

meatup

FORUM

For the latest in red meat R&D

Enterprise performance in the rangelands

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Enterprise Performance in the Rangelands

Overview

- Introduction
- Enterprise Choice Considerations

Introduction

Ian McLean

Bush AgriBusiness

Supporting Pastoral Businesses to grow thriving intellectual, environmental and financial capital

- Producer business groups
- Individual producer work
- Pastoral company benchmarking
- Project work
- Publications (Australian Beef Report and Top Studs)
- The Business EDGE
- Professional Speaking

Enterprise choice considerations

- Operating scale
- Suitability of country
- Suitability of infrastructure
- Current skills and expertise
- What are you passionate about
- Relative economics of the enterprises
- Your risk profile and risks of enterprises under consideration

‘Best’ enterprise choice is unique to each business.

I won't give you the answer: a lot you already know and maybe a bit more to think about!

Operating scale

- Is operating scale a constraint for your business?
- Is your current carrying capacity less than 3,000AE or 25,000DSE?
- If so, operating scale is a constraint on your business
- Smaller businesses can be successful businesses, but need a strategy to address lack of scale
- Small ruminants usually generate more income per animal unit and are more labour intensive, so can be a strategy to address lack of scale
- Do you have sufficient scale for more than one enterprise?
- Specialisation vs. diversification.

Operating scale

Do you know your long-term carrying capacity?

- Potential: Fully watered in A condition
- Current: Current infrastructure and current condition
- How much is current land condition and/or current infrastructure preventing you from realising your potential carrying capacity?
- What options are there to economically improve your current carrying capacity?

Suitability of country

- What is your mix of land types?
- Are some better suited specific enterprises than others?
- For example:
 - do you have country that can put weight on growing cattle or consistently get meat sheep to kill weight before they cut their teeth?
 - do you have country that floods regularly and is not suitable for sheep during summer?
- Be careful to separate gut feel from fact!

Suitability of infrastructure

- What current infrastructure do you have?
- What investment would be required to get existing infrastructure fully functional?
- What investment would be required for new infrastructure required for enterprise(s) under consideration?
- This doesn't rule anything in or out, but upfront investment needs to be factored into sums for each enterprise choice.

Current skills and expertise

- What skills and expertise does the business currently have?
- What additional skills and expertise are available?
- You cannot afford to be average in any enterprise; being a top performing operator in any business requires specialist skills and expertise.
- Do you have the skills and expertise to be a top performer in your enterprise?

What are you passionate about?

What excites you and will get you out of bed of a morning?

- Going on the genetic journey towards a high fleece value merino flock?
- Setting up a highly productive and efficient beef herd?
- Establishing a productive and profitable meat sheep flock?

