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For the latest in red meat R&D

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For the latest in red meat R&D

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

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

John Francis

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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

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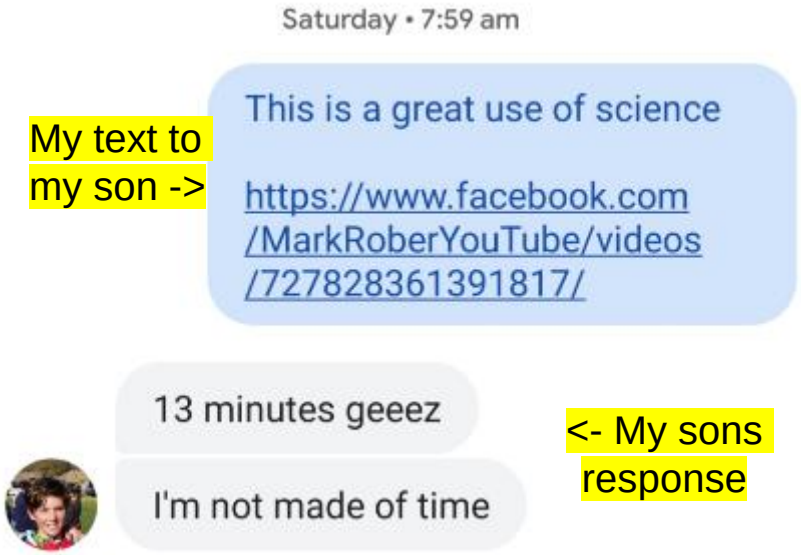
Achieving high levels of profitability is hard – its not for everyone



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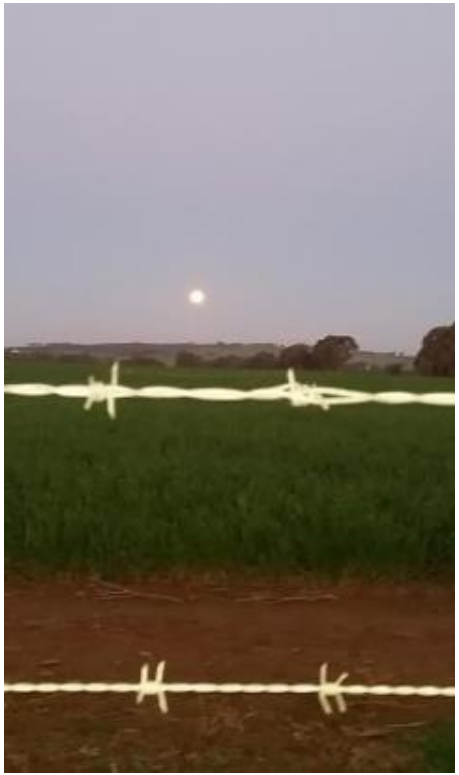
Why strive for business efficiency?



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

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

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

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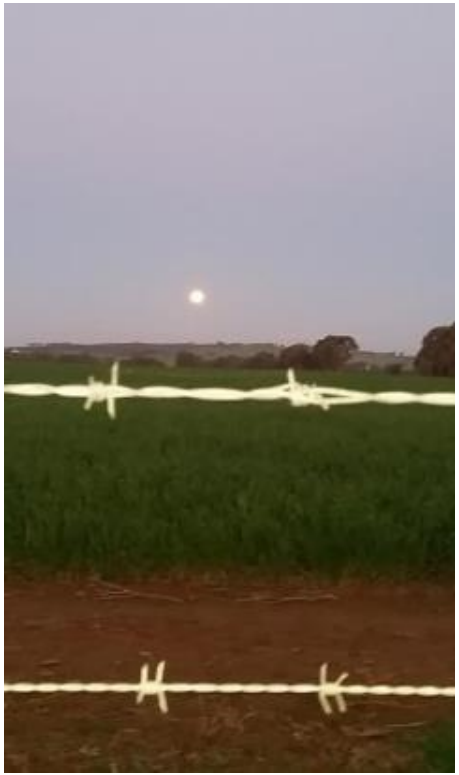

