2015 Graham Centre Beef Forum
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IMMOBILIZER
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- Mk5 Headbail
- Full draft gates, split horizontally on both sides
- Extra support bars on lower split gate
- Upward lifting double sided parallel squeeze with ratchet lock
- Fully Sheeted rear slide door
- Anti-Back up bar lugs
- Full Veterinary facilities
- Weigh bar mounting plates
### Graham Centre Beef Forum

14 August 2015 - CSU Convention Centre, Wagga Wagga

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<tr>
<td>8.30 - 8.55am</td>
<td>Registration and coffee</td>
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<tr>
<td>8.55 - 9.00am</td>
<td>Welcome and outline of the day</td>
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<tr>
<td><strong>Ms Toni Nugent</strong>, Industry Partnerships and Communications Manager, Graham Centre</td>
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<tr>
<td>9.00 - 9.40am</td>
<td>Are increasing cattle prices the sign of good things to come for the beef industry?</td>
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<tr>
<td><strong>Angus Gidley-Baird</strong> (Rabobank)</td>
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<td>9.40 - 10.00am</td>
<td>BREEDPLAN – 30 years of taking the guesswork out of cattle breeding</td>
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<td><strong>Brian Cumming</strong> (Brian Cumming Agriculture Consultants)</td>
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<td>10.00 - 10.20am</td>
<td>Producer case study: Show me the money</td>
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<td><strong>Charles Cay</strong> (Growth Farms Australia)</td>
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<td>10.20 - 10.40am</td>
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<td>MORNING TEA</td>
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<td>11.15 - 11.35am</td>
<td>What makes a profitable beef enterprise?</td>
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<td><strong>Sandy McEachern</strong> (Holmes Sackett Pty Ltd)</td>
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<td>Biosecurity in cattle herds – your herd and your country</td>
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<td><strong>Bruce Allworth</strong> (Fred Morley Centre, School of Animal and Veterinary Sciences, CSU)</td>
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<td>Producer case study: Lessons learnt</td>
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<td><strong>Matthew Pearce</strong> (“Muronga”, Adelong)</td>
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<td>12.15 - 12.35pm</td>
<td>JBS Farm Assured: giving customers guarantees</td>
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<td><strong>Mark Inglis</strong> (JBS Australia - Southern)</td>
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<td>12.35 - 1.00pm</td>
<td>Panel session (all session speakers)</td>
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<td>Forum summary, wrap-up and evaluation</td>
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<td><strong>Ms Toni Nugent</strong>, Industry Partnerships and Communications Manager, Graham Centre</td>
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<td><strong>Mr Steve Exton</strong>, NSW Department of Primary Industries</td>
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<td>1.15pm</td>
<td>LUNCH (sponsored by JBS Australia)</td>
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Welcome to our 2015 Beef Forum

Our Beef Forum in the past has highlighted in progress or recently completed cutting-edge research. This year we change tack to step back and look at the big picture issues surrounding running a profitable beef enterprise.

The steering committee for the forum decided this was appropriate, given recent prices have stimulated renewed interest in beef cattle. As such, many producers are either looking at getting back into cattle or increasing numbers, so it is timely to consider macro factors affecting the profitability of running a beef cattle enterprise.

Producers are faced with a number of choices in running a beef enterprise, and it is tempting to think running a particular type of enterprise can be far more profitable than another. Recent cattle prices have been good, but is this a sign of a longer-term trend? Angus Gidley-Baird’s talk will address this and set the scene for the day, while Brian Cumming will discuss the importance of using resources to identify superior genetics to give your beef business the edge.

Good prices alone do not guarantee a profitable business, so Sandy McEachern will provide a timely reminder of the big levers that drive profit in a beef business.

Of course the best laid plans can be laid to waste if a biosecurity breach occurs within the enterprise. Bruce Allworth will cover off on the major disease issues to be aware of and how to protect your business from them.

No Graham Centre forum would be complete without producer perspectives. Charles Cay and Matthew Pearce will share their experiences in innovating to improve the profitability of their beef enterprises, while Mark Inglis will round out the day discussing the importance of customers having confidence in the product they buy.

We look forward to some robust discussion about the drivers, opportunities, challenges and research needs facing our beef industry.

Regards,

Professor Michael Friend
Director, Graham Centre for Agricultural Innovation
Speaker biographies

Mr Angus Gidley-Baird
Angus is a senior analyst, responsible for research and analysis on the local and global animal proteins sectors, with Rabobank’s Food and Agribusiness Research and Advisory team.

Angus formerly held roles at NSW Farmers Association, including policy director for Economics and Livestock, giving him wide exposure to Australian farming operations and issues including policy development.

He holds an Honours degree in Agricultural Economics from the University of Sydney, with majors in Agricultural Economics and Marketing. He also holds a Masters in Accounting from Curtin University in Western Australia.

Mr Brian Cumming
Brian is the Principal of Brian Cumming Agriculture Consultants, which provides independent agricultural advice and training to the Australian grazing industries. Brian also lectures in the School of Agricultural and Wine Sciences at the Wagga Wagga Campus of Charles Sturt University.

From 2011 - 2013 he was the Technical Specialist (Beef Breeding and Genetics) with NSW Department of Primary Industries (DPI). In this role he worked closely with industry to develop and deliver breeding and genetic education programs. From 1988 - 2013 he was the Livestock Officer (Beef ) with NSW DPI, based in Albury.

Mr Sandy McEachern
Sandy is a Director of Holmes Sackett Pty Ltd. Holmes Sackett provides farm management advice to producers throughout southern and eastern Australia. The service includes budgeting, business planning, capital expenditure programs and technical advice on production systems, farm business benchmarking and publications.

Sandy has a Bachelor of Applied Science – Wool and Pastoral Science from the University of NSW and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He commenced employment for Holmes Sackett in 2002 and has been a partner in the business since 2007.

Mr Charles Cay
Charles is an area manager and crop specialist with Growth Farms. He is responsible for prime lamb, wool and cattle operations in southern New South Wales and north eastern Victoria and takes a leading role in the acquisition process, especially the due diligence phase. Charles has been integral in designing and implementing agricultural productivity improvement initiatives whilst minimising exposure to downside risks across a number of properties. He is also responsible for the use of the APSIM cropping model (Agricultural Production Simulator) and is the Chief Operating Officer for the Growth Farms Fund. In addition, he is Managing Director of Warrembool Pastoral Company, which owns and leases country from the Riverina to the Monaro in southern NSW and to Glenthompson in south western Victoria, producing cereal grains, oil seeds, beef, lamb and wool.

Charles was previously a member of the 20-20 Board with the Australian Lot Feeders Association, National Chairman of the Southern Australia Beef Research Council and NSW Chairman of the Southern Australian Beef Research Council.

