

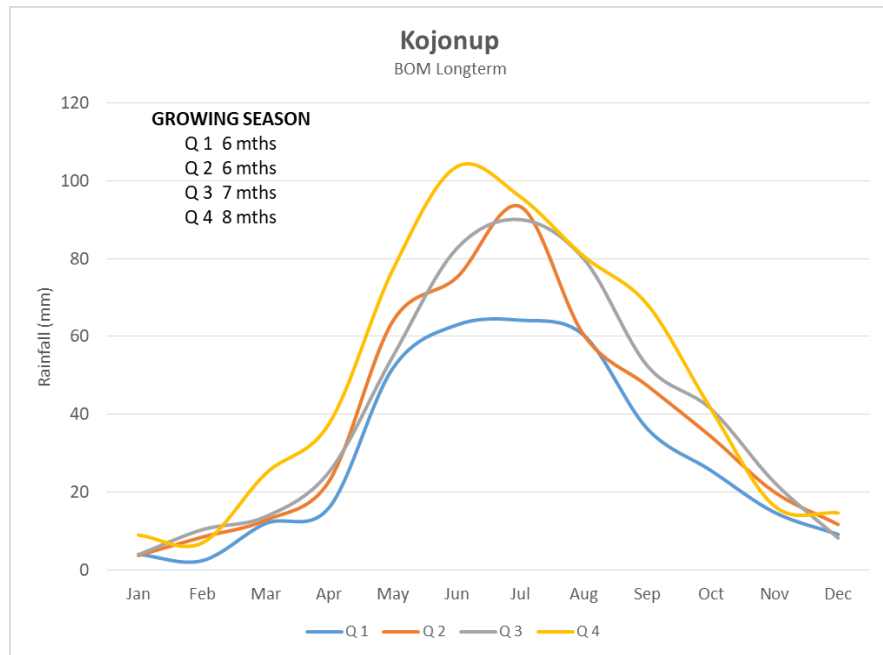


Profit Driver of the Livestock Enterprise

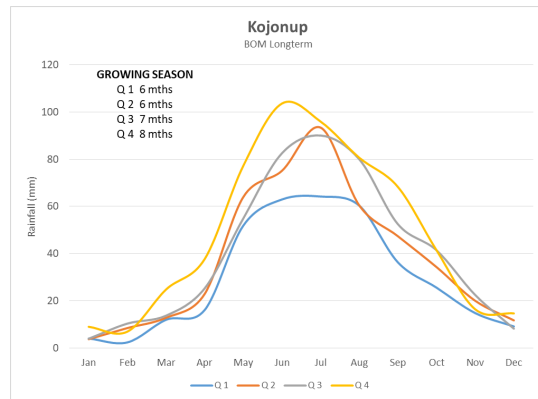
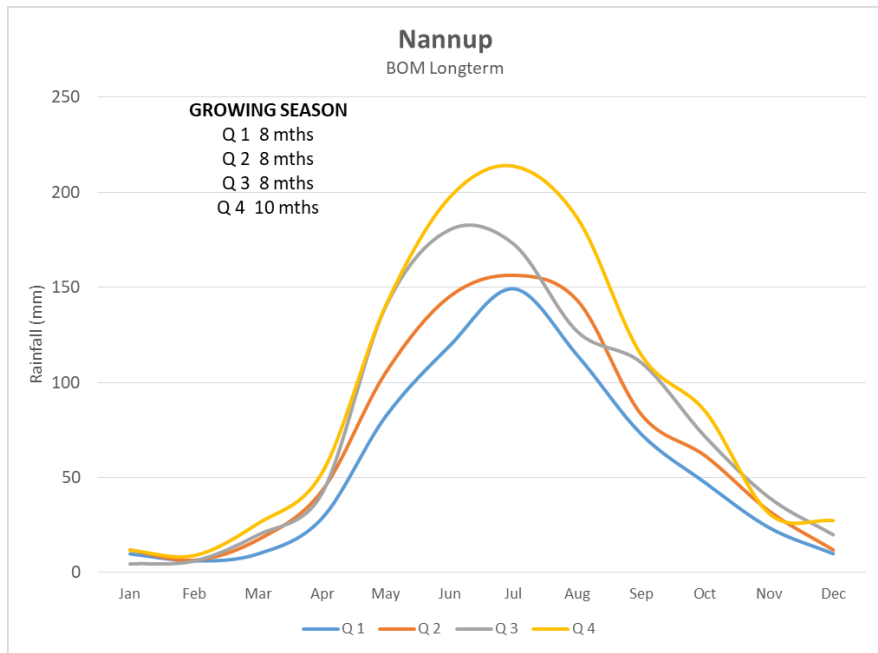
The money is made by growing meat & wool on green feed