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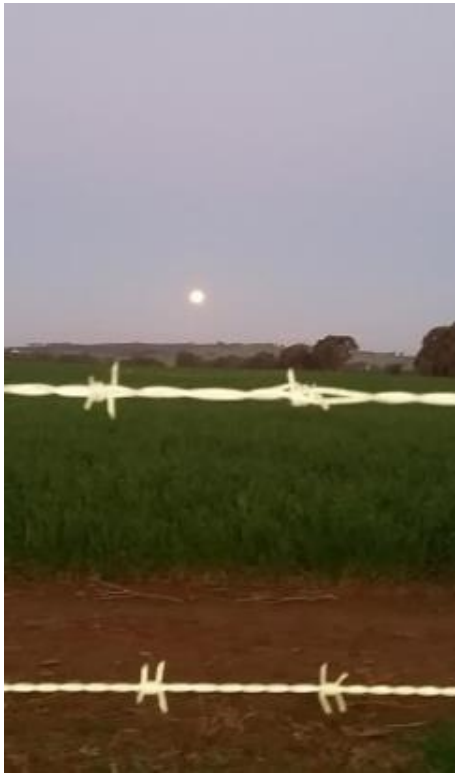

$$\frac{\text{Operating profit}}{\text{Asset value}} = \text{Operating return}$$

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

$$\frac{\$600,000}{\$20,000,000} = 3.0\% \not\%$$

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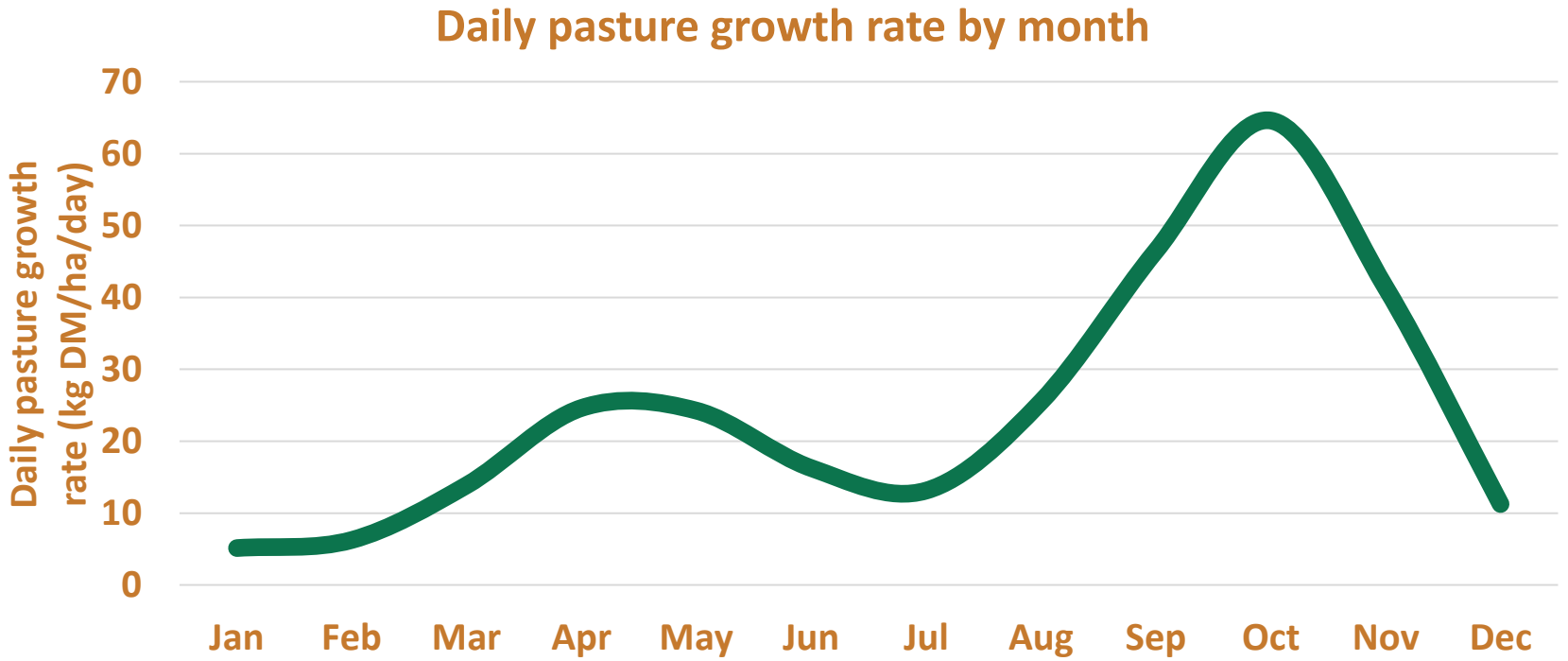
The single biggest driver of profitability in red meat enterprises is the system you implement to utilise this



