

Rebuilding beef

What are the numbers telling us?

John Francis



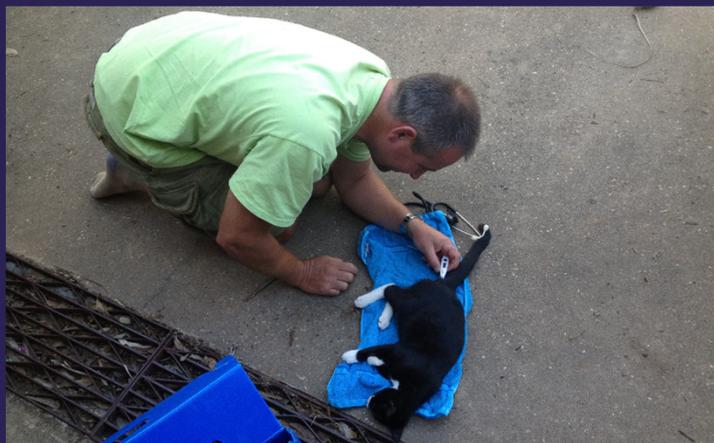
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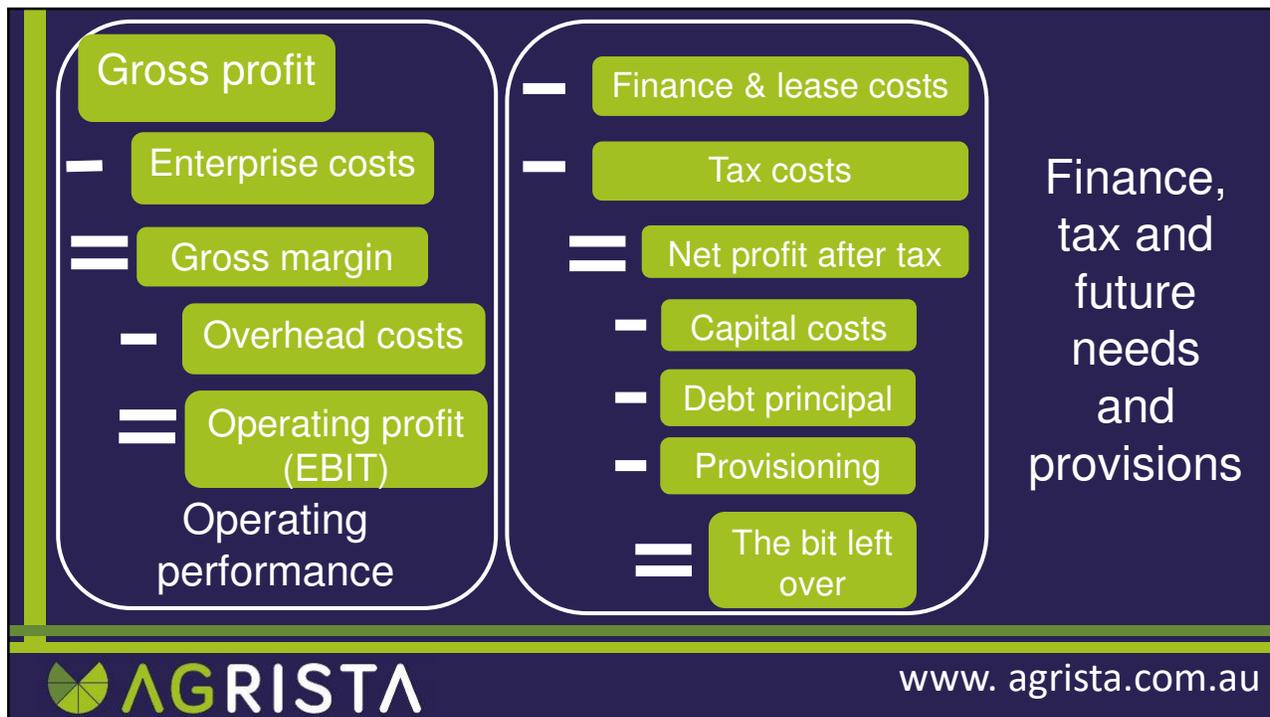
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Knowing how people make decisions assists in framing advice



