

Livestock Farm Monitor Project

Paul Blackshaw
Farm Business Economist
Rutherglen

Aim/Objective of the Livestock Farm Monitor Project:

- Access to timely, accurate and objective farm business production and profitability information on which to base decisions.
- Rigorous state-wide data able to be segmented for regional and industry relevance.
- Useful for industry, government, academia and individual farmers.
- Reveals what factors drive the most profitable farms.
- Compares individual farms to other farms and to previous years.

Farm Monitor Project

- Partnership between Agriculture Victoria & Rural Finance
- One of Ag Vic's longest running initiatives and was established in 1970-71 as South West Farm Monitor Project
- 76 participants this year (20 Gippsland, 27 Northern Vic & 29 South West)
- Wool, lamb and beef – various mix of some, or all.
- Small cropping sample (in conjunction with livestock)

LFMP Methodology

Gross Farm Income (inc change in inventory)

Less
Variable costs

Gross Margin

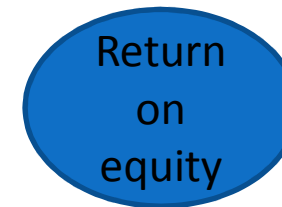
Less
Cash overhead costs
Non cash overhead costs (depreciation, imputed labour)

EBIT (Earnings before interest & tax) or Operating Profit



Less
Interest and lease costs

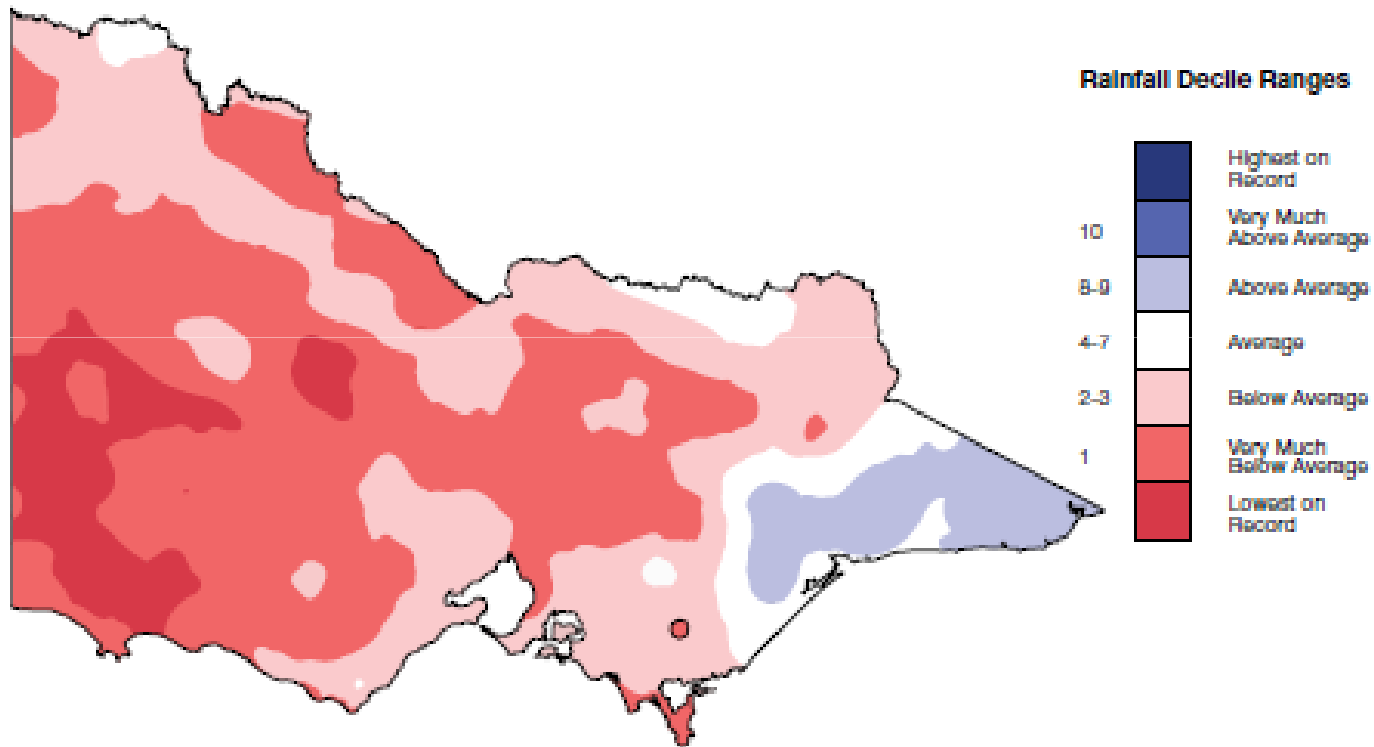
Net farm income



Northern Victoria

	2014/15	
	Average	Top 20%
Gross income (\$/ha)	461	630
Variable costs (\$/ha)	181	149
Overhead costs (\$/ha)	120	98
Owner operator allowance (\$/ha)	74	56
EBIT (\$/ha)	86	326
Net farm income (\$/ha)	25	283
Return on assets (%)	1.9%	5.6%
Return on equity (%)	1.0%	7.0%

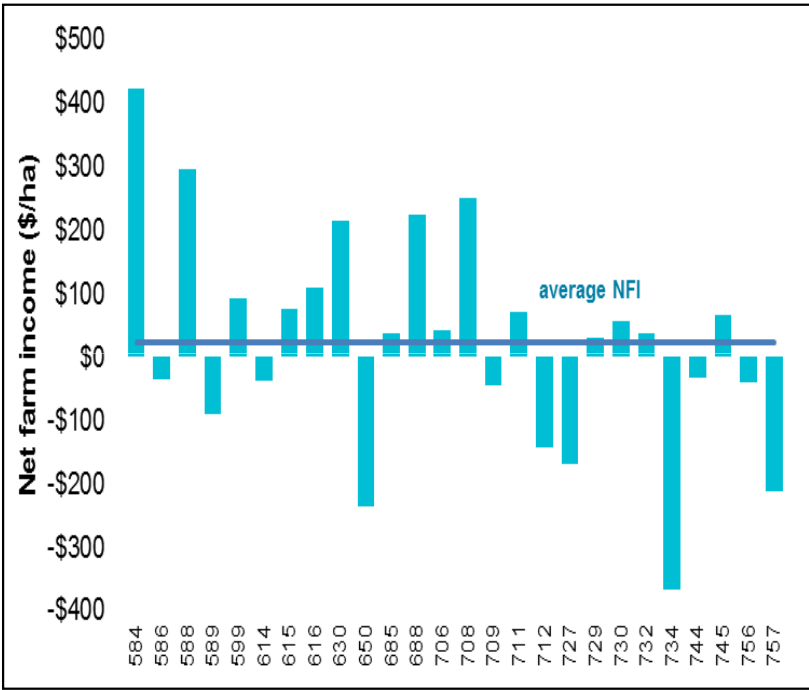
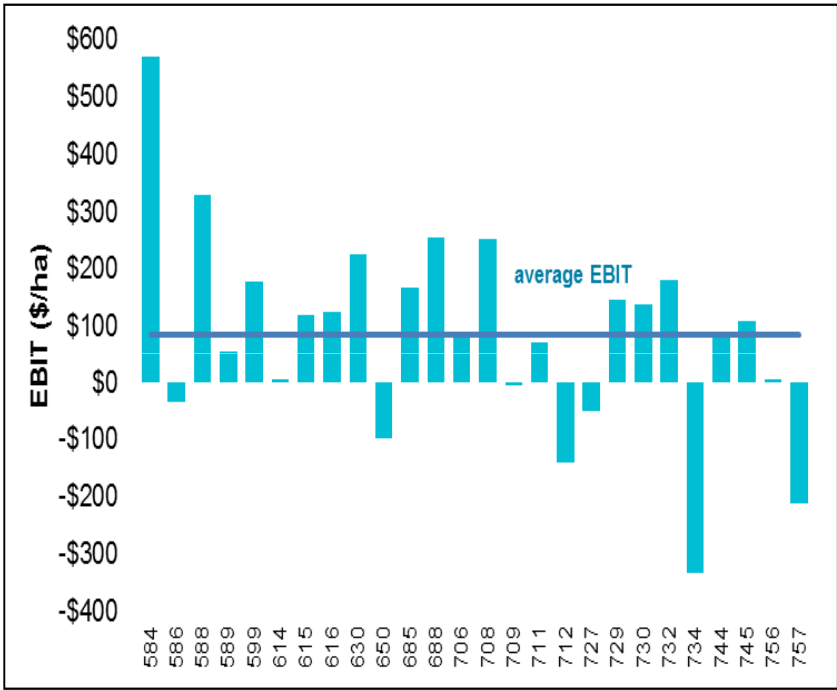
State Wide – Situation 2014/15