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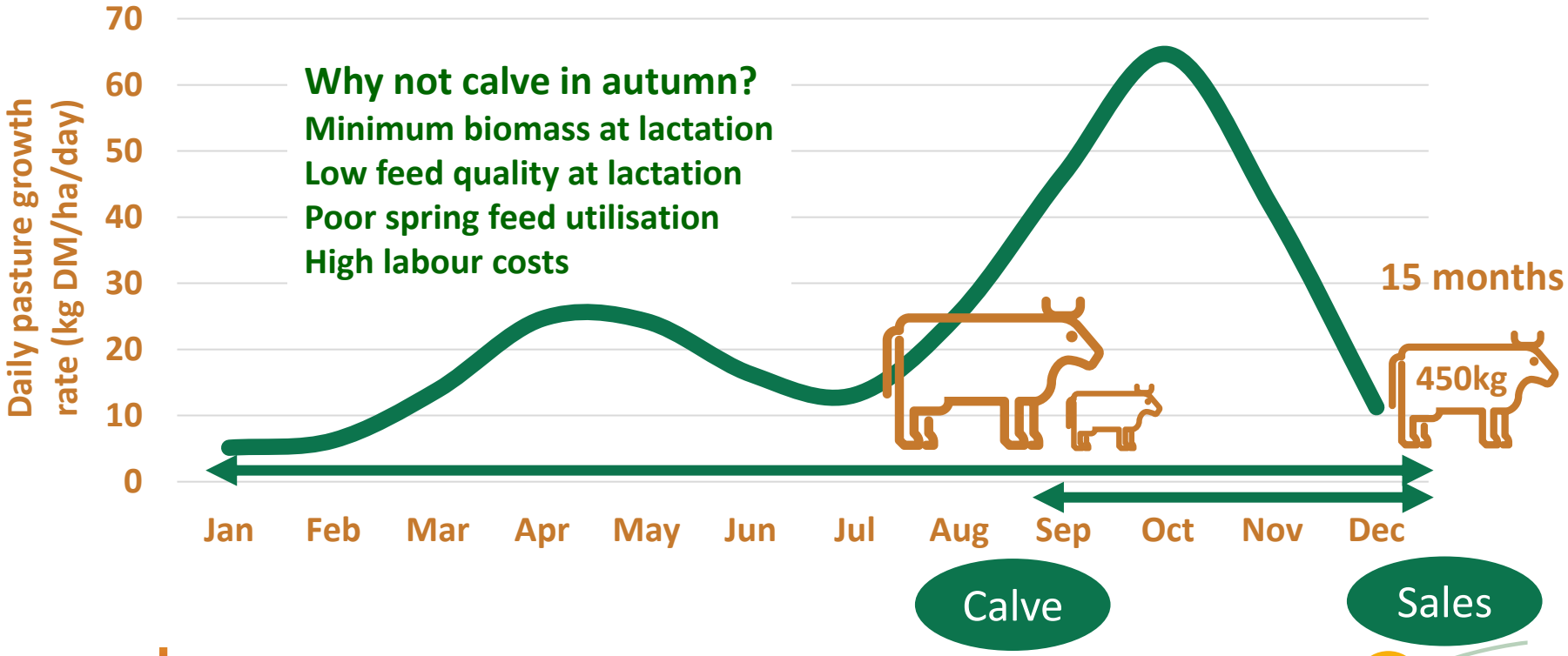
Beef system design to utilise >50% of feed