	Cost (\$/T DM)	Energy value (cents/ MJ)
Pasture	\$12 - \$18	0.1 - 0.18
Lupins	\$400	2.96
Barley	\$250	2.08
Hay	\$150	1.58
N on pasture	\$64- \$100	0.64 – 1.0

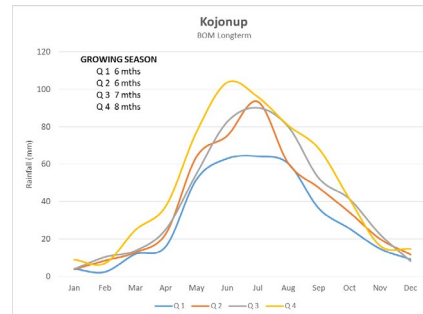
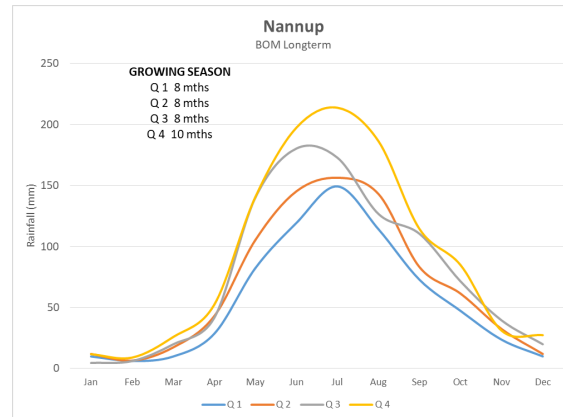
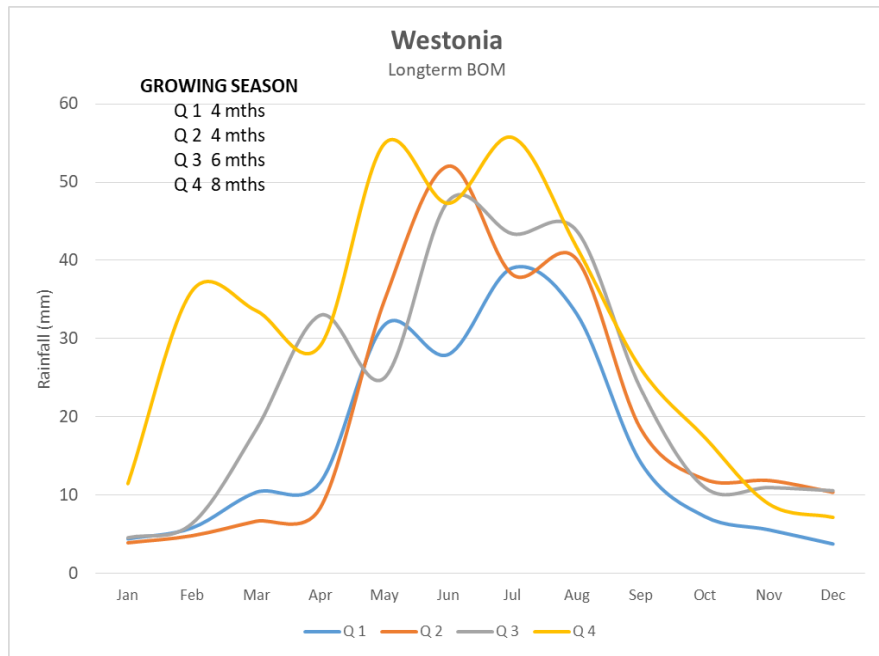
Growing season – where the feed grows