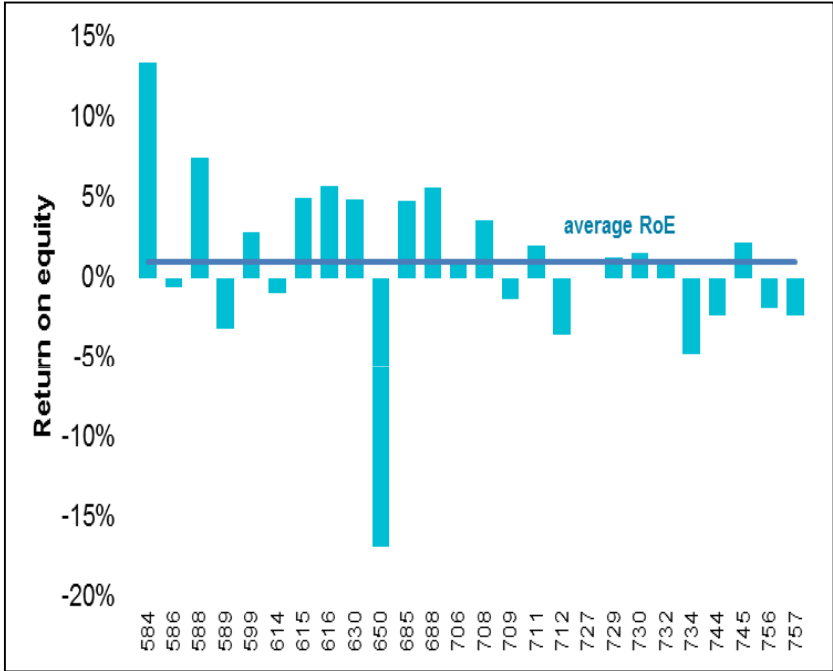
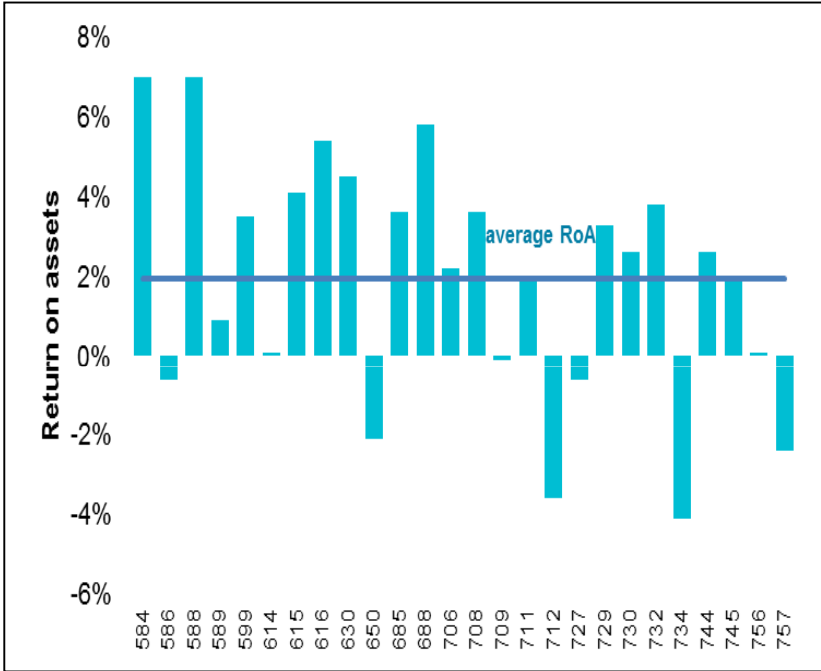
Northern Victoria