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Target 45kg lwt/ha/100mm

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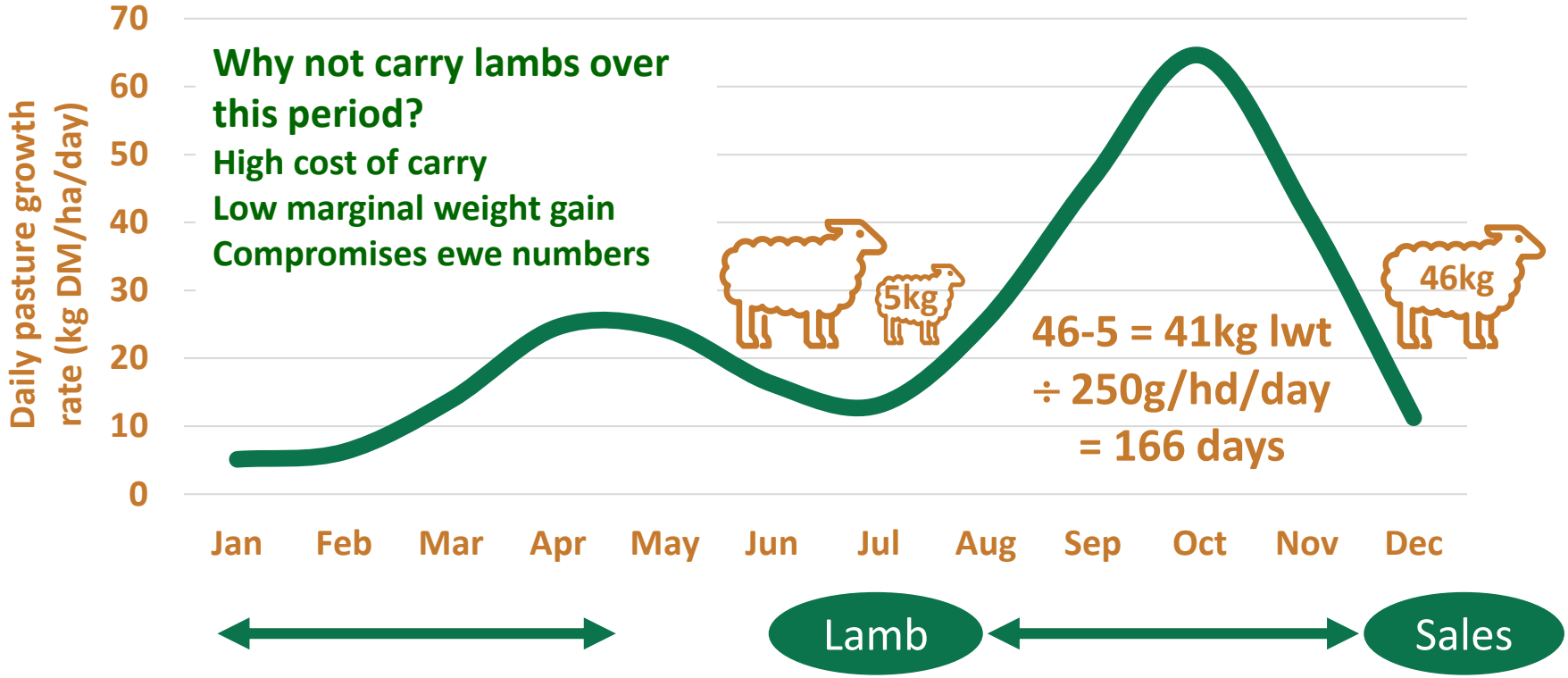
Prime lamb system to utilise >50% of feed



