

# meatup FORUM

**For the latest in red meat R&D**

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AGRISTA

# ~~Understanding the key profit drivers of red meat businesses?~~

What are the features that deliver  
profitability in red meat businesses?

John Francis



# Achieving high levels of profitability is hard – its not for everyone



Source: Mark Rober (<https://www.youtube.com/watch?v=hFZFjoX2cGg>)

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# Achieving high levels of profitability is hard – its not for everyone



Saturday • 7:59 am

My text to my son ->

This is a great use of science

<https://www.facebook.com/MarkRoberYouTube/videos/727828361391817/>

13 minutes geez

<- My sons response



I'm not made of time

Source: Mark Rober (<https://www.youtube.com/watch?v=hFZFjoX2cGg>)

# Why strive for business efficiency?



$$\frac{\text{Operating profit}}{\text{Asset value}} = \text{Operating return}$$

$$\frac{\$300,000}{\$10,000,000} = 3.0\%$$

$$\frac{\$300,000}{\$20,000,000} = 1.5\%$$

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# Why strive for business efficiency?



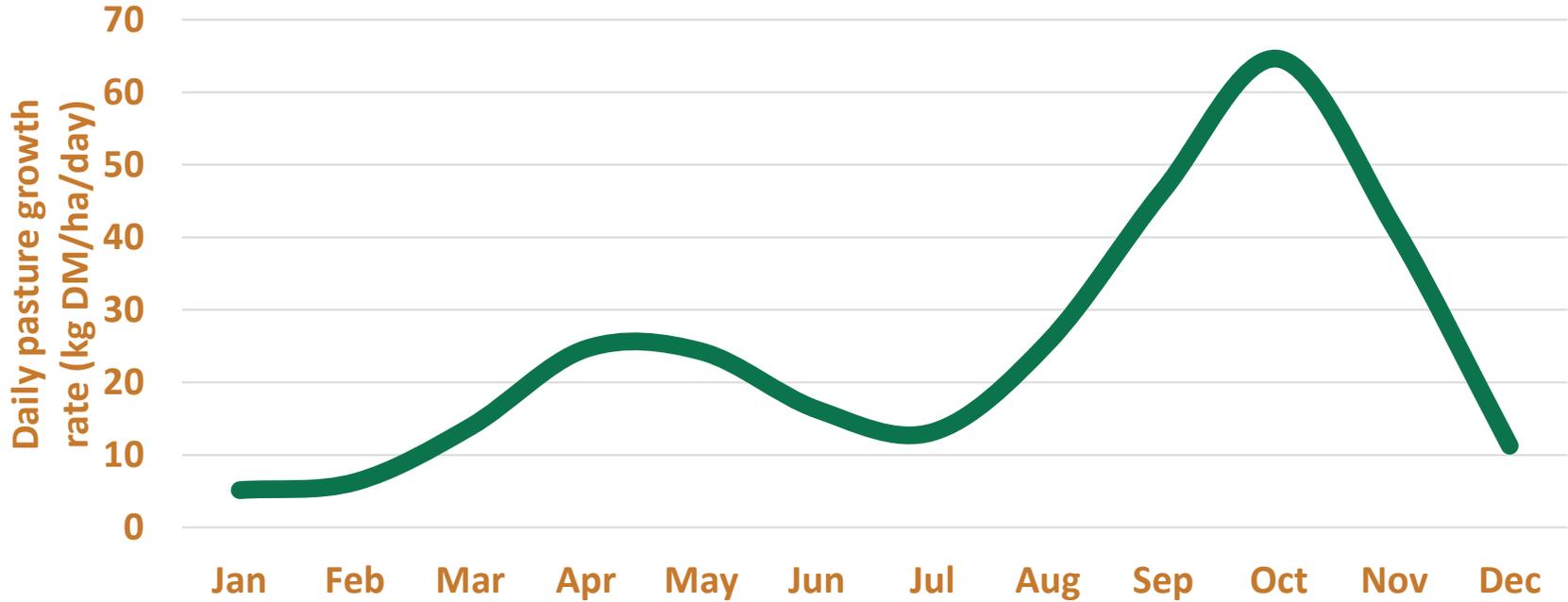
$$\frac{\text{Operating profit}}{\text{Asset value}} = \text{Operating return}$$

