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Comparing enterprises

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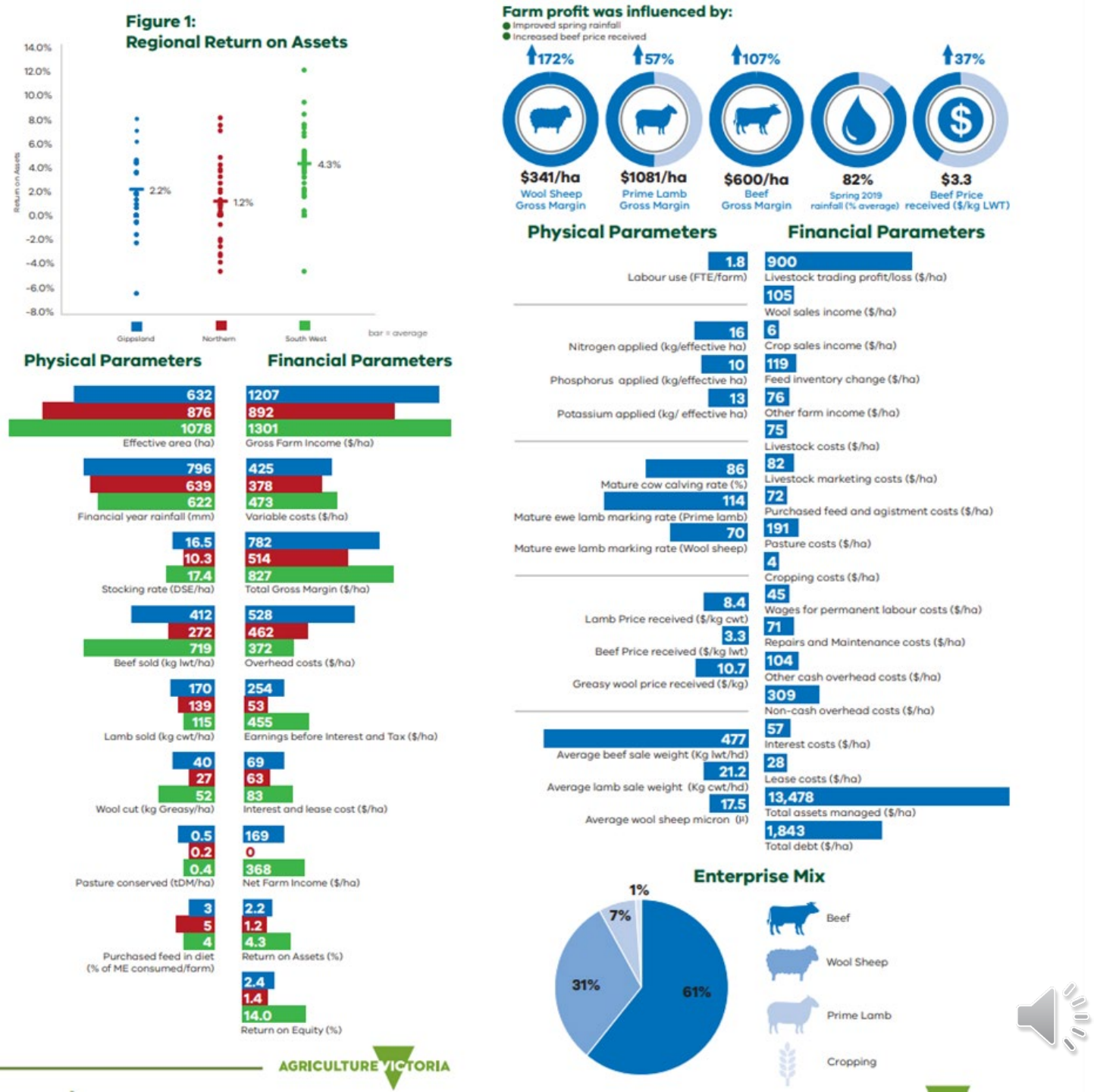
Comparing enterprises

- Gross margin is a useful metric for comparing livestock enterprises
 - However has a number of conditions to meet to make it a fair comparison
 - E.g. consider the fixed costs associated with a different business, if moving from beef to dairy there is a large fixed cost to build the dairy infrastructure
- Industry standard measures of benchmarks to compare
- Often seen across “Farm monitor projects” or similar comparisons of groups of farms
- In Victoria there are a range of datasets
https://agriculture.vic.gov.au/data/assets/pdf_file/0004/613156/LFMP-annual-report-2019-20.pdf



