

DRAFT 2013-14 FutureBeef Priority Area #3

WHOLE OF BUSINESS MANAGEMENT

Background:

The National Beef Research, Development and Extension Strategy was developed in 2009 in a collaborative effort by representatives from the Australian beef industry, state government agencies, academic institutions and research organisations. The intent is to improve research, development and extension capability, capitalising on the collective critical mass around specialised areas. This focussed RD&E investment is expected to improve efficiencies by reducing the more traditional, fragmented RD&E approach. The national beef strategy emphasises the importance of industry partnerships and co-investment to support strategic research, the delivery of regional development and extension tailored to local needs.

In March 2012, the North Australia Beef Research Council (NABRC) conducted a series of workshops across Queensland to identify RD&E priorities. NABRC is a collaborative forum for industry, funding bodies and RD&E providers to lead research, innovation and technology adoption to benefit the northern beef industry. These RD&E priorities were published in a *NABRC Priorities Prospectus* and can be accessed through the NABRC website. www.nabrc.org.au

Six themes or broad areas of work were identified as being the most important for planning of RD&E priorities:

1. Reproduction
2. Grazing land management
3. Nutrition and growth
4. Human capacity and enabling change
5. Animal welfare
6. Information technology; and Precision livestock management

Linkages:

Under the 'Information technology; and Precision livestock management theme' is a sub-theme:

6.2 Agricultural services

Goal: Timely provision of data, information and knowledge that drives reductions in cost of production (reduced costs, cost-effective productivity improvements) and improvements in work safety and national resource condition (temporal matching of animals with pasture).

Optimal benefits for on-farm beef production from information technology will be generated by a user-driven strategy with three key elements: data collection, management and visualisation; modelling and prediction, and expert advice.

FutureBeef Program for Northern Australia

In May 2012, key industry funder Meat and Livestock Australia and state agency extension services (DAFF Qld, NTDFIF and DAFWA) launched a collaborative extension program designed to focus extension effort and investment into key priorities outlined in the National Beef RD&E Strategy and NABRC's RD&E priorities in the following five areas:

- Priority 1 – Weaner management
- Priority 2 – Phosphorous supplementation
- Priority 3 – Whole of business management
- Priority 4 – Grazing land management
- Priority 5 – Breeder management

In addition, while other project collaborations and investment from natural resource management groups and catchment groups focus on NRM outcomes, these generally can only be achieved by a whole-of-business enterprise approach. There will also be linkages from these priority areas to the voluntary Grazing Best Management Practice project that is currently being developed and trialled in Queensland. For more information on the above, visit the FutureBeef website www.futurebeef.com.au – a collaborative website by the FutureBeef program partners.

Background for Whole-of-Business Management:

A 2009 MLA Northern Beef Scoping study identified a number of issues with the profitability of the Northern Pastoral Industry including escalations in overhead and direct costs, doubling of debt per animal unit in the last decade and declining return on assets, with the average return being considered low in comparison with normal business benchmarks. The study identified that approximately half of the producers had spent more than they earned for six of the last seven raising concerns over the unsustainable nature of beef production in the north generally.

Major collaborative research projects such as Cashcow and the Heifer project have collected commercial data which is generally much lower than estimates given by producers. This indicates a need for improvements in objective data collection to allow producers to better understand their herd performance so they can accurately identify symptoms and causes of poor productivity. This then has the flow on effect of allowing them to come up with strategies to increase performance to achieve key performance indicators. Technology such as electronic animal identification has opened the way to allow large amounts of data to be collected and analysed with relative ease and efficiency, but producers appear to need increased support and training to capitalise on the opportunity.

Producers historically have tended to be expert cattle and land managers, but many express an aversion to the office and paperwork side of the business. As declining terms of trade and market uncertainty, in addition to the other issues outlined in the Northern Beef scoping study, continue to exert their pressure on profitability, cattle producers will increasingly need the ability to understand the beef business.

Producers need this understanding of key profit drivers in their business to allow them to prioritise between targeting areas for cost reduction or increased expenditure that may be required to improve production, in addition to them needing to have the ability to make considered decisions around capital allocation.

In order to gain this understanding producers need certain information such as:

- Sufficient records to analyse herd performance (eg., accurate weaning percentage, mortality and kg/turnoff)
- Key performance indicators for both profit and herd performance. (eg. Operating profit, return on assets, after tax cost of debt, labour efficiency)
- The benchmark figures and ranges of the KPI's to allow them to assess how they are performing across the whole business and where to invest time and money in improvements, (eg. Minimum operating margin of 60c, COP of 90c),
- Tools and principles for budgeting to allow detailed analysis of options and they affect they can have on future herd and business performance and an understanding of how to compare these using business principles. (ie. Breedcow Dynama)
- Tools and principles for rational capital allocation. Particular emphasis needs to be placed on this area given the environment of declining equity and the need to prioritise debt reduction. Provisioning for future generations is another critical aspect of this area-as succession is constantly flagged as a major issue facing the long term sustainability of agricultural businesses.

Regional differences:

Areas relying on live export have been particularly faced with the need for improved monitoring of business performance due to falling property values and lack of market alternatives.

Key messages:

- Analyse the business to understand where the issues are in terms of turnover, overheads and gross margin. Identify the primary driver that will most impact on profit and see what can be changed.
- After analysing the business, develop strategies to overcome weaknesses specific to your business before it is too late.
- Understand the implications of attempting to lift stocking rate above the carrying capacity.
- Focus firstly on what can be done to sustainably lift carrying capacity.
- In the extensive breeder regions, renewed focus on heifer management, breeder performance and bull selection based on objective measurement.
- Continue develop skills and capacity of business managers.
- Ensure bull selection is appropriate and accounts for the pressure likely to be incurred within a given breeding system.