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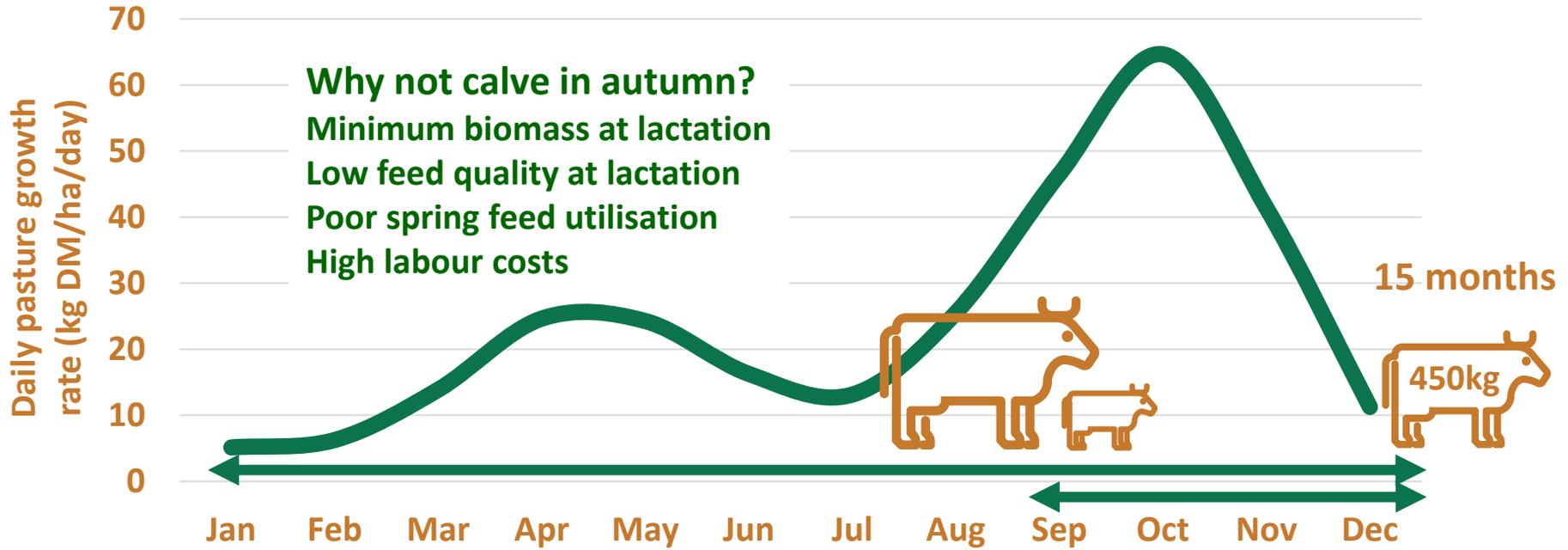
$$\frac{\$600,000}{\$20,000,000} = 3.0\%$$