Associate Professor Bruce Allworth
Bruce is Director of the School of Animal and Veterinary Sciences’ Fred Morley Centre at Charles Sturt University.

Bruce graduated with a Bachelor of Veterinary Science with Honours from Sydney University, and worked at both Massey University and with the Mackinnon Project at Melbourne University. He completed a Masters and PhD examining the control of footrot. Bruce has operated a cattle and sheep consultancy practice for 25 years based at Holbrook, and runs his own beef and sheep enterprise. He was the National Coordinator for Ovine Johnes Disease (OJD) and Assistant National Coordinator for Bovine Johnes Disease (BJD).

Bruce has a keen interest in biosecurity and attended a five-day training program on Foot and Mouth Disease (FMD) in Nepal last year.
Mr Matthew Pearce

Matthew and his wife Angela, along with their three young children, run a grazing operation in the foothills of the Snowy Mountains just south of Adelong, NSW. They run a self-replacing herd of Hereford and Hereford Angus cross cows with steers and cull heifers aimed at the grass-fed kill market. The farm has been in Matt’s family for four generations and the family has just gone through succession, with the ownership and management passing onto Matthew and Angela in the last three years.

Matthew and Angela were participants in the inaugural Meat and Livestock Australia (MLA) Challenge that ran from July 2013 - July 2014, with six producers from around Australia competing against each other to make improvements within their businesses. The MLA Challenge has prompted Matthew and Angela to take an in-depth look into their operation and put their management skills to the test.

Matthew and Angela both work professionally outside of the farm. Angela runs a graphic design business focusing on corporate branding, marketing and all design concepts requested. Matthew manages a crop portfolio for an insurance broker based in Cootamundra and Young.

Mr Mark Inglis

Mark has a commercial background with experience in animal husbandry and production working on and managing a broad range of livestock orientated properties including cattle properties in Western Australia’s Kimberley, wool and meat sheep properties in Victoria, and establishing a 900 sow outdoor free range pig breeding operation.

Prior to joining JBS Australia, Mark spent six years working for MLA / Meat Standards Australia (MSA) with producers, stock agents, saleyards, feedlots and livestock buyers to gain a greater understanding of the pathways into both the cattle and sheep MSA programs.

Mark’s current role with JBS sees him managing both the lamb and beef farm assurance programs, overseeing the MSA component of the JBS Southern business, lamb and beef, coordinating and implementing Research and Development programs specific to JBS lamb and beef, and running producer educational programs across both the beef and lamb supply chains.

Mark’s passion is livestock, whether that be on-farm production, marketing, animal welfare, processing, industry issues, politics or consumer awareness. Mark lives 30 kilometres west of Geelong and covers all states and areas where JBS operate.
Are increasing cattle prices the sign of good things to come for the beef industry?

Mr Angus Gidley-Baird
Rabobank
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Take home messages:
- cattle prices are currently being driven by export demand. As slaughter rates decline when cattle numbers shrink or seasons improve, prices are set to increase further
- the herd rebuilding in the United States is expected to take several years indicating that US demand for Australian beef will remain strong, as long as exchange rates remain favourable.

On the back of two record slaughter years, a reduction in national cattle inventory and with the imminent rebuilding of the cattle herd, the Australian beef industry has a great opportunity to set its direction and capture future market opportunities. The fundamentals are looking positive. Strong international demand, constrained global supply, a stronger US dollar, trade agreements and capital opportunities are all falling into place and the industry is waiting on the final piece of the puzzle – the weather.

In the last two years Australia has seen slaughter numbers (Figure 1) not experienced for 35 years, with 8.3 million cattle slaughtered in 2013 (producing 2.36 million tonnes of beef) and 9.2 million cattle slaughtered in 2014 (producing 2.54 million tonnes of beef). Such dramatic cattle slaughter, accompanied by record live exports (1.30 million head in 2014) has had a significant impact on the Australian cattle population and will have ramifications for future production and capacity to rebuild the national herd.

Figure 1. Australian cattle slaughter numbers.

Source: ABS and Rabobank (2015)

Export markets
The growth in Australia’s export markets has been a saviour for the industry given the high slaughter numbers. In the 1970s when slaughter numbers reached similar levels, Australian export markets were closed or restricted due to a global beef surplus, requiring the domestic market to absorb the supply and as such resulting in a dramatic crash in cattle prices. However, in recent years, Australia’s more developed export markets have been able to accommodate the majority of the increased slaughter and drive prices higher.

In China, strong economic growth and increasing wealth have helped support increased demand for beef from the Chinese population. In addition, concerns around food safety and nutrition favour increased consumption of beef. Indeed China’s national program for Food and Nutrition (2014-2020) encourages the increased consumption of beef, lamb and poultry, and Chinese sales of beef and veal are currently experiencing the strongest growth of any meat at about 5 per cent. Forecasts estimate the Chinese demand for beef will continue to grow faster than other meats at between 2-3% (albeit at slightly lower levels due to a slowing of the economy).

In 2014 the United States took the title as Australia’s largest beef export market, increasing 86% year on year to 397,000 tonnes swt. The growth in the US market also coincided with record US prices for lean beef, particularly valuable for Australian exporters managing large numbers of cattle being sold as a result of drought. With the short-term outlook for the US dollar to remain strong against the Australian dollar, and the US herd expected to take a number of years to rebuild to previous production levels, any peak and then subsequent decrease in exports could be more gradual than it has been in the past, ensuring strong export demand in the short to medium-term.

A shortage of cattle in the US has pushed US prices to record levels. In 2014, the price of lean manufactured beef (90cl ground cow beef) increased from AUD $4.77/kg to AUD $7.42/kg. While it has tempered in the first half of 2015, it still remains 27% above the opening price in 2014. Manufactured beef makes up a large proportion of the total beef Australia exports to the US. With continued high slaughter numbers, the 72% increase in the Eastern Young Cattle Indicator (EYCI) and 66% increase in the medium cow price since the beginning of 2014 are being fuelled to a large extent by the increased demand and prices from the US (Figure 2).
Live cattle exports

The export of live cattle is a valuable part of the Australian cattle industry. 2014 was a record year for Australian live cattle exports, exporting 1.3 million head with major destinations such as Indonesia (736,312 head) and Malaysia (53,271 head) growing by 61% and 11% respectively. In addition, new markets such as Vietnam and Thailand have started to emerge and there are prospects the US and China could also enter the live export market as potential trade destinations for Australia.