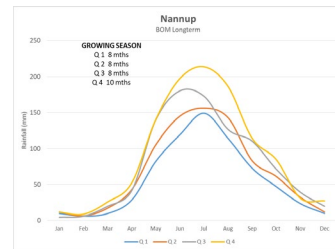
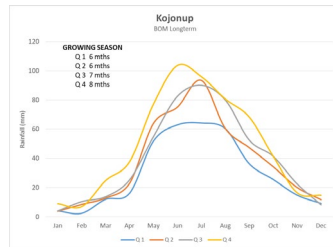
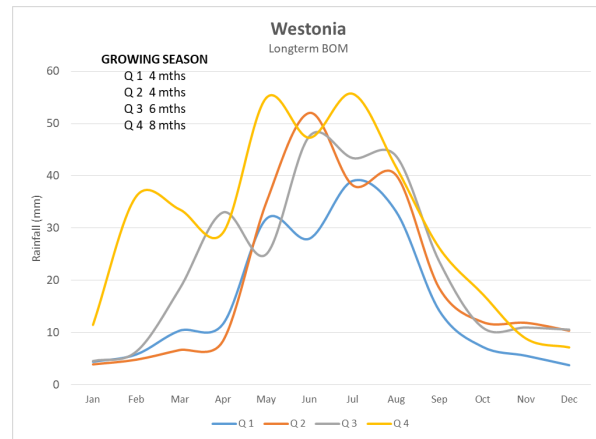
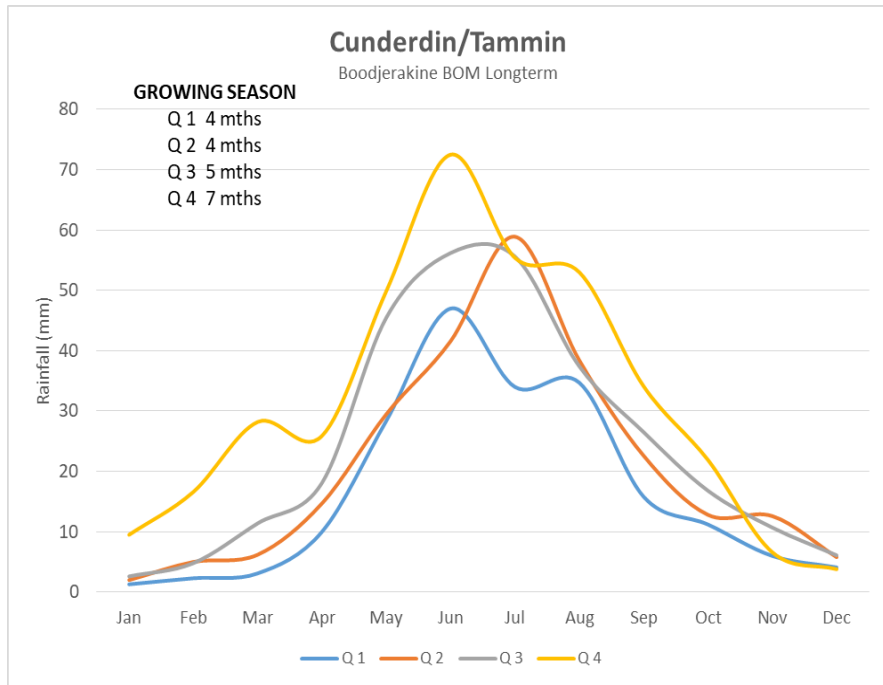
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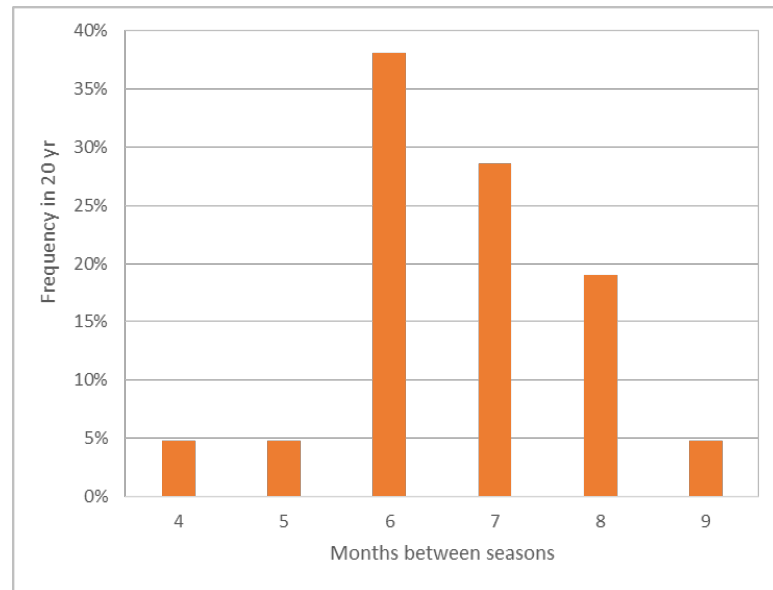
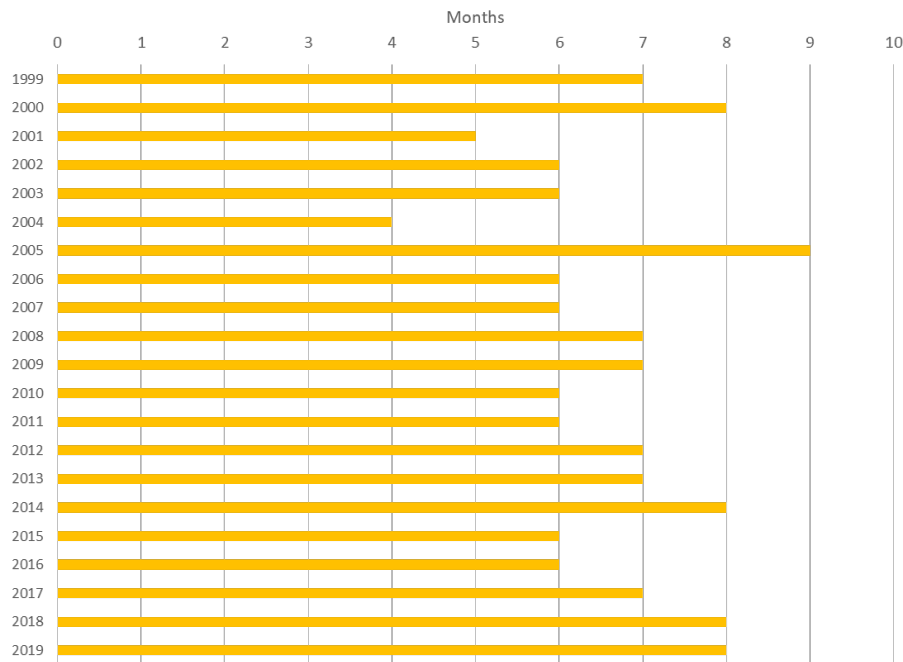
Growing season – where the feed grows

