final report

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Beef business health check: developing regional benchmarks

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Abstract

Calculating Cost of Production (CoP) is a useful beef business health check. This project utilised the output from CoP calculations completed by a number of NSW northern tablelands beef producers to develop indicative regional benchmarks for a number of Key Performance Indicators (KPIs).

Data from those individual calculations was collated to develop the following three KPIs:
1. Cost of Production ($/kilogram of beef produced).
2. Kilograms of beef produced per hectare grazed (kgs/ha).
3. Kilograms of beef produced per hectare per 100mm of rainfall received for the 2011/12 year.

The median CoP and kilogram of beef produced per hectare for 2010/11 were $1.21/kg and 223kgs/ha respectively.

In 2011/12 the median values were $1.33/kg for CoP, 155 kgs/ha and 16.9 kg/ha/100mm of rainfall.

Executive summary

MLA has produced a standardised Cost of Production Beef calculator. Beef producers wishing to improve the performance of their beef enterprises need to have a good understanding of the current health of their businesses.

Cost of Production is a key factor affecting the profitability of beef businesses. Calculating Cost of Production (CoP) is an important step in assessing herd performance and a first step towards making change.

This project utilised a powerful network of influential and progressive beef producers located in the NSW northern tablelands and north west region who use innovation, new technology and improved management techniques, including those promoted through the MLA More Beef from Pastures (MBfP) program, to boost productivity and profitability.

The group members are "progressive" in nature and keen to measure and monitor the performance and health of their businesses by calculating their Cost of Production (CoP) annually and use the outcome, together with other Key Performance Indicators (KPIs) such as kilograms of beef produced per hectare, to compare and benchmark themselves against other group members and the wider beef industry.

This project aimed to utilise the output of these producers' Cost of Production calculations and production data to develop regional benchmarks for a number of important production and profit KPIs.

The following objectives were established for the project:

1. To have a network of beef producers located in the northern tablelands region of NSW individually calculate their Cost of Production (CoP) and use the outcome to identify Key Performance Indicators (KPIs) for their businesses.
2. To establish regional benchmarks for the following three KPIs:
    a. Cost of Production ($/kilogram of beef produced)
    b. Kilograms of beef produced per hectare (kgs/ha)
    c. Kilograms of beef produced per hectare per 100 mm of rainfall received (kg/ha/100mm)
3. Develop regional case studies to promote regional benchmarks, improved business benchmarking and opportunities to engage in MBfP and regional production groups.

Key results related to those objectives were:

- 37 beef businesses conducted Cost of Production calculations for the 2010/11 year. For the 2011/12 year 41 similar calculations were made. All calculations were done using the guidelines outlined in MLA's *Tips&Tools Calculating cost of production for your beef business*.
- Median values for the three KPIs focussed on are shown in Table 1 below:

Table 1: Median Profit and Production KPIs for 2010/11 and 2011/12

Year	Cost of production ($/kg)	Kilogram beef per hectare (Kgs/ha)	Kilograms beef per hectare per 100mm
2010/11	1.21	222	NA
2011/12	1.33	155	17

- Three regional case studies have been developed to promote regional benchmarks, improved business benchmarking and opportunities to engage in MBfP and regional production groups. An overview of this work and two producer case studies have been published in MLA's member magazine Feedback. *(*October 2012 and January/February 2013).

This project has demonstrated that beef producers can use a relatively simple Cost of Production calculation to develop a number of important Key Performance Indicators which give a better understanding of the current health of their beef business.

These KPIs can also be used to benchmark an individual business year to year within itself or compared it to regional (or broader) benchmarks if those benchmarks have been developed using a similar process.

The three producers profiled in the case studies associated with this project all agree that there is great value in calculating CoP and that sharing knowledge gained from that experience in regional groups is highly valuable. These producers reflect the opinion of group members in general.

The simple model used to deliver this project should be utilised on a broader scale to stimulate other beef producers to examine the health of their beef businesses.