In 2015 Australian cattle prices started strongly, have increased and are expected to remain strong for the remainder of the year. Early in 2015, prices were expected to react to a shortening in supply as either seasonal conditions improved or herd liquidation eased. However, with slaughter rates in the first five months of the year 4% higher than the same period in 2014, prices have been more heavily influenced by export demand, fuelled by a strong US market. With strong international demand expected to continue, global supply likely to remain constrained, a depreciating dollar, trade agreements and capital opportunities, the fundamentals are in place for the Australian beef industry to have a bright future.

Source: Steiner Consulting Group, MLA and Rabobank (2015)
BREEDPLAN – 30 years of taking the guesswork out of cattle breeding

Mr Brian Cumming  
Brian Cumming Agriculture Consultants  
T: 0411 139 556  E: brian@bcagriculture.com.au

Take home messages:
- BREEDPLAN provides the most accurate analysis of an animal’s genetic potential to perform for a given trait
- incorporation of genomic measurements in the last five years has further increased the accuracy of the genetic estimate
- producers who include BREEDPLAN Estimated Breeding Values in their cattle selection are best placed to achieve genetic gain in their herds.

In his 1997 textbook Understanding Animal Breeding, Richard Bourdon describes five key attributes of animal breeders who run the longest-lived breeding programs. These are: being knowledgeable and using good information, taking time to think, being consistent, keeping the system simple (simple, not primitive – still using advanced breeding technology), and being patient. One of the key areas of good scientific based knowledge for cattle breeders is BREEDPLAN.

BREEDPLAN – a good history

In the late 1960s and 70s, several smart cattle producers thought there was more to breeding cattle than winning ribbons at local shows, and they started to weigh their cattle. It was an early attempt to put some objective assessment on the animals, and the basis for some better selection decisions.

In 1972, the National Beef Recording Scheme started. Encouraged by the development of weighing systems, keen cattlemen, and the Department of Agriculture, the system grew. In 1978 a young beef officer with the New South Wales Department of Primary Industries (NSW DPI), Bob Freer, who had spent many years towing, setting up and using the cumbersome mobile cattle scales, became the first national co-ordinator of the National Beef Recording Scheme.

The scheme was guided technically by the Animal Genetics and Breeding Unit (AGBU), which was established in 1976 as a joint venture between the NSW DPI, and the University of New England. It was commercialised by the Agricultural Business Research Institute (ABRI). Both AGBU and ABRI are still based in Armidale, NSW.

The National Beef Recording Scheme aimed to rank cattle on their genetic merit. It did this by measuring cattle that had been treated as equally as possible, adjusting the measurements for any known environmental differences, and then ranking the cattle for the measured trait. In doing so, it was able to estimate with varying accuracy the predicted breeding value of animals. The result was published Estimated Breeding Values (EBVs) of individual cattle. In 1982, the Simmental breed released the first set of EBVs.

Thirty years ago (in 1985), BREEDPLAN began. BREEDPLAN ‘software’ was developed to create as accurate as possible breeding values. BREEDPLAN uses the Best Linear Unbiased Prediction (BLUP) statistical model. BLUP uses information on all known relatives, and accounts for fixed effects (such as herd, birth type and age), unequal usage of sires in different herds, and culling, selection and non-random mating. BLUP is the best model to separate genetic potential from environmental influences and produce more accurate breeding values.

Over the next few years, BREEDPLAN (a within herd analysis) morphed into Group BREEDPLAN (comparison across herds), and later into BREEDPLAN International.

As the number of traits with published EBVs increased, it was logical that the traits be combined into a selection index. In the 1990s, the ‘BreedObject’ software was developed. It enabled the calculation of single EBVs for profits, a combination of economically weighted traits into one EBV. Different indices were developed for different breeds and different production systems. This made selection of appropriate cattle much easier.

In 2011, BREEDPLAN entered a new and exciting era of combining genomic information with traditional trait measurements. Currently, EBVs for some breeds have been made more accurate by having known differences in DNA combined with measured performance. These are ‘genomically enhanced’ EBVs (GEBVs).

The BREEDPLAN software is now used in 15 countries, with much of the data kept in Armidale. Newly calculated EBVs are regularly released. The major Australian cattle breed societies now produce monthly recalculations of EBVs for their cattle from an original annual publication of breed EBVs (the ‘Sire Summary’).
The Estimated Breeding Value

BREEDPLAN removes the environmental effect on an animal’s actual production to estimate its genetic merit. The EBVs are estimates of the genetic component of that measured production, and the part that animals can pass onto their offspring. The basis to removing the environmental effect is that only animals that are of a similar class and age, and have been treated similarly, can be compared.

In the following example an individual animal weighs heavier than the average of his contemporary group. The EBV is calculated by multiplying the difference in the weight of the heavier animal compared with the rest of his group by the known heritability for that type of animal and the relevant trait. This is an EBV in its most simple form. As this is the only information used, the genetic estimate would be of a low accuracy – but still much greater than guessing!

EBV = \left( \frac{\text{weight of individual (kg)}}{\text{av. weight of group (kg)}} \right) \times \text{heritability} \approx \frac{380 - 350}{30} \times 0.3 = 30 \times 0.3 = +9 \text{ kg}

By including information on known relatives, the EBV can be recalculated. The EBV may or may not change, but the accuracy of the estimate will be greater. In the case below (Table 1), including the parents’ genetic information changes the original individual animal’s estimate.

Table 1. EBV calculation including parent EBVs.

<table>
<thead>
<tr>
<th>Initial calf EBV</th>
<th>Parents average EBV</th>
<th>Calf EBV adj for parents</th>
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</thead>
<tbody>
<tr>
<td>Calf A +9</td>
<td>+11 (12 and 10)</td>
<td>+10</td>
</tr>
<tr>
<td>Calf B +9</td>
<td>+3 (4 and 2)</td>
<td>+7</td>
</tr>
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</table>

Likewise, including genetic information on a known correlated trait can lift the accuracy of the initial trait of interest. In the following example, the calf’s initial 200-day EBV can be made more accurate by including information on its 400-day weight. The accuracy of the initial 200-day weight EBV increases (Table 2).

Table 2. EBV calculation for 200 day weight including genetic information for a known correlated trait.

<table>
<thead>
<tr>
<th>Initial calf EBV (200 days)</th>
<th>Calf weight at 400 days</th>
<th>New calf EBV (200 days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calf A +9</td>
<td>430kg</td>
<td>+12</td>
</tr>
<tr>
<td>Calf B +9</td>
<td>410kg (group av 390kg)</td>
<td>+8</td>
</tr>
</tbody>
</table>

Comparing EBVs to what?

Originally, an animal’s EBV was compared to a historical base of zero. Over time, the relevance of doing this has lessened. Today EBVs are probably best used to genetically rank individual cattle against others. Importantly, they can be ranked against the average of the breed, as calculated from all the young cattle used in that month’s analysis.