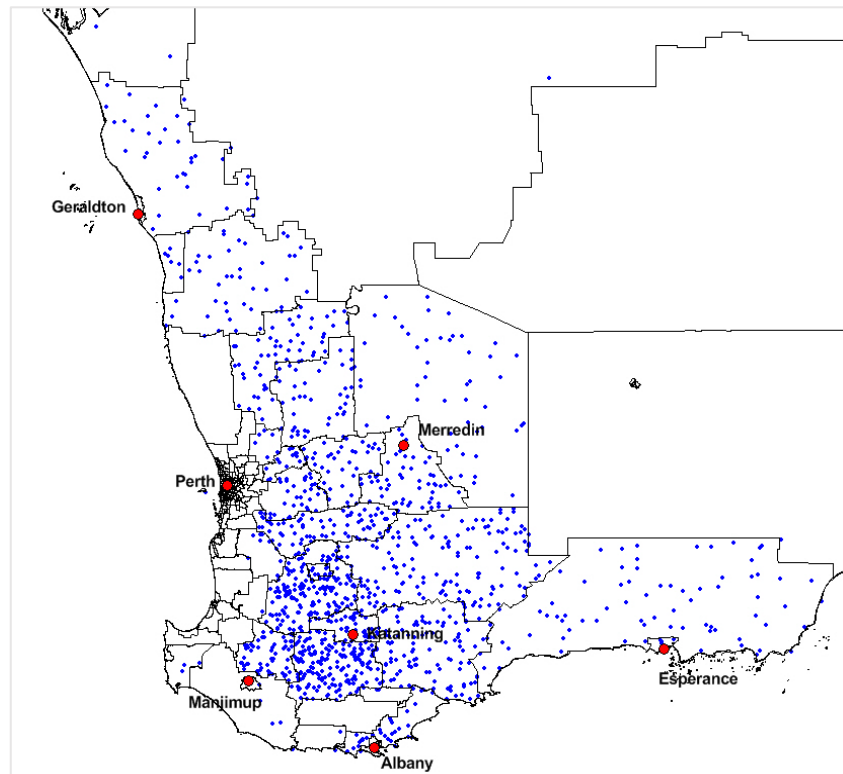


Growing season – where the feed grows



The Dry Phase – Getting from one season to the next.