	2014/15	
	Average	Top 20%
Average Rainfall (mm)	659	745
Actual Rainfall (mm)	469	546
Stocking Rate (dse/ha)	10.2	12.9
Stocking Rate (dse/ha/100mm)	1.5	1.7

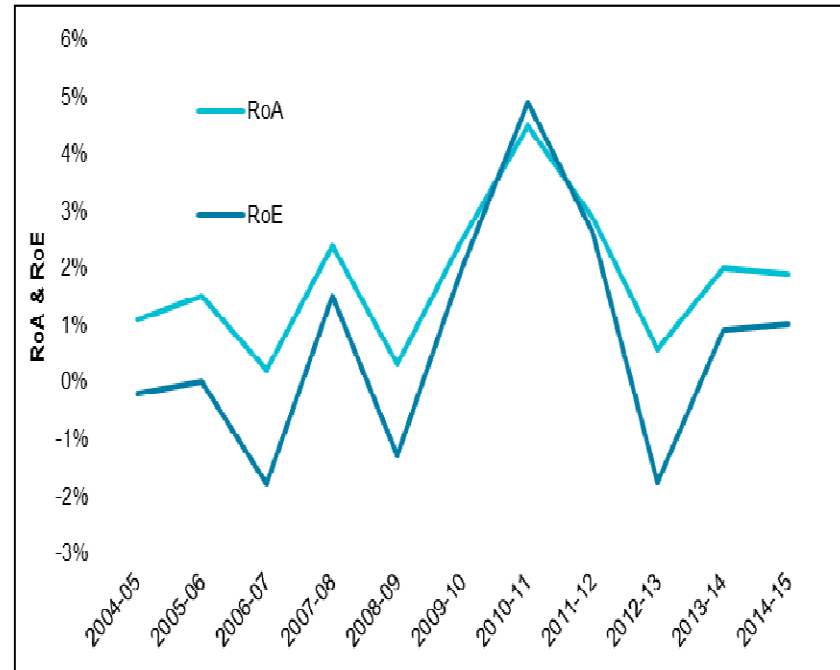
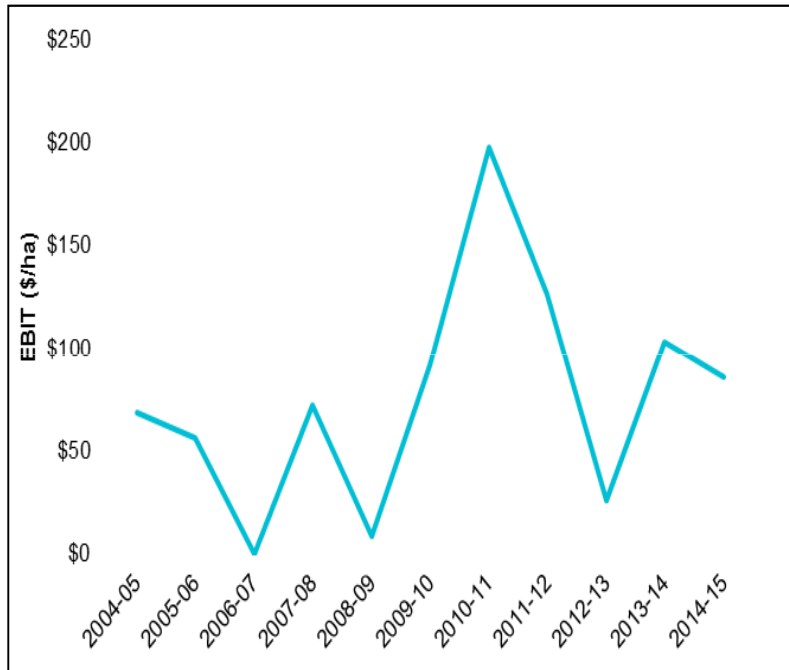
Northern Victoria – EBIT & Net Farm Income