The breed societies publish breed averages, and breed percentile tables. Not only is it possible to rank animals against the breed average, but it is appropriate to see how they compare to the distribution of figures within that breed. Is the animal of interest in the top 10% of the breed, or the bottom 30% for that trait?

Selection indices and BreedObject

Australian beef cattle selection indices use the ‘BreedObject’ software to produce a single EBV for the herd’s profit. BreedObject combines the many individual trait EBVs for that breed into a single EBV. Each relevant individual EBV is given a weighting, according to its effect on the profitability of a particular production system, hence selection indices are specific to different systems – different market requirements and different environmental constraints.

Different breed societies publish ‘generic’ indices suitable to many producers with similar production systems. Some producers customise their own selection indices to genetically rank their cattle for their own specific beef business.

Selection indices produce a single EBV for profit. They make selection of individual cattle easier. In practice, most producers looking to select animals (usually bulls) to breed from, will rank the individuals on the relevant selection index EBV, and then look closely at the individual trait EBVs to see that they fit within an acceptable range. Animals with the same selection index EBV can have vastly different individual EBVs. Which animal to choose will depend on a producer’s breeding objective.

Figures 1-3 show the different profit drivers on the profitability of a beef herd (calculated by BreedObject), the emphasis placed on each individual EBV and the response to selection that would be expected if animals were selected on this selection index. The selection index is one of four Australian Selection Indices published for the Angus breed.

Figure 1. Angus Breeding Index – profit drivers.
An animal’s genetic ability to perform for a given trait is determined by its DNA that it inherited from its parents. The DNA makes up the chromosomes in the nucleus of every cell in the body. Lengths of the DNA are known as genes, and these are the genetic instructions for that animal. There are subtle differences in the DNA between individual animals and this is one reason why animals can look and perform differently to each other. With the scientific advent of being able to test for differences in the DNA of individual animals, the challenge was then to relate these differences to differences in potential production.

This is now possible. In 2010 Pfizer (now Zoetis) released the first breeding estimates for the Angus breed that were based on the animals’ DNA. As their marketing literature exclaimed, ‘The game had changed!’

It is possible and expensive to examine the whole genome (all the DNA) of individual cattle. Research has shown this may not be necessary (albeit the most accurate), and that examining just some of the relevant DNA may be sufficient. Commercial tests are available to examine 50,000, or close to 80,000 points of difference in the DNA. This is sufficient to describe the genetic differences between cattle for some traits.

Research has enabled DNA information to be included in the calculation of EBVs. Some EBVs for the Angus and Brahman breeds now contain DNA information. These genomically enhanced EBVs may be a more accurate estimation of that animal’s genetic potential to perform.

The use of DNA in estimating genetic potential will be most useful for traits that are difficult and expensive to measure, and traits that may not be able to be measured until later in an animal’s life.

What else for BREEDPLAN?

The BREEDPLAN software is able to generate EBVs for many traits. However, the information used in the estimate must be meaningful. Discussions with the scientists at AGBU suggest that where a trait can be accurately measured, and measured repeatedly, it is feasible to generate a useful EBV. If the trait is economically important to a producer’s breeding objective that ‘new’ EBV is worth considering in a breeding program.

A few new EBVs have been released lately. Individual breed societies decide which traits within their breed are worth generating an EBV. Generally new EBVs are given a ‘trial’ period to explore their relevance and usefulness.

Some of the new EBVs the industry has seen lately include structural soundness (five new EBVs), docility, flight time, shear force and net feed intake.

References


Producer case study: Show me the money!

Mr Charles Cay
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Take home messages:
- profits in agriculture can be lumpy and years of super profits where season and price combine are infrequent. It is important to capture these years when you can but basing a business around such years does not appear to be a sound policy
- a business needs to have a long-term plan, has to know how it is performing now, how it is planned to perform in the future and how it is going to get from now to the future
- the difference between the business over time and relative to other businesses is how it chooses to invest.

Every year those invested in our company (Warrembool Pastoral Company) and our staff have a meeting to go through the previous year’s results, the coming year’s projected results and how the business is performing against our ambitions for the farm. This has been happening since the late 1990s. At these meetings our accountant often cuts to the chase and says ‘show me the money!’ This tends to focus our planning and reporting somewhat.

Big profits are lumpy
The years when both strong prices and good seasons coincide to give the ability to make large profits are infrequent. This is true for the Australian beef industry, where in real terms there have been few price spikes in recent times (Figure 1).

Figure 1. Yearling beef prices relative to the decadal average.

Source: ABARES and ICS

Figure 2. Median micron wool prices relative to the decadal average.

Source: ABARES and ICS

Figure 3. Wheat real price variation relative to the decadal average.

Source: ABARES and ICS

Figure 4. Nominal prices for lamb and beef (1970 - 2015).

Source: ABARES and ICS

Figure 1 shows that since 1980 there have been fluctuations in the real price of yearling beef within 20% of the decadal average and usually within a tighter band of about 10%.

This compares to Figure 2 for wool and Figure 3 for wheat, where one could argue there has been a wider range in real prices. Figure 4, showing the nominal prices for lamb and beef (1970-2015), shows a similar trend in price variation.
Depending on where the farm is situated, the years when high prices coincide with good seasons may be few. Figure 5 shows the years since 1970 and the percentage rainfall difference to the rolling average for ‘Warrembool’, Corowa. It is interesting to note the greater range in season and presumably production than real beef prices.

Figure 5. Percentage difference to average rainfall at ‘Warrembool’, Corowa.

The conclusion I come to is that there are not many years when beef price and season coincide to give the potential for extra-large profits, so the business should not plan itself around price as much as around season and production. That said, times of high prices, when they do come, are a chance to really cash in and advance the business. Do not relax in periods of high prices, they will not last for long and producers only have a short time to capture them.

Farm plan and beef enterprise

The farm plan will depend on what the owner / manager wants to achieve in their career. A long-term plan is hard to be specific about but it is important to have a goal. The long-term goal will be a result of the next 10 years, which in turn is a result of the next five years, which is in turn a result of this year, and so on and so on.

Table 1. Key Performance Indicators for the Warrembool beef business (2012-2014).