Sheep margin – Estimate 2021

	Open	Births	Sell	\$/hd	Loss	Shear	kg/hd	Close	dse
Ewes									
1.5	531				21	510	6.0	510	797
2.5	510				20	489	6.0	489	765
3.5	489				20	470	6.0	470	734
4.5	470		451	\$145	19	451	6.0	0	705
Total joined	2,000		451		80	1,920		1,469	3,000
E Hoggets	912		344	\$180	36	876	4.5	531	912
W Hoggets	0		0		0	0		0	0
Wethers					0	0		0	0
Rams	30		6	\$50	1	29	7.00	30	45
E Lambs		950			38	912	1.65	912	0
W Lambs		950	912	\$95	38	912	1.50	0	0
TOTAL	2,942	1,900	1,714	214,363	194	4,648	18,534	2,942	3,957

Lambing 95%

Pasture area 396 ha
Stocking rate 10.0 dse/wgh

	Total	\$/ha	\$/dse
Wool	\$166,808	\$422	\$42.16
Trading Profit	\$207,238	\$524	\$52.37
TOTAL INCOME	\$374,046	\$945	\$95
Shear, crutch etc	\$40,575	\$88	\$8.81
Requisites	\$17,807	\$45	\$4.50
Cartage	\$6,025	\$15	\$1.52
Fodder	\$28,455	\$72	\$7.19
Fertiliser	\$17,393	\$44	\$4.40
Fuel, R&M	\$3,957	\$10	\$1.00
Costs	\$117,062	\$296	\$30
Margin	\$256,984	\$649	\$65

Cattle margin – Estimate 2021

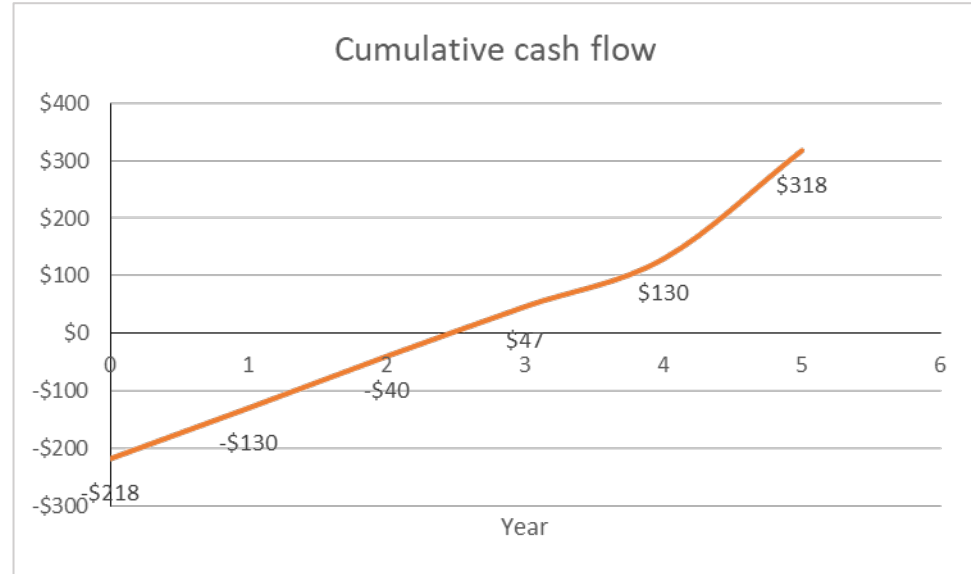
	Number Start	DSE	Purchases Births 90%	Deaths 2%	Sales	Number End
Cows	200	14	0	4	31	200
Heifer Replacements	40	6	0	1	4	40
Heifers Trade-Own	50	6	0	1	49	50
Heifer Weaners	0	0	90	0	0	0
Steers Trade Buy-In	250	3	250	5	245	250
Steers Trade-Own	90	6	0	2	88	90
Steer Weaners	0	0	90	0	0	0
Bulls	6	15	2	0	2	6
Total	636	4,795	432	13	419	636

Pasture area 530 ha
Stocking rate 9.0 dse/ha

	Total	\$/ha	\$/dse
Income	\$474,785	\$896	\$99
Pasture	\$14,111	\$27	\$3
Fertiliser	\$21,120	\$40	\$4
Hay	\$30,044	\$57	\$6
Fuel	\$1,950	\$4	\$0
R&M	\$1,500	\$3	\$0
Requisites	\$6,542	\$12	\$1
Cartage	\$16,531	\$31	\$3
Bulls	\$12,000	\$23	\$3
COSTS	\$103,797	\$196	\$22
MARGIN	\$370,987	\$700	\$77