# The single biggest driver of profitability in red meat enterprises is the system you implement to utilise this

## Daily pasture growth rate by month



# Beef system design to utilise >50% of feed

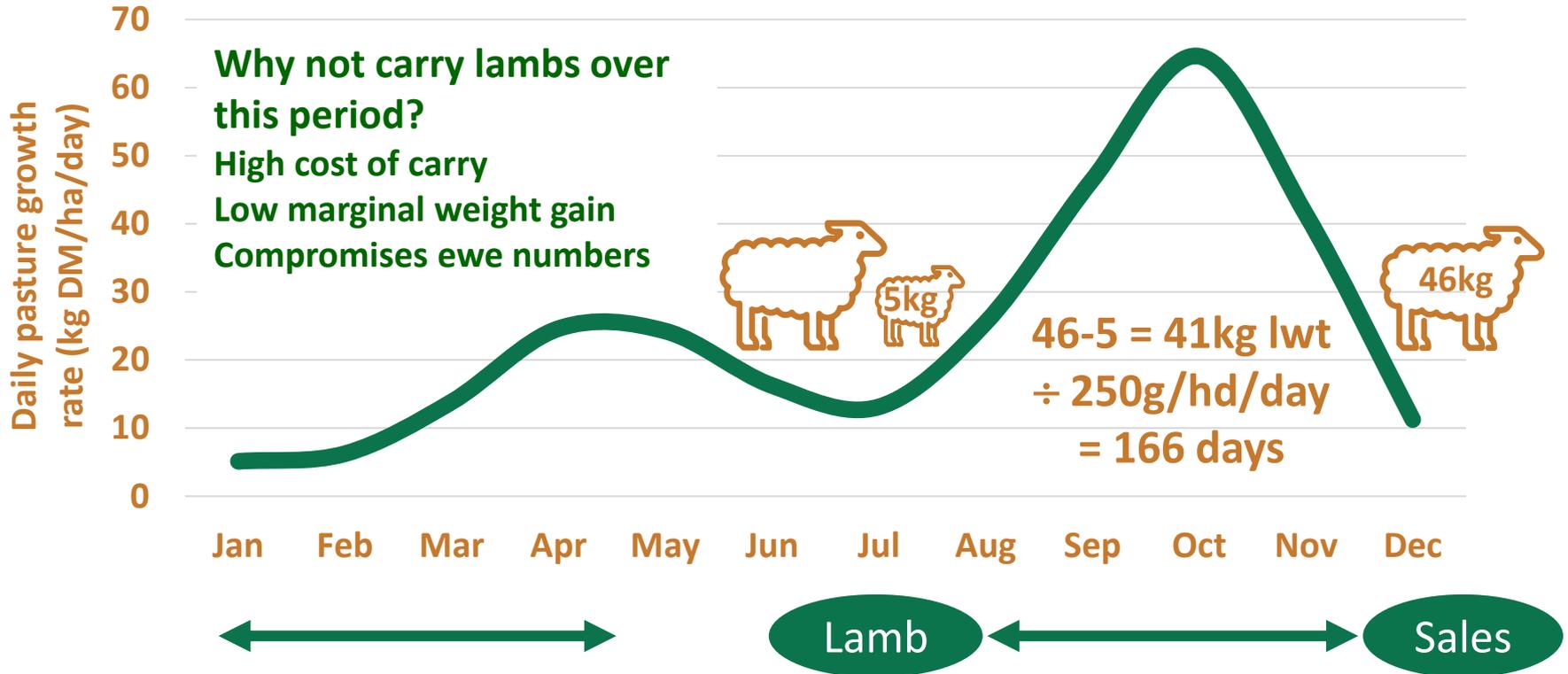


**Why not calve in autumn?**  
Minimum biomass at lactation  
Low feed quality at lactation  
Poor spring feed utilisation  
High labour costs