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Why you have to become more efficient



Operating profit
Asset value = Operating return

\$300,000 = 3%
\$10,000,000

\$600,000 = ~~3%~~
\$20,000,000

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Profit \neq profitability

	A	B
Profit	\$100,000	\$100,000
Asset value	\$1 Million	\$10 Million
Profitability	10%	1%



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Operating return

Plus

Capital return

=

Total business return



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Capital growth of land ≠ capital return of the business

Capital growth on land	7%
	x
Land assets	\$8,000,000
	=
Capital growth	\$560,000
	÷
Total assets	\$10,000,000
	=
Capital return	5.6%



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Source: MLA



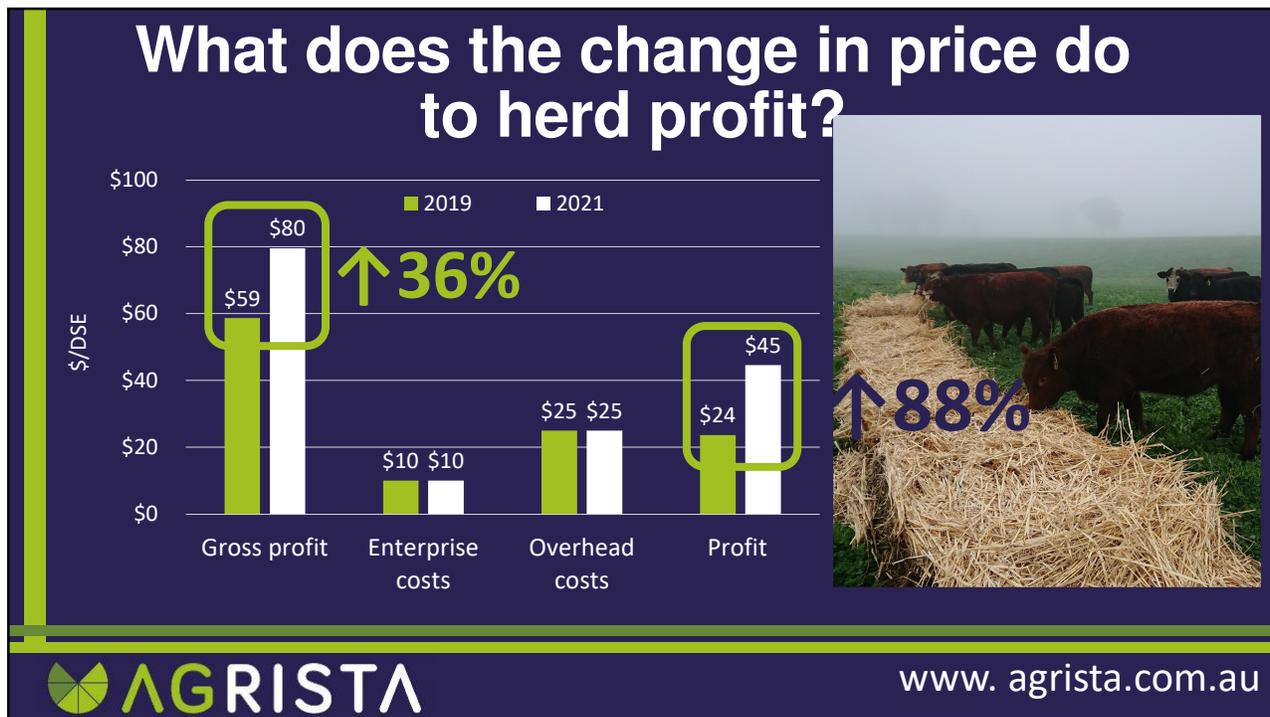
Then and now The effect of price over the whole herd

Herd price (\$/kg lwt)	
2019	\$2.86
2021	\$3.91
Change	+36%



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Profitability

Profit/DSE ÷ Land & livestock/DSE = operating return

Year	Profit	Asset value	Return
2019	\$24 ÷	\$840	= 2.8%
2021	\$45 ÷	\$1,250	= 2.7%