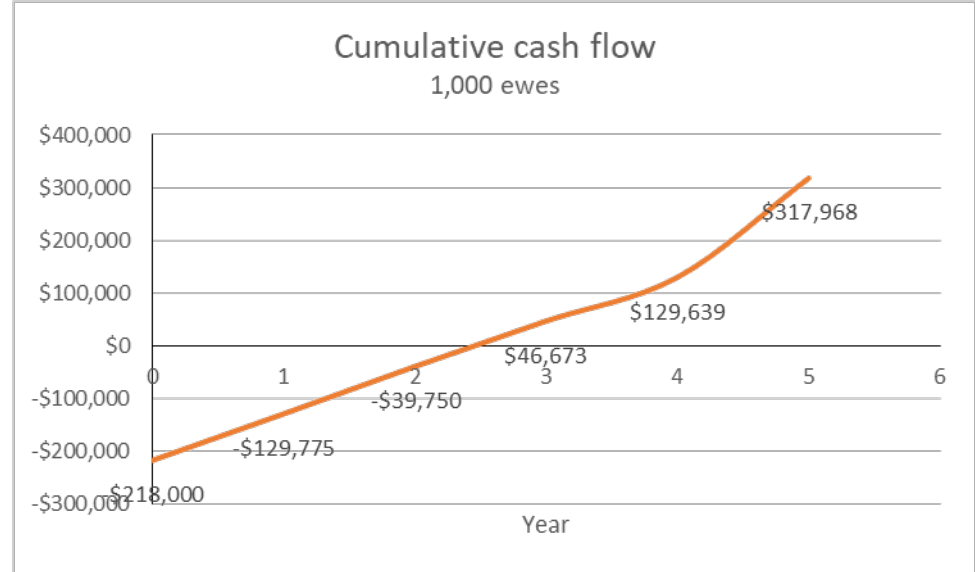
Value of a ewe

- \$200 per head
- Buy 1.5yo for 5 lambings sell 6.5yo
- Wool price \$9.00/grsy kg NIB
- Sell lambs \$90/ hd
- Sell cfa ewes \$145/hd
- Losses 4% pa
- (Buy 100 1.5yo, sell 82 6.5yo