Calve

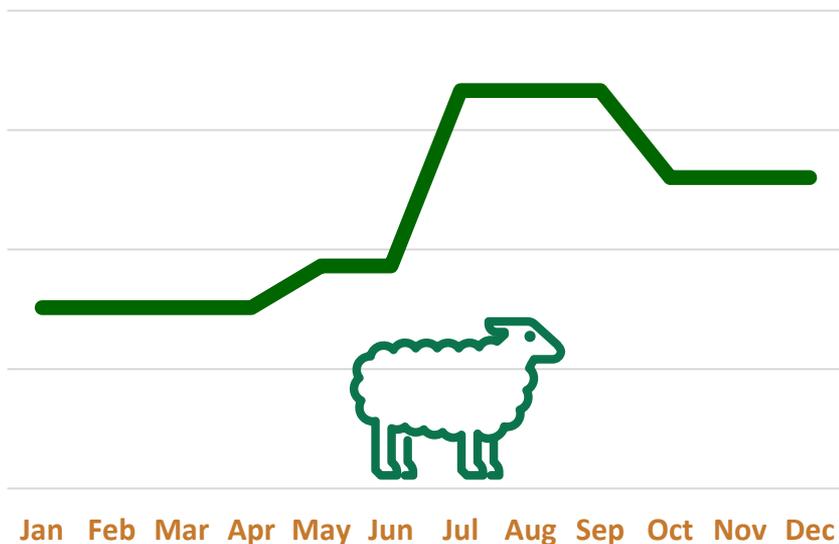
Sales

# Prime lamb system to utilise >50% of feed

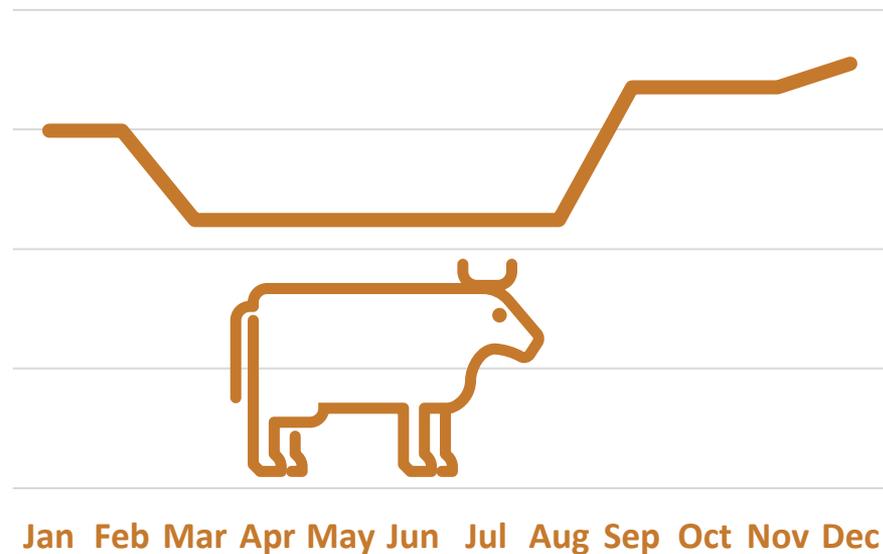


# What do profitable systems look like?

## Lamb system – feed demand curve



## Beef system – feed demand curve



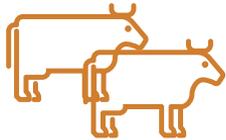
# Outputs of good systems design

Efficient system

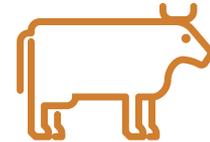
Inefficient system



High feed utilisation



Greater stocking intensity



More production/unit area



Better labour efficiency



\$ cost/kg

Lower cost of production

\$ cost/kg

# Profitable producers know their numbers

Performance measure	System A	System B
Lambs weaned/ewes joined	160%	133%
Production (kg cwt/DSE)	11.5	10.9
Lamb price (\$/kg cwt)	\$8.80	\$8.60
Gross profit (\$/DSE)	\$98	\$91
Enterprise costs (\$/DSE)	\$24	\$25
Operating profit (\$/DSE)	\$43	\$41

System A relative to system B

Lambs weaned/ewes joined

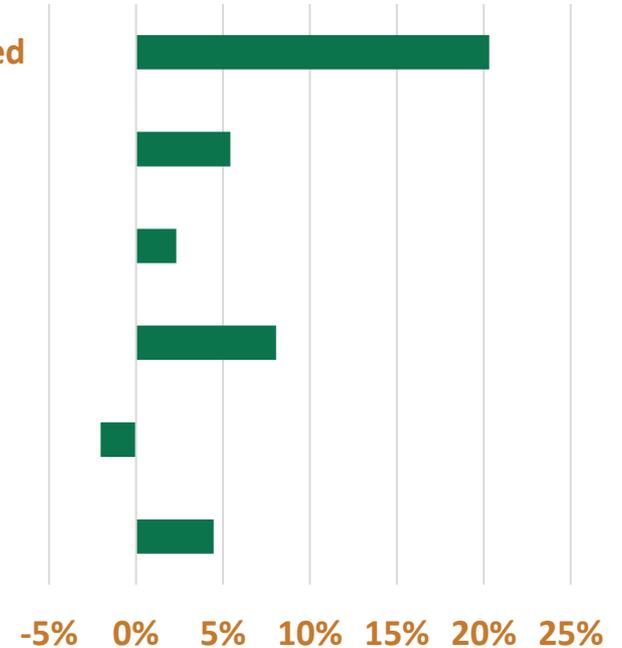
Production (kg cwt/DSE)