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The cost of a herd at 70% of optimum stocking rate = \$180,000



Overhead costs are the problem. Stocking rate is the solution



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Example trade on a PTIC beef breeding female

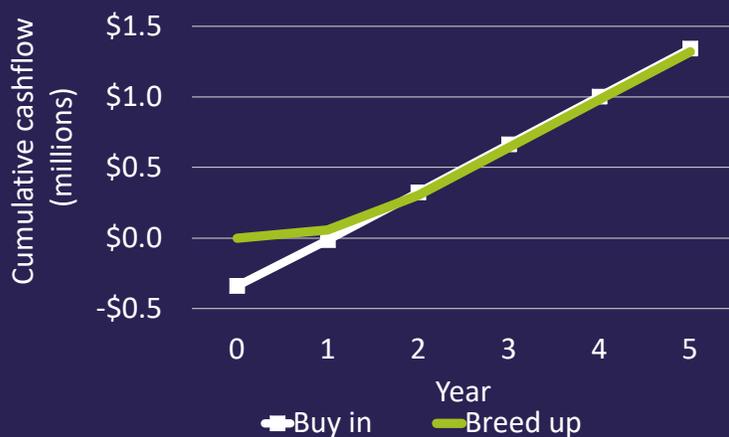
	1-May-21	1-May-22
Price of PTIC Heifer/cow (\$/head)	\$2,300	\$2,300
Weight (kg lwt/hd)	442	500
Weight of calf (kg lwt/hd)		299
Value of calf (\$/kg lwt)		\$5.00
Closing weaner value (\$/head)		\$1,495
Total cow/calf sale value (\$/head)		\$3,795
Enterprise cost (\$/head)		\$171
Trading margin (\$/head)		\$1,324
Return on capital invested		54%



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At current prices \$200/DSE breeding up can deliver similar results to buying in



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Feed inventory to establish demand

	Sth NSW	Nth Tbl
Pasture growth (kg DM/ha/yr)	6,500	9,000
Utilisation	50%	35%
Available (kg DM/ha/yr)	3,351	3,150
Intake (kg DM/DSE/yr)	292	292
Stocking rate (DSE/ha)	11.5	10.8
SR DSE/ha/100mm	2.1	1.5

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Whole farm feed inventory/trading account

	Optimum	Below optimum	
Opening feed inventory (kg DM/ha)	2,500	2,500	
Average an pasture growth (kg DM/ha)	6,500	6,500	
Utilisation	50%	50% → 35%	What happens with sub optimum stocking rates?
Feed available for intake (kg DM/ha)	3,250	3,250	
Optimum stocking rate	11.1	7.8	
Feed consumed (kg DM/ha)	3,250	2,275	
Decay/urination/trampling (kg DM/ha)	3,250	3,250 → 4,225	
Closing feed supply (kg DM/ha)	2,500	3,475 → 2,500	

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Key performance indicators



	Best	Rest
Cost of production (\$/kg lwt)	\$1.49	\$2.10
Production (kg lwt/ha)	301	219
Production (kg lwt/ha/100mm)	45	35
Production (kg lwt/DSE)	20.6	19.2
Production (kg lwt/hd sold)	440	431
Labour efficiency (DSE/LU)	16,497	13,472
Scale (DSE)	17,223	11,143
Stocking rate (DSE/ha)	14.9	11.3
Stocking rate (DSE/ha/100mm)	2.2	1.8



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Production drives financial efficiency

	Best	Rest
Stocking rate (DSE/ha)	14.9	11.3
Utilisation level	50%	38%
Assumed feed produced	8,730	8,730
Land value per hectare	\$12,430	\$12,430
Land (capital \$/DSE)	\$834	\$1,100
Total capital (\$/DSE)	\$984	\$1,250
EBIT/Profit (\$/DSE)	\$52	\$35
Return on assets managed	5.2%	2.8%



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Key messages

- Profits are 90% higher than 2 years ago but only at optimum stocking rates
- Find efficiency gains to maintain profitability where land values have jumped
- PTIC females are still generating some value
- Conduct pasture audit to know capacity