Target 1 ewe joined/ha/100mm

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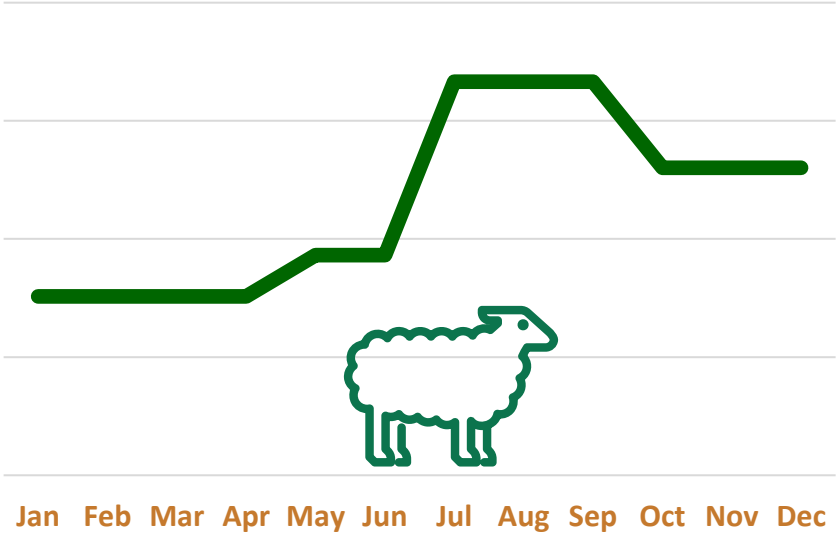
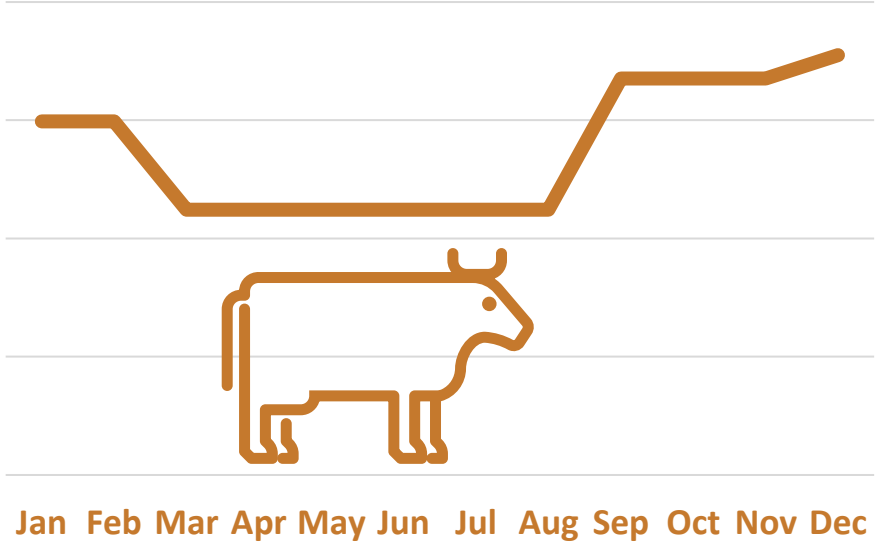
What do profitable systems look like?

Lamb system – feed demand curve



Beef system – feed demand curve



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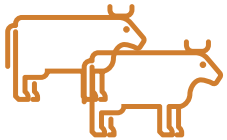
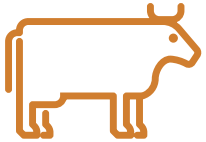
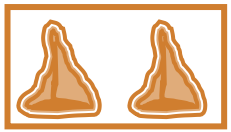
Outputs of good systems design

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

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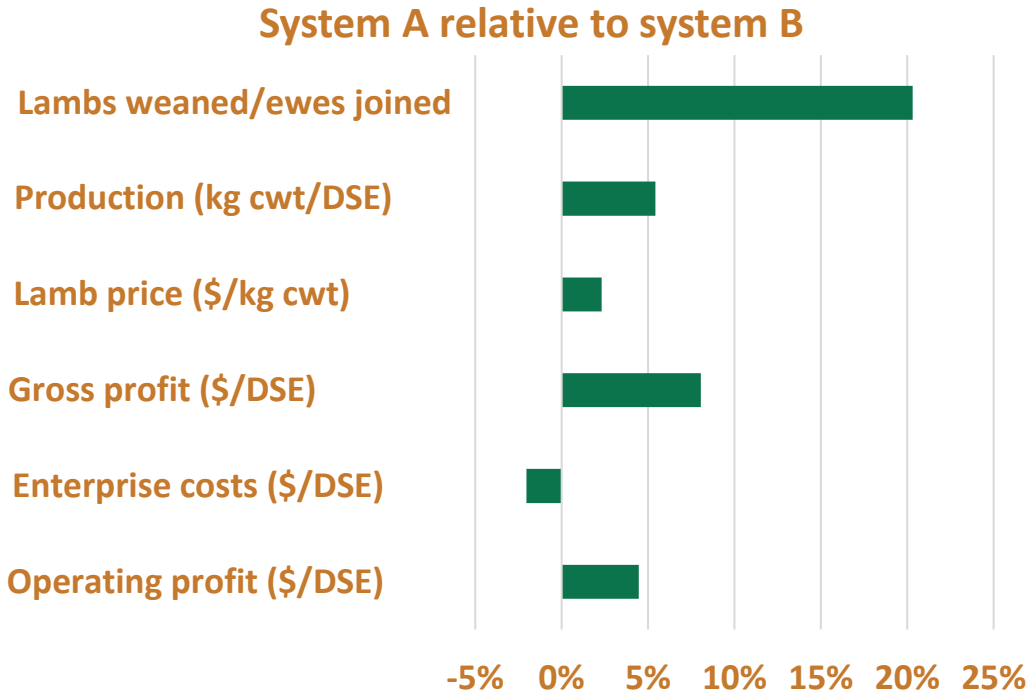
Profitable producers know their numbers