Lamb price (\$/kg cwt)

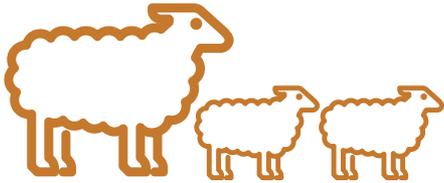
Gross profit (\$/DSE)

Enterprise costs (\$/DSE)

Operating profit (\$/DSE)



# System A is more profitable because:



More lambs weaned per ewe joined

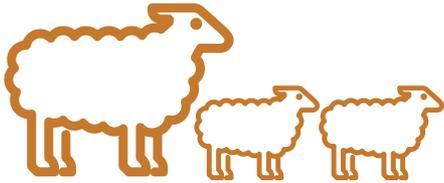


More kilograms per lamb produced



More dollars per lamb sold

System A is more profitable because:

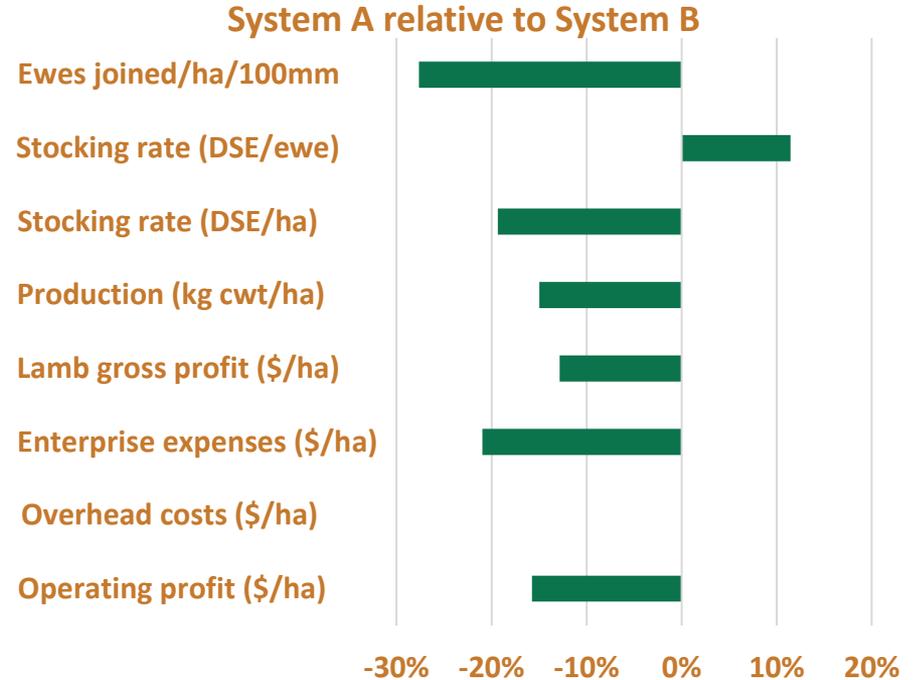


System A is more profitable - right?