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Your Farm</th>
<th>2013/14</th>
<th>Beef herd analysed year to date</th>
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<tbody>
<tr>
<td></td>
<td>Bottom 20%</td>
<td>Average</td>
<td>Top 20%</td>
</tr>
<tr>
<td>Beef cost of production ($ / Kg Lwt produced)</td>
<td>$1.63</td>
<td>$0.88</td>
<td>$1.88</td>
</tr>
<tr>
<td>Beef price received ($ / Kg Lwt sold)</td>
<td>$1.94</td>
<td>$1.74</td>
<td>$1.62</td>
</tr>
<tr>
<td>Sale value ($ / head sold)</td>
<td>$820</td>
<td>$778</td>
<td>$689</td>
</tr>
<tr>
<td>Beef production (Kg Lwt / Ha)</td>
<td>198</td>
<td>214</td>
<td>158</td>
</tr>
<tr>
<td>Beef production (Kg Lwt / Ha / 100mm)</td>
<td>40.2</td>
<td>42.2</td>
<td>25.2</td>
</tr>
<tr>
<td>Mid winter stocking rate (DSE / Ha)</td>
<td>12.5</td>
<td>10.8</td>
<td>8.3</td>
</tr>
<tr>
<td>Production (Kg Lwt / DSE)</td>
<td>15.0</td>
<td>17.2</td>
<td>16.9</td>
</tr>
<tr>
<td>Production (Kg Lwt / head sold)</td>
<td>422</td>
<td>447</td>
<td>426</td>
</tr>
<tr>
<td>Enterprise size (annual ave. DSE’s)</td>
<td>20.393</td>
<td>17.863</td>
<td>21.957</td>
</tr>
</tbody>
</table>

Serendipity and hope is not a plan!

When a clear vision is determined of where the owner / manager wants to be, the only way to know how to achieve this is to know where the business is now and what it strengths and weaknesses are.

Whilst some producers may find budgets, budget to actuals, livestock trading accounts and benchmarking tedious, if they do not keep score they have no way of knowing how well the business is performing and where the weaknesses and strengths lie.

Annual measurements are useful but far less powerful than a long series of data. Table 1 shows Warrembool’s beef Key Performance Indicators (KPIs) for the last two years. When examined in conjunction with the number of animals retained since 2012 (Figure 6), a clearer picture of the business’s performance and positioning can be seen, also showing the importance of a long-term plan.

Remember profit and cash (or cash-flow) are two totally different things and those involved in the business need to understand this. If the bank or accountant does not understand livestock trading accounts or at least inventory change there may be a problem.

Figure 6. Warrembool cattle numbers over the past 18 years.
Implementing the plan

The difference between the owner / manager’s performance, those who have been before them, and their peers, will be determined by their ability to increase their total factor productivity (i.e. more product with the same input, the same product with less input).

The difference between my grandfather and I is the technology and cultural / management practices that I employ that he did not (e.g. bigger equipment, better pasture species, different calving date, solar pumping for stock water, a different market for the product, heavier weights, higher pasture utilisation, better animal health (vaccines, drenches), and efficient marketing).

However, silver bullets are rare, and which new technology is chosen to leave out is as important as the technology that is chosen and taken on. With limited surplus cash to invest there is a need for prioritising investment. To do this producers might use tools such as Internal Rates of Return (IRR), Return on Investment (ROI), Net Present Values (NPV’s) or just playing with their budget to incorporate new investments over a period. At the end of the day, producers need to be able to show where the money is, and if they cannot do it easily with a new investment then they may have a problem.
What makes a profitable beef enterprise?

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Take home messages:
• a profitable cattle enterprise locally is likely to have $1,400 - $1,700 tied up annually in cattle and the costs associated with running those cattle for the year
• to get the most out of this investment producers get pasture utilisation and animal health right as a first priority
• in the management of these enterprises, producers have controlled their costs, ensuring they spend as much as necessary on the things that matter (i.e. pastures and animal health), and not a dollar more than is needed on other necessary things such as people, vehicles and repairs and maintenance.

Holmes Sackett benchmarking data reveals significant variation in profitability within beef enterprises, between farms every year. The data predominantly comes from southern and eastern Australia (Figure 1). Even still, there is wide variation in climatic conditions between farms, from rangeland environments to high rainfall areas.

Figure 1. Holmes Sackett benchmarking data comes from most regions in southern and eastern Australia.
Source: AgInsights (2015)

The database reveals that profitability is not dependent on region. It is possible to be highly profitable in any rainfall environment. The database also shows that within any region there are producers who generate twice the profitability of the average within their region on a long-term basis (over 10 years).

For every enterprise, Holmes Sackett calculates and reports somewhere between 40 and 60 comparative performance indicators on prices, costs and production. In addition, it calculates, but does not report, as many again. So there is a lot of data captured and analysis conducted.

Key performance indicators (KPIs) are metrics that provide information regarding the financial and production performance of the business. In any given year, and to a lesser degree over the long-term, there is a significant amount of variation in key performance indicators within the top 20% most profitable cohort of producers.

Table 1 highlights the extent of the variation within the most profitable 20% of beef producers from the 2013-14 benchmarking data. This variation is repeated annually. It will seem almost unbelievable to some that producers with some of these KPIs could be so profitable.

Table 1. The range in some common key performance indicators of the top 20% of most profitable beef herds in the 2013-14 benchmarked year.

<table>
<thead>
<tr>
<th></th>
<th>Min</th>
<th>Max</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rainfall (millimetres)</td>
<td>417</td>
<td>870</td>
<td>663</td>
</tr>
<tr>
<td>Heifer weaning (%)</td>
<td>44</td>
<td>85</td>
<td>72</td>
</tr>
<tr>
<td>Stocking rate (DSE/ha/100mm)</td>
<td>1.4</td>
<td>3.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Production (kg lwt/DSE)</td>
<td>15.6</td>
<td>28</td>
<td>22</td>
</tr>
<tr>
<td>Average sale weight (kg lwt/head)</td>
<td>414</td>
<td>530</td>
<td>472</td>
</tr>
</tbody>
</table>

How could a stocking rate of only 1.4 DSE per hectare per 100 millimetres of rainfall achieve the feed utilisation required for top 20% profitability? How could a heifer weaning (calves weaned to heifers joined) of only 44% be in the top 20% most profitable beef herds? How could a beef herd that averages only 414kg / hd for all animals sold, including cows, make it into the top 20%, when there is another herd achieving 530kg / hd? Maybe it means anything goes!

The answer is that a significant amount of the variation in these key performance indicators within any one year is caused by geography, seasonal and market conditions.
Longer-term data, where the variations are captured over a range of seasons and markets, smooths out some, but not all, the variation within the top 20%.

For those who compare based on general conversations and over-the-fence observations, it is easy to understand why there might be little correlation between the conclusions drawn and the facts.

A common goal

Analysis of longer-term data reduces the variation in key performance indicators between producers but does not eliminate it. Even when longer-term data is analysed the list of commonalities within the most profitable 20% of producers is quite small. There is one common attribute shared by the top 20% but not measured with a key performance indicator that delivers results. They are profit focused. Not production focused, not price focused, not cost focused. Maximum long-term profits are found by the combination of all three of these areas.