Example

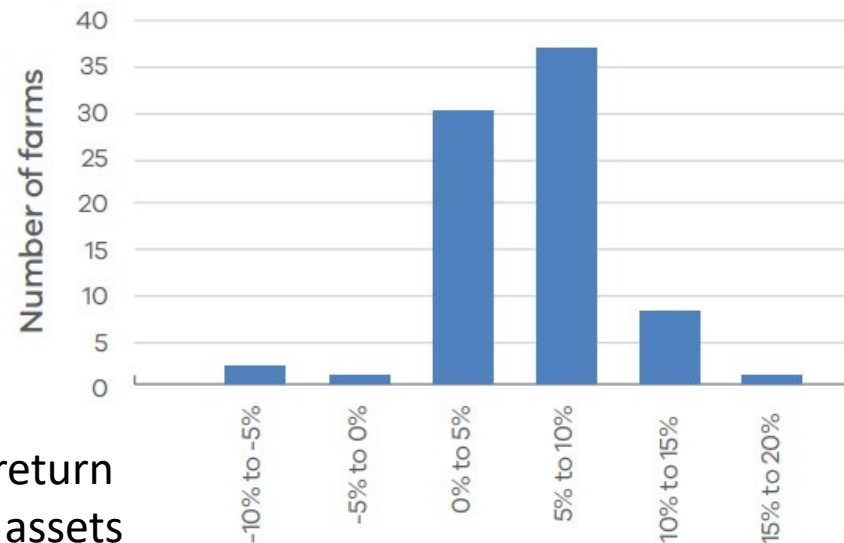
- Beef
- Lamb
- Wool
- Similar data for dairy also
- Not available deer/camelid here



Indicators flowchart

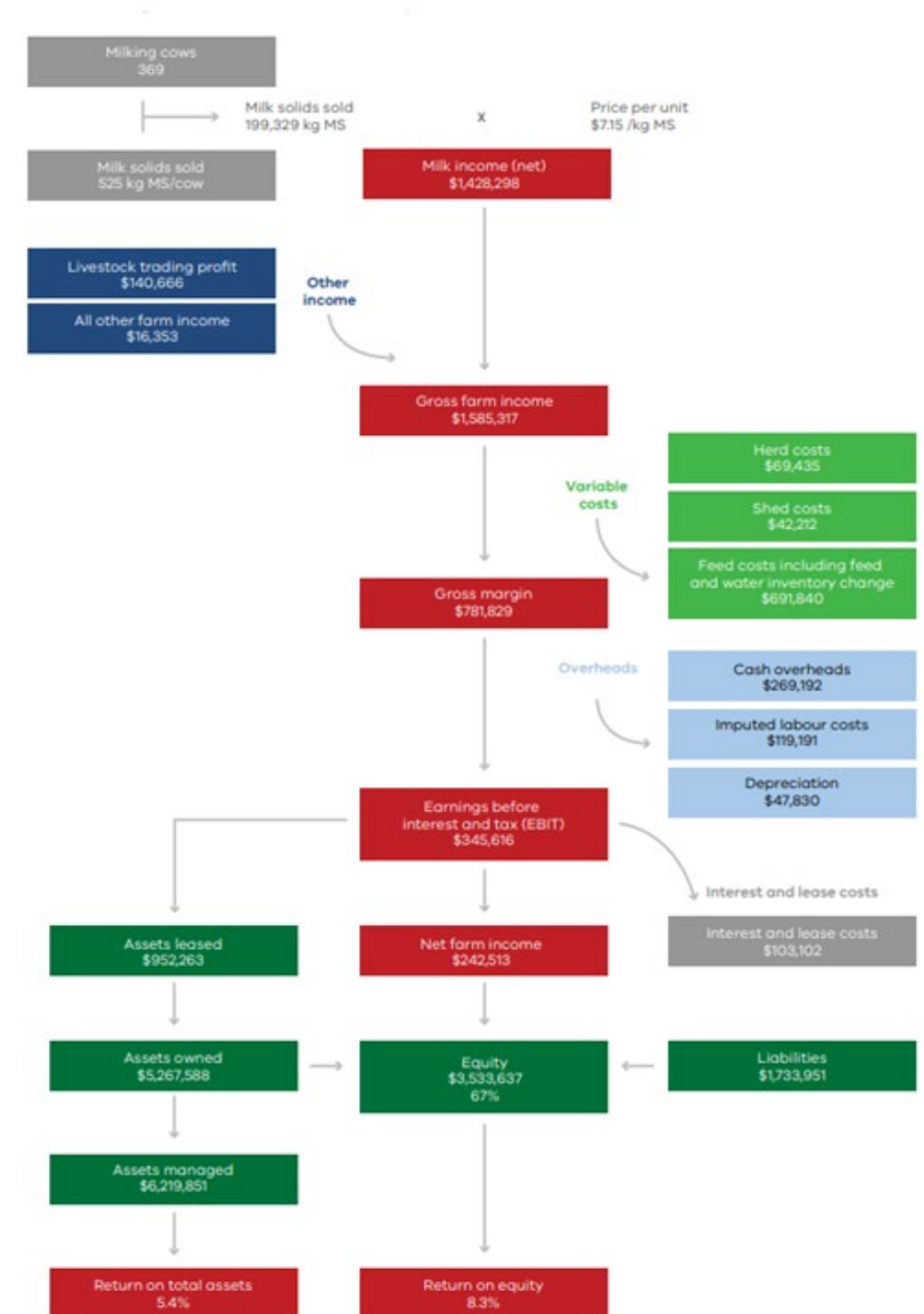
- Variation between farms
- Variation between years
- Need to compare like with like