**It is wrong**

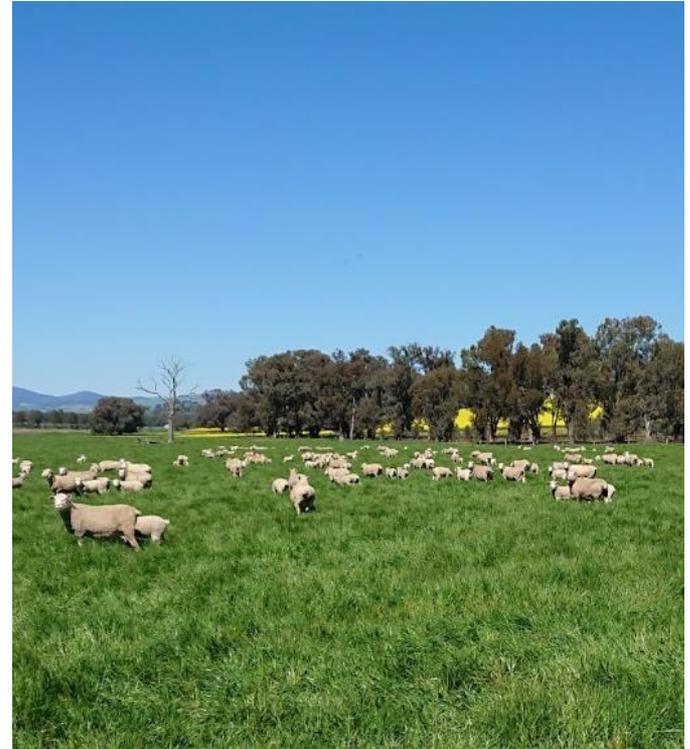
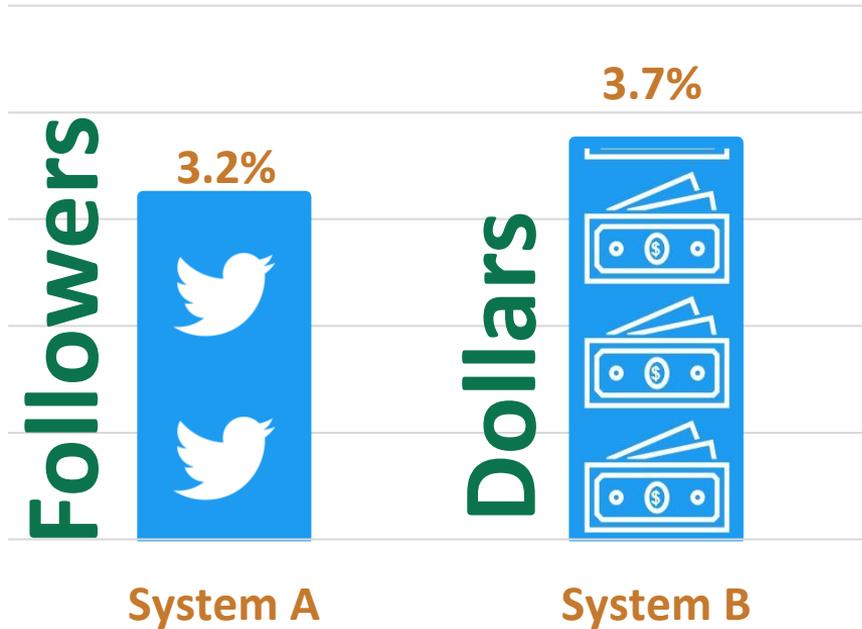
# Profitable producers know the productivity measures that matter

Performance measure	System A	System B
Ewes joined/ha/100mm	0.7	1.0
Stocking rate (DSE/ewe)	2.9	2.6
Stocking rate (DSE/ha)	16	20
Production (kg cwt/ha)	185	217
Gross profit (\$/ha)	\$1,582	\$1,815
Enterprise expenses (\$/ha)	\$395	\$500
Overhead costs (\$/ha)	\$500	\$500
Operating profit (\$/ha)	\$686	\$815