Aren’t all producers profit focused? No, this is definitely not the case. The litmus test is the extent of the change that producers are prepared to make in the pursuit of profitability. The most profitable are prepared to change all aspects of the business, regardless of the strength of the paradigm, to become more profitable. The fewer sacrificial changes one is prepared to make, the less profit focused the management style is.

Outcomes shared by profit focused producers

When management is profit focused there is a realisation that an informed decision is dependent on good and holistic information. The most profitable make sure they are informed with all the relevant information, not just a part of it, before making decisions. A profit focus also results in consideration of more than the most obvious option.

A large contiguous data set, across a wide geographic spread of farms, over a period of 15 years reveals a few common key features of highly profitable managers. These consistent features include optimum feed utilisation, cattle that are fit to produce, and controlled costs.

Optimum feed utilisation

The variation in the stocking rates per hectare per 100mm of rainfall shown in Table 1 is mainly caused by geography and variation in annual rainfall within the year. Below 450mm and above 800mm stocking rate correlations to rainfall fall away because of the increased chance that rainfall is ineffective (i.e. too little when it is hot and dry, too much when it is already wet and cold).

In addition to this, every farm has land class variation within its own boundaries. A property in a high rainfall area but with a large proportion of the total farm as steep rocky timbered native bush will never achieve the same stocking rate per hectare per 100mm of rainfall as a neighbour with a high proportion of arable land.

Within any locality the more profitable farms generate more production per hectare per 100mm of rainfall. The primary driver of the superior production is greater feed utilisation delivered through more cattle run per hectare.

It is not greater grass growth that leads to higher production. Instead, it is usually a production system that best matches feed supply to feed demand, delivering superior feed utilisation allowing for greater livestock numbers. The timing of operations within the production system differs between localities due to differences in pasture growth. But the common feature is that calving date occurs at the point where feed supply typically increases and time of turnoff occurs prior to feed quality decline.

Investment in growing more grass should occur only after the profits of utilising the existing level of pasture are banked. Production systems that do not utilise the existing feed grown have no business case for investing in growing more of it.

Different beef production systems will have different points of optimum. Within any locality, stocking rate per hectare will be a reasonable guide regarding the optimum.

In some systems cost of production starts to rise at a lower level of production than others (Figure 2). This occurs because the marginal costs to generate the additional production rise faster than the rate at which overhead costs are dispersed. Systems that allow more efficient pasture utilisation are a major driver of this variation between systems.

Source: Holmes Sackett Pty Ltd

Cattle that are fit to produce

Parasites, disease, and livestock condition are all harder to manage under higher stocking rates. The more profitable producers’ herds are not immune to parasites and disease but they tend to be successfully managed even at higher stocking rates.

This requires strategic controls, timely and effective treatments, and a keen awareness of livestock feed requirements at any given time.

In systems where pasture utilisation is low, fit to produce does not mean that pasture is available at levels where cattle will not be susceptible, as that is often below optimum pasture utilisation. Being able to distinguish between the two stocking rates is important and managing the higher stocking rate is essential. It is made easier by the production system chosen.
Cost control

The per-hectare expenditure of the most profitable producers is often similar to those generating average levels of profit. It is where the money is spent that will be significantly different.

Money spent on pastures, supplementary feed and livestock health is often comparable or higher per hectare. Staff and associated expenses (e.g. vehicles, fuel) are often similar or lower per hectare. Infrastructure, repairs and maintenance expenses are usually similar to the average.

Cost control however is not always about spending less. It is about making sure that spending is well targeted towards those areas that provide the highest returns.

Actions and tools for improving profitability

Choosing the pathway to improve profitability in a beef enterprise should start with an analysis of production and business performance. The tools to use will depend on the level of detail required. Cost of production is a useful starting point. Whole farm benchmarking provides more detailed information. The value of these tools is really in the interpretation of the information and the comparison of farm or enterprise performance with others. This is because it identifies the extent of the possibilities. Once identified, the opportunities for improving profitability can then be prioritised based on the likely rate of return on investment.

The highest priority is usually to utilise pasture as effectively as possible. Pasture budgeting is the key tool for this. Pasture budgeting calculates the amount of feed on hand at pre-determined intervals across the farm. In order to conduct a pasture budget it is necessary to know biomass, pasture growth rate, wastage, decay rates and animal intake. The ability to assess pasture biomass accurately is critical.

A profitable beef enterprise locally (Wagga Wagga) will have approximately $1,100 - $1,300 per grazed hectare invested in the herd. About $270 - $350 per hectare will be spent to manage those cattle for the year. This includes all costs including an owner wage and depreciation but excludes finance costs. The profits made in a highly profitable beef enterprise over the last five years have been in the order of $250 per hectare.
Biosecurity in cattle herds – your herd and your country

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Take home messages:
- minimising the number of sources and introductions, knowing the status of introduced animals, and effectively treating animals can all help minimise disease introduction
- isolating introduced animals is a key biosecurity method, but isolating animals for a brief period will at best only delay the possible introduction of disease. To reduce the risk of introducing disease into the herd, producers should also test animals that have recently been brought onto their property
- beef producers must remain vigilant for new diseases.

Biosecurity refers to deliberate preventative action to reduce the risk of introducing diseases and pests that currently do not exist within a herd / property (or region or country). For the purposes of this presentation, biosecurity is restricted to animal health issues, but more generally for beef producers, biosecurity should also include measures aimed at preventing the introduction of weeds and plant diseases, as well as cattle diseases.

For the majority of diseases, introduction of the disease occurs through the introduction (deliberate or otherwise) of infected animals (either diseased or carrier), although some diseases can enter via wind or personnel (e.g. Foot and Mouth Disease (FMD)), or water sources. So purchasing cattle, and in some cases other livestock, straying animals, agistment and taking cattle to shows all pose risks. In general, increasing the number of sources of introductions will increase the risk. Purchasing two bulls each year for 10 years from the same stud poses a much lower risk than purchasing 20 bulls over the same period from five (or 10) different studs.

In order to formulate an appropriate biosecurity plan for their herd, producers must:
1. determine what diseases / pests can infect cattle
2. understand what the disease status of their herd is
3. know the incubation period and carrier status for each disease
4. know the disease in the source herd and/or the level of disease in herds in the region cattle are being introduced from
5. know the impact of the disease
6. understand the management of their herd.

Fortunately for Australian beef cattle producers there are relatively few diseases they are at risk of introducing, although if global warming results in an increasing number of threats, having sound biosecurity will become increasingly important into the future. The main endemic diseases include:
- pestivirus
- leptospirosis
- bovine Johnes Disease (BJD)
- vibriosis
- theileriosis
- drench resistant worms
- liver fluke

Specific biosecurity measures can be developed for each disease threat. Clearly, preventing introductions provides the highest level of protection but is rarely achievable. Minimising the number of sources and number of introductions, knowing the status of introduced animals, and where appropriate effectively treating animals can all help minimise disease introduction.