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



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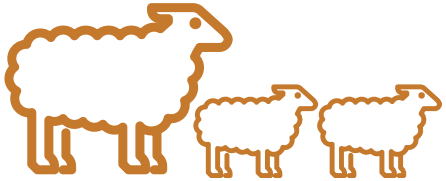
System A is more profitable because:



More lambs weaned per ewe joined

More kilograms per lamb produced

More dollars per lamb sold

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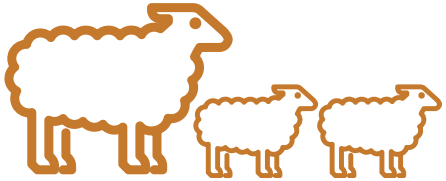
System A is more profitable because:



System A is more profitable - right?

It is wrong

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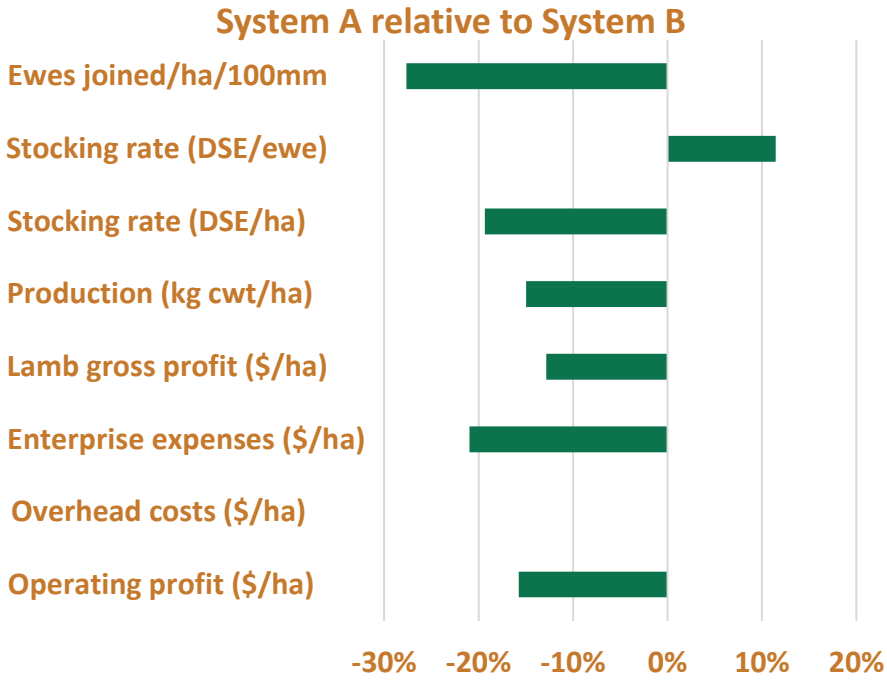
Profitable producers know the productivity measures that matter