# Are you chasing headlines or the bottom line?

Profitability – return on assets



# What are the attributes required?



Clear strategy



Skilled decision maker



Thinks critically



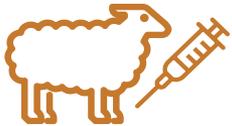
Understands feedbase



Values team culture



Proactive ops calendar

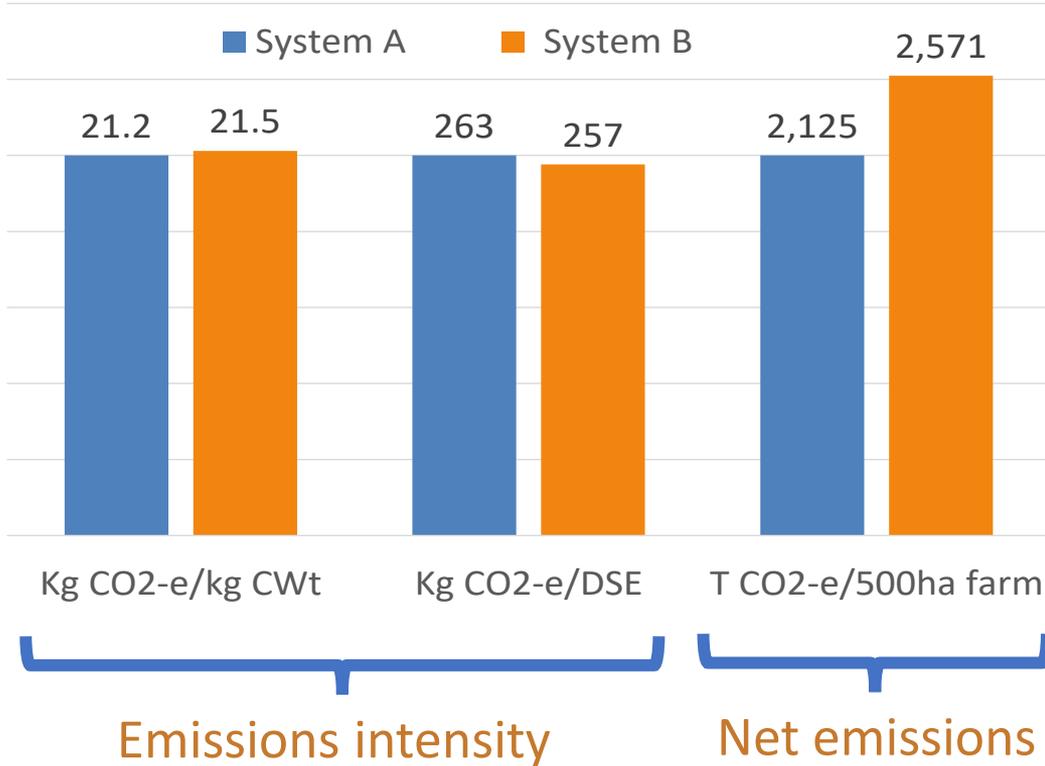


Operationally efficient



Financially literate

# Productive systems have higher emissions



# Take home messages

5%

Profitability is management related

A well designed system is essential

Financial literacy is a skill – build it

Leadership delivers strategy & culture

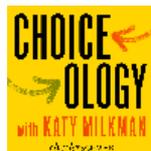
# Tools and resources

## Feed demand calculator



HOME INSTRUCTIONS PASTURE LIVESTOCK FEED ETOOLS

## Business EDGE Workshop



The screenshot shows the MLA Cost of Production Tool interface. At the top, there is a navigation bar with the MLA logo and a 'Log in to save your data' button. Below the navigation bar, the page title is 'Cost of Production Tool'. A sub-header reads: 'The cost of production calculator is a tool kit to help you determine your CoP and compare performance annually.' The main content area is divided into three columns: 'For Producers', 'How this will help you', and 'What you need'. The 'For Producers' column includes a map of Australia and the text 'Cattle, sheep and goat livestock'. The 'How this will help you' column lists: 'Determine your cost of production over a 12 month period', 'Track and compare your performance annually'. The 'What you need' column lists: 'Herd/flock records (number of animals per stock class)', 'Sales and purchases records per stock class', 'Tax statement', 'Fixed and variable cost records by enterprise type (e.g. labour, equipment, freight)', and 'KPI sheets (to calculate breakeven percentages)'. At the bottom right, there is a '15 mins' icon and a 'Mobile friendly' icon.



# Thanks for the opportunity

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