Key recommendations for research, development and extension

- Balance the focus in institutions and industry from production to profit.
- Influence the focus and output of the stud industry to dramatically lifting the use of objective measurement and use of estimated breeding values (EBVs)
- Identify issues (e.g. disease and nutritional issues) restricting performance in the extensive breeder herds. This would include identifying the relative influence of genetics (mature weight of cows, lactational anoestrus etc), nutrition (are there any effects from unrecognised deficiencies) and timing of activities (controlled mating, mob segregation etc vs continuous mating and cattle harvesting). This is needed to organise effective and targeted extension programmes. A modelling approach may be the first step
- Collect data on the effect of stocking rate at a commercial scale on reproduction rates.

Current Projects:

1. Queensland: Grazing BMP Program 2013-14
2. Queensland: Extension Review Project (DAFF and program partners) – Business mgt review 2013-14
3. Queensland: (N&NW) \$avannaPlan (including on-property program and industry forums).
4. WA Benchmarking project
5. Pilot \$avannaPlan for the NT?

Keys times for whole of business management:

Timeframes will be addressed in the Communication Planner.

FutureBeef activities:

| | Maintaining broad industry awareness | Building knowledge, skills and confidence | Supporting adoption and practice change |
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| DAFF | <ul style="list-style-type: none">• Business EDGENetwork workshop review webinar (Feb 2013) as part of Extension Review project.• Business management and record keeping articles | <ul style="list-style-type: none">- MLA to coordinate Business EDGE workshops in Qld, depending on demand- Training for FutureBeef Team with the aim of improving on-property (\$avannaPlan) | <ul style="list-style-type: none">- Improving overall business management is a key theme of the \$avannaPlan on-property program run in north/north west Qld.- The Breedcow herd model is used on 10 breeding |

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| <p>/ case studies / articles in department beef industry eBulletins (all print newsletters will transition to online versions in 2013)</p> <ul style="list-style-type: none"> • <i>Northern Muster</i> • <i>CQ Beef</i> • <i>BeefTalk</i> • Links to business management tools (spreadsheets etc) posted on FB website and promoted with local articles through 'news' section; Twitter and FB facebook site. • FB website can feature local stories with business management focus • Highlight successful herd recording systems and how these records are used in management decisions. (Beef newsletters, Beef Central, Camtasia) • Work closely with financial institutions, where relevant and include as guest speakers at industry forums. • Banks require spreadsheet budgets from their customers – mostly these are compiled by the banks in consultation with producers. Producers need a good relationship with their bank and therefore an opportunity to use this as a leg in to improve record keeping, budgeting, cash flow records etc – need to explore further • Strengthen links between RCS/consultants staff, FutureBeef and RCS clients (Carbon | <p>business analysis skills (webinars)</p> <ul style="list-style-type: none"> - Case study highlighting good record keeping and business management. | <p>enterprises/year to define herd/business performance.</p> <ul style="list-style-type: none"> - Continue to use Profit Probe during SavannaPlan where records allow - Producers undertaking training workshops including Testing Management Options (TMO) |
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| | Farming project) | | |
| DAFWA | | | |
| NTDPIF | <ul style="list-style-type: none"> Northern Beef Scoping study made available. Summary published in KRR Speaker presentations at Beef Up Forums | <ul style="list-style-type: none"> Cost of production workshop?? Breedcow workshops? | <ul style="list-style-type: none"> Pilot a Savanna plan type program in a region, ie Sturt Plateau?? |
| MLA | <ul style="list-style-type: none"> Cost of Production calculator promo | <ul style="list-style-type: none"> Business EDGE courses | <ul style="list-style-type: none"> Cost of Production calculator on website. |

Agency Experts:

- MLA – Phil Holmes (consultant)
- DAFF – Mick Sullivan, Roger Sneath, Byrony Daniels etc.
- NTDPIF -
- DAFWA -

Resources:

All resources available on FutureBeef DVD except those marked with asterisk.

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| MLA | <ul style="list-style-type: none"> - For the record – livestock inventories improve business performance (Frontier Summer 2010-11) - Herd data the lynchpin of reproductive efficiency performance (Frontier Summer 2010-11) - Analysing the figures – today's management decisions performance affect tomorrow's profits (Frontier Summer 2010-11) - Reviewing market options with Dynama performance (Frontier Summer 2010-11) - A calculated look at the business (Frontier Autumn 2010) - CoP calculator provides easy insights (Frontier Autumn 2010) - Producers gain from financial benchmarking (Frontier Autumn 2010) - B.NBP.0518 Northern beef situation analysis 2009 Final Report (2009) - Is my beef business improving? (Frontier Autumn 2010) - A future of profit and sustainability (Frontier Autumn 2010) - B.NBP.0370 Attracting and retaining staff in Australia's beef, sheepmeat & pastoral wool industries Final Report (2008) - B.NBP.0464 Decision making in the grazing industry - The case of controlled breeding Final Report (2008) - Coming to terms with succession planning (Frontier Autumn 2008) - NBP.334 High Input systems for northern breeding herds Final Report (2007) - Measuring financial performance (Frontier Summer 2007) - NBP.225 KAP property economic analysis and benchmarking Final Report (2006) - NAP3.107 Smart Manager Final Report - FC.003 Profit Drivers for Beef Producers Final Report (1999) |
| DAFF | - |
| NTDPIF | - |
| DAFWA | - |

Business management case studies:

Making change count (Frontier Winter 2011)

- John and Jill Neal, Moonie QLD

Implementing improvements (Frontier Autumn 2010)

- Lachie and Carlie Ward, Dingo QLD

Measuring the profitability of change (Frontier Summer 2007)

- Dan Lynch, Cloncurry QLD

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