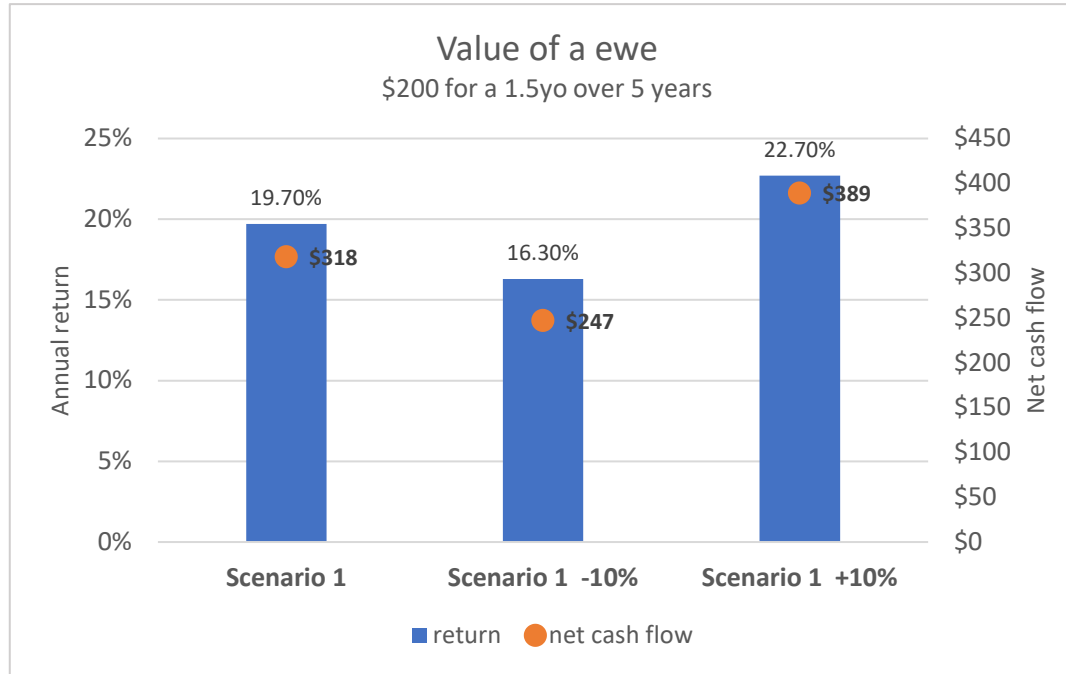


Value of a ewe

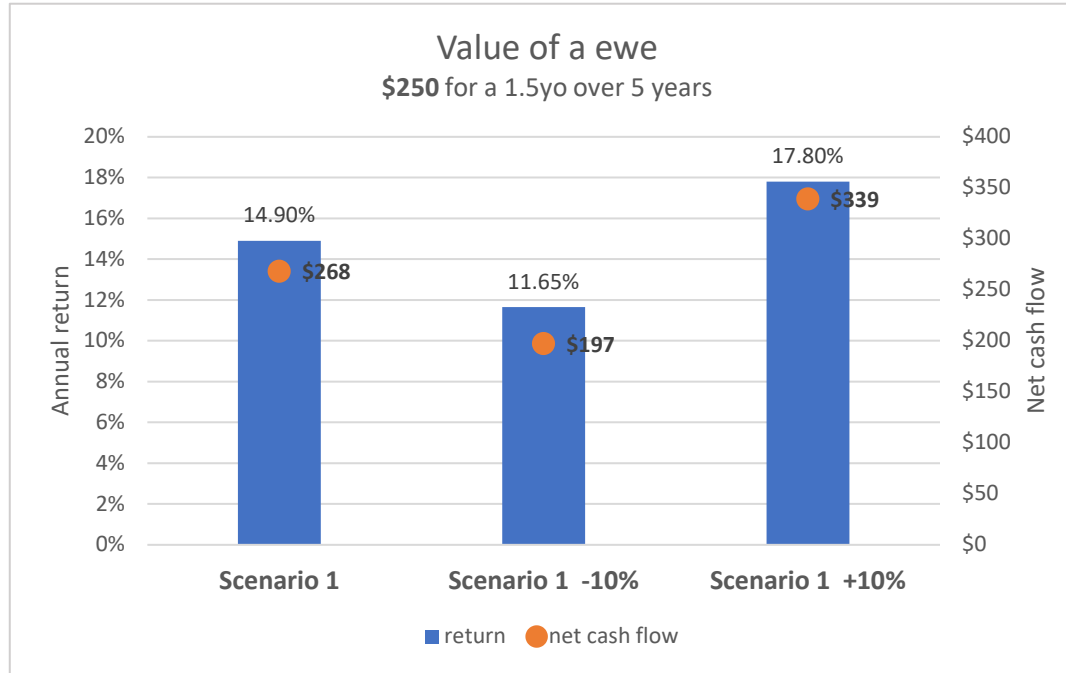
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Value of a ewe



Value of a ewe



Conventional options for access to land & livestock

Leasing	Share farming/ profit share
Common for land, less so for livestock	Not common for land or livestock
Fixed income for landlord	Based on a sharing of risk
No effort & very low risk	Profit shared in proportion to risk exposure
Tenant bears most of the risk	Profit varies for both parties.
Variable income	No fixed arrangements
Generally short tenure, 3 – 5 years	Duration variable – typically 1 - 3
Tenant in control of operation	Business relationship between 2 parties
Intense competition for land with a strong preference for leasing over share farming.	

Leasing

2,000 ewes, 10 dse/ha

Margin	\$217,635	\$550/ha	\$55/dse
Overdraft interest	\$4,214	\$11	\$1.07
Rates	\$5,936	\$15	\$1.50
Insurance	\$791	\$2	\$0.20
Depreciation	\$8,705	\$22	\$2.20
Infrastructure	\$3,166	\$8	\$0.80
NET MARGIN	\$194,823	\$492	\$49.23

Leasing

2,000 ewes, 10 dse/ha

Margin	\$250,470	\$633	\$55
(\$/ acre)		\$256	
Overdraft interest	\$4,850	\$12	\$1.07
Rates	\$5,936	\$15	\$1.50
Insurance	\$791	\$2	\$0.20
Depreciation	\$8,705	\$22	\$2.20
Infrastructure	\$3,166	\$8	\$0.80
NET MARGIN	\$227,008	\$573	\$49.85

Landlord	Tenant
40%	60%
\$87,054	\$130,581
\$89/ac	
\$22/dse	\$4,214
\$5,936	
\$791	
\$4,353	\$4,353
\$3,166	
\$72,809	\$122,014
37%	63%

Leasing

2,000 ewes, 10 dse/ha

Margin	\$217,635	\$550/ha	\$55/dse
		\$223/ac	
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Landlord		Tenant	
40%	50%	60%	50%
\$87,054	\$108,818	\$130,581	\$108,818
\$89/ac \$22/dse	\$111/ac \$28/dse	\$4,214	
\$5,936	\$791	\$4,353	
\$4,353	\$3,166		
\$72,809	\$94,572	\$122,014	\$100,251
37%	49%	63%	51%