Northern Victoria – RoA & RoE



Northern Victoria – History



2013/14 vs 2014/15 Northern Beef

	14/15 Ave	14/15 Top 20%
Gross Margin \$/dse	\$25	\$43
Gross Margin \$/ha	\$282	\$492
Prod kg/ha LW	233	294
Sale weight kg/LW	458	433
Sale price \$/kg LW	\$2.06	\$2.23

Supplementary Feed & Agistment (\$/dse)

	2013-14		2014/15	
	Average	Top 20%	Average	Top 20%
Northern Wool	3.52	1.76	6.71	7.99
Northern Lamb	3.97	0.21	8.80	7.81
Northern Beef	3.37	1.23	6.39	4.62

Long term averages

10 years, statewide, all industries 06/07 to 14/15

	Average	Top 20%
Gross Income (\$/ha)	\$557	\$802
Enterprise/variable costs (\$/ha)	\$226	\$255
Overhead costs (\$/ha)	\$134	\$133
Owner/Operator Allowance (\$/ha)	\$98	\$89
EBIT (\$/ha)	\$100	\$324
Return to assets	1.7%	4.8%
Return to Equity	0.4%	4.6%
Stocking rate (dse/ha)	13.3	16.7

Trends for profitability

Almost Always

- Higher stocking rate
- Higher pasture costs/ha
- Lower supplementary feed
- Higher labour efficiency (DSE and Ha/person)
- Greater production of wool, lamb and beef per ha

Generally

- Higher fertiliser input
- Lower wool micron
- Higher Lamb price (\$/kg)
- Higher beef price (\$/kg)

Statewide top 20%

- 169 individual farmers have participated in LFMP
- Two farmers have been in the top 20% all five years
- Two have been in the top 20% for four years and four for three years.
- 52 farmers have appeared in 20% at least once
- 117 have never appeared in top 20%

So, what do the top farmers consistently do well? I asked them, and here's some of the answer!

- Personal

- Love talking about their farm
- Driven and passionate
- Hungry for knowledge
- Mindset to manage “properly”
- Appetite to take on risk
- Part of a network/discussion/peer group (formal or informal)
- Found their “sweet” spot
- Not afraid to think outside the square – open/enquiring mind



- Farm system

- Push the system
- Multiple enterprises, but not too many
- Intimate knowledge of farm
- Seek advice when required
- Buy good genetics, but don't get too hung up on it
- Measure things that matter
- Regular soil testing – use fertiliser judiciously
- Rotationally graze – to a degree (gut feel now skill is learnt)



- **Business**

- Treat it like a business
- Cash flow budget, some regularly update and compare budget to actuals
- Business plan – usually written down and reviewed
- Capacity to get through difficult times
- Sell direct – if use an agent make them work for you
- Use contractors/contract labour as required



Contact:

- Paul Blackshaw
Farm Business Economist
Agriculture Victoria, Rutherglen
Phone: 02 6030 4502
Email: paul.blackshaw@ecodev.vic.gov.au