FIGURE 5. DISTRIBUTION OF FARMS BY ROTA



ROTA = return
on total assets

FIGURE 1. DAIRY FARM MONITOR PROFIT MAP - STATE AVERAGE DATA 2019-20¹



Key inputs and measures

- Labour

- Most farms have some amount of labour that is constant throughout the year (this may just be the property owner/manager and/or family)
- Some enterprises will have significant contract labour where people come to work on specific jobs for a relatively short period e.g. shearing, may also have casual labour jobs at certain times
- Owner/manager still needs to draw a salary/wage from enterprise
- Labour often expressed as FTE, then as FTE/ha, FTE/DSE etc
- Quite variable depending on the enterprise type, e.g. a self replacing enterprise is likely to have higher FTE/DSE than a fattening enterprise as animals are handled less frequently
- A figure of 10000 DSE/FTE is a reasonable benchmark for low input system



Labour

- An example of FTE for enterprises

Table 4: Southern Victoria low cost business model benchmarks

Benchmark	Max/Min	Top 20%	Other 80%
TPML % income	24%	27%	33%
Turnover/FTE	\$643,327	\$599,574	\$439,426
Crop ha/FTE	553	420	283
DSE/FTE	17,150	13,111	9,031

TPML = total plant machinery and labour

<https://www.mla.com.au/globalassets/mla-corporate/extensions-training-and-tools/creative-commons/profitable-integration-cropping-livestock-southern-vic-cc.pdf>



Feed

- Highly significant cost to intensive industries
- Variable impact on extensive industries from property type (southern versus northern Australian production systems for beef) to drought
- Cost of feed also varies significantly on environment e.g. drought it is more expensive (generally)
- Dairies commonly use some amount of supplementary feed to cows in bail
- Different farms have wide variation in range of inputs varying on environment, topography, enterprise type, market etc



Interaction between different systems

- Many Australian farms operate more than one enterprise e.g. sheep and cropping, sheep and beef etc
- Less common for dairy farms to have more than one enterprise, but may be vertically integrated with cropping to provide some of their grain needs, albeit all dairy farms do supply beef animals at some point in their lives (bobby calves, cull heifers, cull cows etc)
- Very common integration of enterprises is sheep/wheat (grain) – also includes barley, canola etc
- Utilises summer stubble (crop residue post grain harvest) and may also allow winter grazing up to certain crop stages



Grain and graze

- Some cereal crops are well suited to grazing in winter (but not all)
- Fodder for stock during feed limiting time during winter and also to provide feed over dry summer when feed quality is low
- Pasture phase on farms helps return some nitrogen to soil and reduces selection pressure on weeds



Integrating different grazing

- Grazing management
 - Goats are frequently used to reduce weed burden as they will happily eat shrubby weeds when either livestock may not
 - Beef cattle also frequently used on equine enterprises to graze evenly as horse pastures often end up being dominated by weeds
- Parasite management
 - One key benefit of mixed grazing can be in controlling parasites
 - Many roundworm species are specific to a particular host e.g. cattle or sheep
 - If half of an enterprise (in DSE) is cattle and the other half sheep then they can swap grazing areas and reduce parasite pick-up, reducing need for extra drenching
 - Can prepare safer paddocks for young stock by grazing other livestock (not 100% safe as a few parasites can be shared)



Understanding management needs

- As already mentioned, not every manager will be 100% profit/production driven
- Important to understand what the desired outcome for enterprise is
- But most enterprises must make profit otherwise they will not be able to stay in business