Leasing – Importance earnings

2,000 ewes, 10dse/ha

Margin \$217,635 \$550/ha \$55/dse

Rent/ Margin	Landlord		Tenant	
	40%	50%	60%	50%
	\$87,054	\$108,818	\$130,581	\$108,818
	\$89/ac \$22/dse	\$111/ac \$28/dse		
Net Rent/ Margin	\$72,809 37%	\$94,572 49%	\$122,014 63%	\$100,251 51%

2,300 ewes, 11.5 dse/ha

Margin \$250,470 \$633/ha \$55/dse

Rent/ Margin	Landlord		Tenant	
	40%	50%	60%	50%
	\$100,188	\$125,235	\$150,282	\$125,235
	\$102/ac \$22/dse	\$128/ac \$28/dse		
Net Rent/ Margin	\$85,943 38%	\$110,990 49%	\$141,079 62%	\$116,032 51%

Share farming

	TOTAL	Farmer	Share farmer
	(\$/ha)	(\$/ha)	(\$/ha)
Income	\$846	\$423	\$423
		50%	50%
Costs	\$296	\$143	\$153
Overdraft interest	\$11	\$5	\$5
Rates	\$15	\$8	\$8
Insurance	\$2	\$1	\$1
Depreciation	\$22	\$11	\$11
Infrastructure	\$8	\$8	\$0
TOTAL COSTS	\$354	\$176	\$178
Margin	\$492	\$247	\$245
	\$194,823	\$97,807	\$97,016

Share farming

	TOTAL (\$/ha)	Farmer (\$/ha)	Share farmer (\$/ha)
Margin \$55/dse	\$492	\$247	\$245
	\$194,823	\$97,807	\$97,016
Margin \$65/dse	\$592	\$297	\$295
	\$234,393	\$117,592	\$116,801
Margin \$40/dse	\$342	\$172	\$170
	\$135,468	\$68,130	\$67,338

Share farming

	TOTAL	Farmer	Share farmer
	(\$/ha)	(\$/ha)	(\$/ha)
Income	\$846	\$211	\$634
		30%	70%
Costs	\$296		\$296
Overdraft interest	\$11		\$11
Rates	\$15	\$15	
Insurance	\$2	\$2	
Depreciation	\$22	\$11	\$11
Infrastructure	\$8	\$8	
TOTAL COSTS	\$354	\$36	\$317
Margin	\$492	\$218	\$275
	\$194,823	\$86,164	\$108,659

Share farming

	TOTAL (\$/ha)	Farmer (\$/ha)	Share farmer (\$/ha)
Margin \$55/dse	\$492	\$218	\$275
	\$194,823	\$86,164	\$108,659
Margin \$65/dse	\$650	\$248	\$345
	\$234,393	\$98,035	\$136,358
Margin \$40/dse	\$342	\$173	\$170
	\$135,468	\$68,357	\$67,111

1. Profit share – finishing lambs

- Farmer 1 – Lamb producer
- Short season, paddock feed finished
- Unfinished lambs

- Farmer 2 – Beef producer
- Long season, surplus spring pasture
- Option to cut hay or graze

- Farmer 1 pays freight to farmer 2
- Lambs weighed onto farm
- Farmer 2 grows out to 45 – 50kg & delivers to processor
- Income distributed on \$/ kg Lwt basis

2. Profit share – finishing lambs

- Farmer 1 – Lamb producer
- Short season, paddock feed finished
- Unfinished lambs

- Farmer 2 – Cropper
- Spare lupin stubbles
- No interest in running sheep

- Farmer 1 pays freight to farmer 2
- Lambs valued on delivery
- Farmer 2 grows out to 45 – 50kg.
- Profit shared 1/3 to Farmer 2.

3. Backgrounding cattle

- Farmer 1 – Beef producer
- Spare carrying capacity
- Not willing to buy weaners

- Processor/ feedlotter
- Need for control over quality of supply & timing

- Processor buys cattle & pays for all requisites and supplementary feed.
- Farmer responsible for management to achieve target live weights.
- Paid on agreed \$/kg Lwt

4. Investor – Caluka Farms

- Located in Narrikup >600mm annual rainfall
- 185ha improved pasture
- 5,000 non shearing ewes
- Investor & debt funded
- Manager & project originator Wayne Smith
- High input, high output focus achieving 40 dse/ha.
- Challenging district norms

Take home messages

- Aim high - Average just doesn't cut it
- Strong competition for land – be creative & look for opportunity
- Focus on the main profit drivers
- Do the sums well.