The relative economics of enterprises

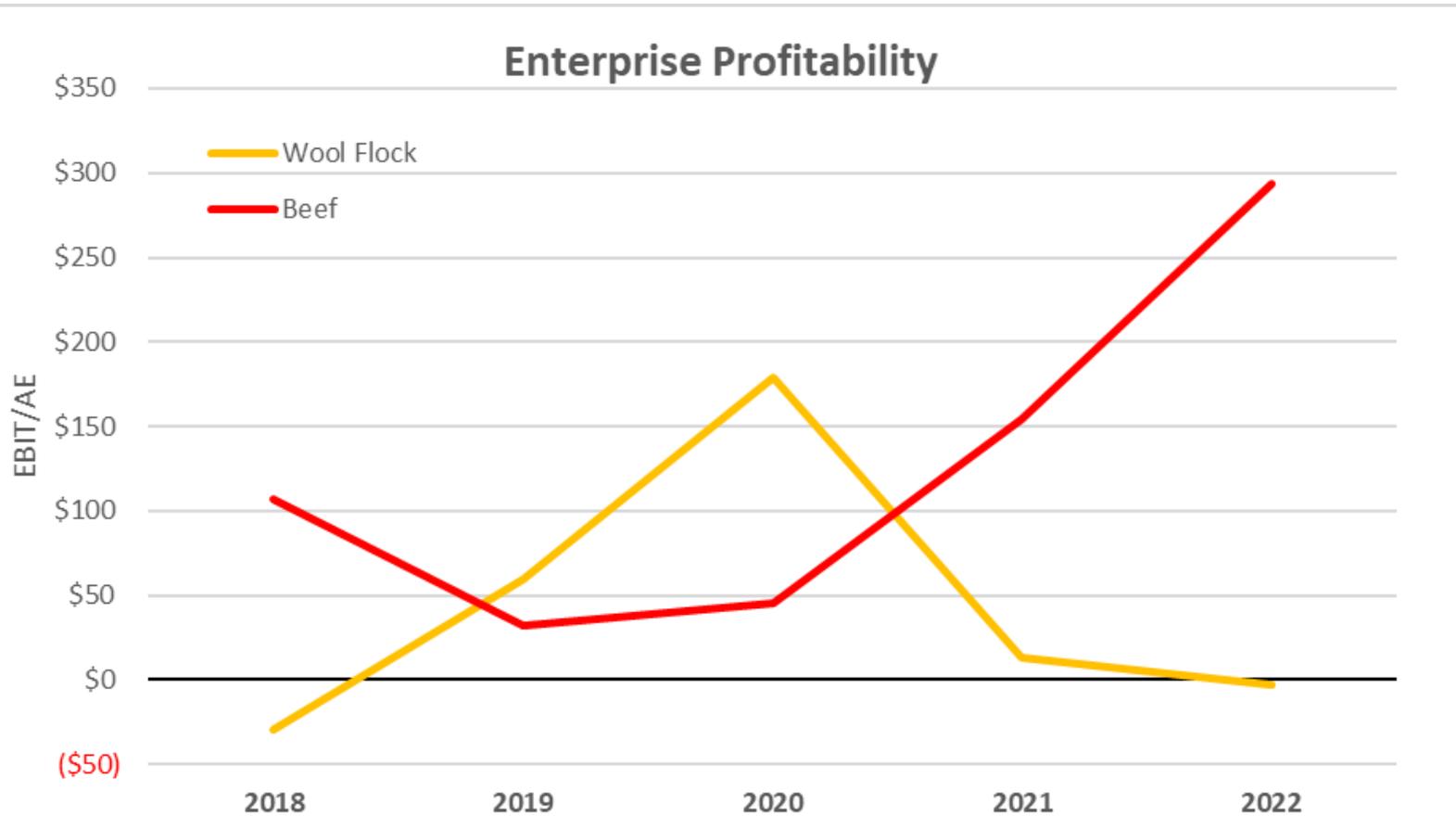
The economics of the enterprise is a function of many things, primarily the manager.

'being in the right industry does matter, but being good at what you do matters more'

Richard Rumelt, Professor of Strategy in the US

As well as skill of manager, scale of enterprise, price deciles of commodity and seasons experienced affect reported enterprise performance

The relative economics of enterprises



Enterprise profit drivers

You need to understand and have an unrelenting focus on the profit drivers for your chosen enterprises.

- Stocking rate is not a profit driver in rangeland businesses
- Labour efficiency is the major cost driver for livestock businesses
- Top performing businesses target enterprise expenditure better
- Therefore focus on the income drivers:
 - Beef: Kg Beef/AE
 - Wool Flock: Fleece Value/DSE (70:30)
 - Goats and meat sheep: Kg Meat/DSE

Enterprise risk

Risk: 'the probability of impaired financial performance of the business, due to uncertainty'

Every enterprise or venture has risk

Business risk profile vs enterprise risk

Enterprise risk

Some risks common to all enterprises (e.g. biosecurity), others enterprise specific:

- Wool is more subject to human resource risk (availability of shearers)
- Concentration of wool exports on one market (China 80%+) is massive risk for industry
- Being able to sell/kill goats a big risk for goats
- ???

Enterprise choice

- Changing between enterprises risks missing the upside of both (80:20)
- Enterprise choice is a long-term decision
- Given operating scale, suitability of country, existing infrastructure, knowledge and skills, passion and your assessment of risk.....
 - What is the best long-term enterprise choice for your business?
- Do you have scale, knowledge skills and passion to run more than one enterprise?
- How do you become a top performer in your chosen enterprise?

Take home messages

- There are many considerations regarding enterprise choice for a business.
- What is the best enterprise for one business may not be the best for another.
- It is important for businesses to objectively weigh up the considerations that are relevant to them, make an informed decision and then focus on being a leading performer within that enterprise.

Tools and resources

- **Business EDGE Workshop: Cunnamulla June 6-7, 2024**

<https://www.mla.com.au/extension-training-and-tools/edgenetwork/>

- Australian Beef Report

<https://www.bushagri.com.au/australian-beef-report-2023/>

- MLA Cost of Production tool

<https://tools.mla.com.au/cop/>