When asked what biosecurity measures are taken, many producers note that introduced animals are ‘quarantined’ for a specific period of time. While isolation of introduced animals is a key biosecurity method, simply isolating animals for a brief period will at best only delay the introduction. The time required to isolate animals is usually too long for practical purposes and needs to be accompanied by appropriate testing of animals which rarely occurs.

In addition to endemic diseases, the industry faces the constant threat of the introduction of a new or exotic disease. Australia has a fortunate and proud history of disease minimisation. The long arduous voyage in the early days of European settlement almost certainly acted to decrease the diseases present with diseased animals most likely to perish on the trip. Similarly, Australia’s isolation has subsequently meant the threat from other diseases has remained low. Australia has successfully eradicated at least three major diseases from the cattle industry –pleuropneumonia (1973), brucellosis (1992) and tuberculosis (1997).

While it is impossible to predict which of the unknown or exotic diseases could occur in Australia, FMD remains one of the main threats, due to its potential rapid spread, potential introduction through imported products and the number of species affected. It is important that Australian producers remain vigilant for new diseases. While there is justifiably a heavy reliance on quarantine and import regulations, the rapid detection of new diseases would provide the greatest opportunity to quickly deal with them.
Foot and Mouth Disease

Foot and Mouth Disease (FMD) is a viral disease that affects cattle, sheep, goats and pigs. It survives well in the environment and while the main spread occurs from animal to animal, spread can occur via people and wind. Pigs tend to spread the most virus, while cattle show the most obvious clinical signs. For ruminants the main route of infection is respiratory. While respiratory infection also occurs in pigs, pigs are more susceptible than ruminants to oral infection, hence the risk with swill.

Clinical signs in cattle are salivation and drooling, vesicle formation in the mouth, feet and on teats, and subsequent lameness. Signs are milder in pigs and often very mild in sheep.

The incubation period for FMD is one to 14 days with two to five days being most common. Virus excretion can occur up to two days before clinical signs and usually ceases four to five days after clinical signs are first seen. Antibody response occurs three to five days post clinical signs and peaks at five to nine days.

The epidemiological information, combined with ageing of lesions, can be used to accurately determine when infection occurred in a herd and therefore more accurately allow the source to be pinpointed.

Given the above information, in the unlikely and unfortunate incursion of FMD into Australia, it is most likely it would be detected in cattle in the first instance. Given the importance of rapid detection, it is important cattle producers are aware of the clinical signs and remain vigilant.
Producer case study: Lessons learnt

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Matt Pearce’s property “Muronga” is an 810-hectare property situated in the South West Slopes of New South Wales, approximately 20 kilometres south of Adelong. It is located on the western edge of the Snowy Mountains in the high rainfall zone, with an average rainfall of 850 millimetres per annum. Matt says the average rainfall is approximate, because in his short experience of keeping records, the average since the year 2000 has been very variable and the timing of rainfall is impacting more on feed supply than total annual rainfall.

“Muronga” has been in the Pearce family for the past four generations. The property has been expanded and divided to accommodate three generations of succession, and in the last two years went through succession again, with the property changing ownership and management.

Matt and his wife Ange took over 560ha from his parents in July 2012 and had the opportunity shortly afterwards to add a further 250 ha to the holding. The property has been run as a self-replacing beef enterprise with the cow herd based on Hereford and Angus genetics and crosses of these lines. The property has a mix of improved pasture species and a block of predominantly native pasture.

When Matt and Ange got married they were both working in Sydney and the opportunity to move back to the farm presented in early 2002. They spent seven years back on the farm working for Matt’s parents, but due to a number of reasons, moved back into professional employment off-farm, also moving away from the area at this time.

The time Matt spent working alongside his father on the farm, throughout the 2000s, through the drought, provided invaluable insight, understanding and appreciation for the operational side of the business. But during this period Matt did not develop a good understanding of the financial or business side of the enterprise, leaving this predominantly to his father.

Fast-forward a few years and, with the latest succession plan in place, Matt and Ange started their own farming enterprise when the Meat & Livestock Australia (MLA) Challenge presented in 2013.

MLA Challenge

Matt and Ange looked at what the program had to offer, and believed it would be beneficial for them to participate. They subsequently applied and were accepted as ‘MLA Challengers’. The Challenge consisted of six producers selected from around Australia (two northern beef producers, two southern beef producers and two sheep/lamb producers). The purpose of the Challenge was to drive the participants to make changes in their businesses. The Challenge structure was that MLA had the six producers looking for business opportunities. MLA provided a business mentor, consultative support, production tools and an incentive to win. Matt enjoyed watching the different challenges faced by the other participants and was inspired by some of the changes they were making.

Matt and Ange saw the Challenge as a great opportunity to get a better understanding of the business side of their enterprise as this was where they lacked the skills. As a result of being part of the Challenge, Matt and Ange also found that while they thought they had a good handle on the operational side of the business, there were opportunities to ‘tweak’ timing and change some practices, which has had a significant impact on operations today. The main example of these changes was weaning earlier, which changed the total Dry Sheep Equivalent (DSE) across the property at a critical time of the year from a feedbase point of view.

Lessons: measure

One of the most pertinent lessons Matt and Ange learnt from the Challenge was ‘measure’. Their mentor, Terrey Johnston, had a very strong opinion on this; ‘if you do not measure it, you cannot change it’. Matt also adds that you cannot change it to suit your goals.

Matt and Ange previously recognised they had little initial insight into the financial side of the operation, but measuring business-related activities was something they both had considerable off-farm professional experience with. They both recognised that having this experience could be beneficial to their farm enterprise, but were not sure where to start given their farm business was in its infancy. They also had no trading history. Matt did, however, have some ideas of revenue and expenditures they could expect as he had employed a consultant a number of years ago to do a budget based on the local area and their cattle numbers, using clients with similar operations.

At the same time the Challenge application process was occurring, a neighbouring property became available for purchase, so Matt and Ange, along with two other parties, started negotiating to purchase the property. On the same day the Challengers were announced Matt and Ange also learnt their offer on the new property had been accepted. This was a significant day for Matt and Ange for a couple of reasons, primarily, it was the catalyst for their new business, they were taking on a significant debt load, and were being launched into the public eye through the Challenge.
Part of the Challenge was to benchmark Matt and Ange’s business, however they were faced with the question: how do we measure or benchmark a business if we have no historic data? They decided to use the budget developed for the bank when accessing finance for the new property. Matt says the point is not what they used to measure or how they did it, rather that they had to start measuring the business at a point in time. Matt would like to think that in 10 years they will have 10 years worth of business data showing how far they have progressed.