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



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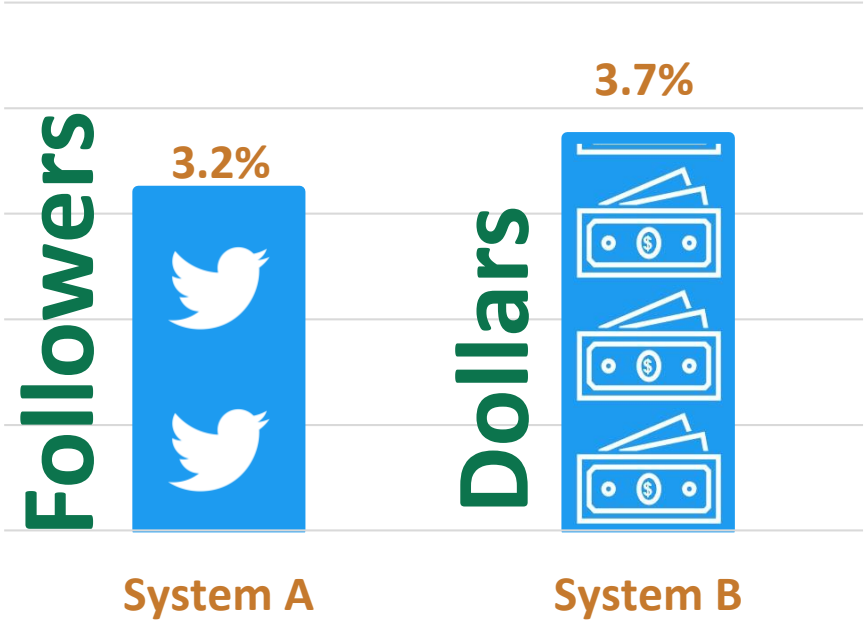
Are you chasing headlines or the bottom line?

Profitability – return on assets



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What are the attributes required?

- Clear strategy
- Skilled decision maker
- Thinks critically
- Understands feedbase
- Values team culture
- Proactive ops calendar
- Operationally efficient
- Financially literate

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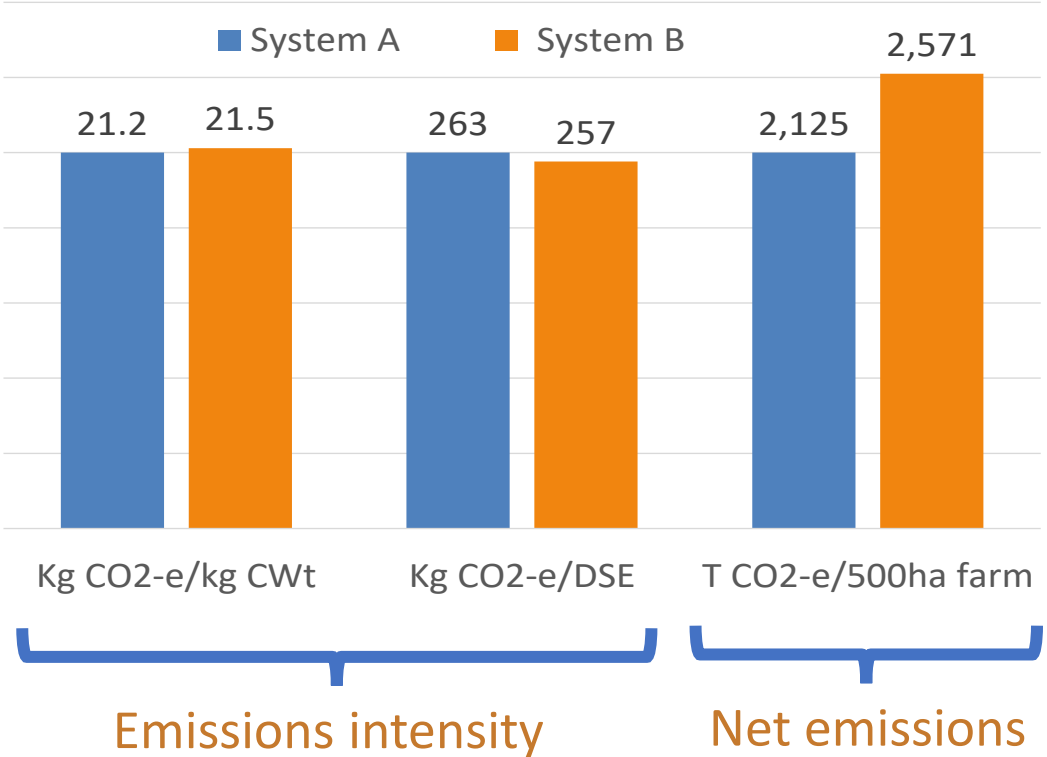
Productive systems have higher emissions



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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

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Tools and resources

Business EDGE Workshop

FREAKONOMICS
THE HIDDEN SIDE OF EVERYTHING

HIDDEN BRAIN

CHOICE OLOGY with KATY MILKMAN

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Thanks for the opportunity

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