Lesson: cost of production

Cost of production (CoP) is not new for anyone who has done ‘Economics 101’; and can be defined as the costs related to making or acquiring goods and services that directly generate revenue for a firm. It comprises both direct costs and indirect costs. The former are costs that are traceable to the creation of a product or service, including costs for material and labour. Indirect costs include those that cannot be traced back to the product, such as overhead costs. Matt questions how many farming operations know their CoP. At an MLA Challenge event focussing on CoP, Matt was surprised when a show of hands asking how many knew what their CoP was resulted in about 20-30% people indicating they knew.

Producers need to know their CoP to drive it down, thus the need to measure it. It does matter how CoP is measured. Whether producers use the model of CoP excluding interest, such as what is used in some of the benchmarking models, or whether producers want to make it completely reflect a true economic position and include, say, opportunity cost of financing, it is critical CoP is measured in the same way each year to ensure trends can be tracked.

Matt believes the biggest future opportunity to the grazing industry will ultimately be the ability to drive down CoP, but he acknowledges that driving down CoP will most probably result in real costs increasing. The reason for this increase in CoP is that by producing more, the overall costs rise but the costs relative to what is being produced fall. Effectively producers are producing more for less – more kilograms costing less per kilogram produced.

Lesson: grazing management

Matt believes another big opportunity for graziers is improved grass utilisation. The dairy industry has had years of experience because it directly measures the impact of grazing management through the vat every day. MLA has conducted a number of studies and the current estimated pasture utilisation for grazing enterprises in southern Australia is somewhere between 30-40%. Increasing pasture utilisation to above 50% can have a significant impact on stocking rate and subsequently CoP as enterprises have more stock on the same area. As previously mentioned, real costs will generally increase as CoP goes down. This is a case in point as operating costs will go up, but fixed or overhead costs remain the same, so CoP per kg produced goes down.

Conclusions

The following examples show the changes that Matt and Ange have implemented on “Muronga” that are impacting on their CoP. Firstly stocking rate has increased. When Matt and Ange took over “Muronga”, the property was predominantly running breeding cows and finishing some steers. All weaners were sent to another property where heifers were joined and some steers brought back to finish. It is now running all existing breeders, plus another 15% that were brought back in the summer. “Muronga” also runs all the young stock. Matt and Ange join their heifers on “Muronga” and carry the steers through to their target market (heavy grass fed kill markets and heavy feedlot entry markets).

Matt and Ange have achieved this by changing their grazing management and better utilising pastures. Matt does not describe himself as a rotational grazier, more a strategic or tactical grazier, as opposed to the previous management of set stocking. They now run bigger mobs of cattle, aiming to rest paddocks at strategic times of the year. They calculate, or measure, what feed is available. This system also gives them better labour efficiencies, which has a direct impact on CoP. Labour efficiencies are achieved by having fewer mobs of cattle, bringing more cattle into the yards at a time for operational needs, thus reducing the time spent mustering.

Weaning earlier and changing the DSE stock classes at certain times of the year has also had a significant impact on the business. This year they did not have to supplementary feed any stock over the summer, and were not forced into a selling position as the season tightened up, as stock numbers had been reduced due to earlier weaning and having more feed on offer. They measured their feed on offer at this time to ensure confidence decisions were made.

Matt and Ange emphasise the benefit of measuring the farm business to assess where it is currently at and where the opportunities can be realised. Matt says it does not have to be complicated if producers do not want it to be, but by knowing what the business’s CoP is in the first instance, producers can work towards driving it down.
JBS Farm Assured: giving customers guarantees

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Take home messages:
• disregard consumer sentiment at your own peril.

Changing market requirements worldwide reflect different customer demands and JBS needs to be on the front foot working with both producers and customers to be flexible in what can be offered.

Industry past experiences have shown that production systems in Australia have been geared to purely producing a product without knowing whether it meets customer expectations. Once it has left the farm gate it is someone else’s issue. If this practice continues it will only have negative effects on the Australian beef industry. Industry needs to be customer focused, whether they like it or not.

MLA marketing has been working with consumers, and has shown that consumer purchasing decisions are swayed by five pillars. These are repeated all over the world.

1. integrity (safe, responsible and ethical): this is becoming more influential
2. enjoyment (quality, tasty and popular): it has to be different to capture the iPod generation’s attention. A good example is lamb shanks. Lamb shanks were considered to be dog food 7-8 years ago and now sell in restaurants for top dollar
3. nutritional (essential for well being and diet): consumers shop for products with high Omega-3 values
4. convenience (easy to use, easy to buy): quick meal solutions, pre-cooked products
5. value for money (benefits / price): basic consumer behaviour on anything. Consumers love to perceive they are getting a good deal.

To ensure customer expectations are met, industry should be considering these five pillars regardless of the product or market they are supplying into.

JBS Farm Assured

Putting the JBS Farm Assurance program in place allows JBS access to potential markets they currently cannot supply into. At present, JBS has no on-farm auditable program that customers recognise or accept.

All producers are required to be part of the Livestock Production Assurance (LPA) program, which is a food safety initiative, and although it can be audited, it is still not seen as an on-farm Quality Assurance (QA) scheme. In addition to this, the majority of producers signing an LPA National Vendor Declaration (NVD), a legal and binding document, are not aware of their responsibilities to LPA, and do not carry out the minimum standards required. LPA QA (Flockcare and Cattlecare) go a long way to meeting the standards required by these customers but still fall down in some areas, and are not ISO 1765 accredited.

The JBS Farm Assurance Program will create further diversification away from their traditional markets, and as a result, less risk in relying on those markets both for JBS and producers supplying to JBS.

Customers in Australia and around the world expect that producers have these areas covered, when in reality, they do not. The initiative JBS has taken to implement its own Farm Assurance Program meeting these expectations will not only help in allaying customer concerns, but will also lift the bar for industry.

The basis of the program revolves around ensuring the supply chain from producer to processor meets expected standards for Food Safety, Animal Welfare, Quality assurance and traceability.

The majority of the processes contained within the JBS Farm Assurance Program are being achieved but they are not yet being effectively documented.

The program has been put together with the view point that by educating and helping producers through the process rather than adopting the big stick approach, producers are more likely to see the benefits of the program and be compliant to the scheme when supplying into it.

But in the end it does not matter what JBS thinks or perceives, and it does not matter what producers in the livestock industry think or perceive. If the product and the systems around that product do not meet consumer expectations and perceptions, then it will make it all that bit harder to convince them this protein is the one they should be purchasing over all others.

Photograph: Pamela Lawson
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