Acknowledgments

This project was supported by Meat & Livestock Australia (MLA) and their support is gratefully acknowledged. I also thank the beef producer members of the Beef Profit Network who supplied the data. Their commitment to using a simple Cost of Production calculation to assess the health of their beef businesses and share the outcomes is to be commended.

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1 Background

MLA has produced a standardised *Cost of Production - Beef* calculator so that beef producers wishing to gain a better understanding of the current health of their businesses have access to an easy to use tool. Cost of Production (CoP) is a key factor affecting the profitability of beef businesses and calculating it annually is an important first step towards making change.

A number of Key Performance Indicators (KPIs) can be developed from the output of a CoP calculation and be used in benchmarking the business year to year within itself or outside the business against similar enterprises.

This project aimed to utilise the output of CoP calculations completed by a number of beef producers in the northern tablelands and north west regions of NSW together with their production data to develop regional benchmarks for a number of important production and profit KPIs.

Members of the NSW Beef Profit Network coordinated by Hoffman Beef Consulting Pty Ltd participated in the project. Currently (Feb 2013) the Beef Profit Network includes 75 beef producers located in northern NSW who are members of 5 groups. Another group commences in March 2013.

The groups are spread over a wide area and centred on Casino, Ebor, Guyra, Yarrowitch, Bingara/Barraba and Coonabarabran in NSW.

The members collectively manage 54,900 head conservatively valued at $46.7m. A land mass of 37,419 hectares is owned and or managed by members which has an estimated total value of $205.8m.

It is a powerful network of influential and progressive beef producers who use innovation, new technology and improved management techniques to boost productivity and profitability.

The group members are "progressive" in nature and keen to measure and monitor the performance and health of their businesses by calculating their CoP annually and use the outcome, together with other KPIs such as kilograms of beef produced per hectare, to compare and benchmark themselves against other group members and the wider beef industry.

This provided an opportunity to utilise the output of their CoP calculations to develop regional benchmarks for three important production and profit KPIs and to extend the outcomes to the wider beef industry through the development of case studies which were widely promoted to industry.

Promoting these case studies to the beef industry is an important outcome for MLA as it seeks to stimulate other beef producers to examine the health of beef businesses using a simple framework supported by tools developed by MLA and delivered through the MBfP program.

2 Project objectives

To achieve the project's aim the following objectives were established for the project:

1. To have a network of beef producers located in the northern tablelands region of NSW individually calculate their Cost of Production (CoP) and use the outcome to identify Key Performance Indicators (KPIs) for their businesses.

2. To establish regional benchmarks for the following three KPIs:
    a. Cost of Production ($/kilogram of beef produced)
    b. Kilograms of beef produced per hectare (kgs/ha)
    c. Kilograms of beef produced per hectare per 100 mm of rainfall received (kg/ha/100mm)

3. Develop regional case studies to promote regional benchmarks, improved business benchmarking and opportunities to engage in MBfP and regional production groups.

3 Methodology

36 businesses completed CoP calculations for the 2010/11 year. They were from three Beef Profit Network groups: Ebor, Guyra and Yarrowitch.

Forty one businesses submitted data from their CoP calculations for the 2011/12 year. They were from four groups including a new group in the Bingara/Barraba area of north west NSW who submitted data for the first time.

Data was collected using a calculator in an excel format based on the content of the *MLA Cost of Production Beef* calculator available at www.mla.com.au

In summary there are four components to the calculation:

1. **Kilograms of beef produced**. This is calculated by recording any significant change that occurred in the inventory of livestock on the property at the end of the year compared to the start. Kilograms of beef sold is recorded in liveweight terms. Kilograms of beef purchased is subtracted from kilogram sold.
2. **Labour costs.** These include permanent and/or casual labour costs plus an allowance for a full time owner/operator at $50,000 per year.
3. **Herd enterprise costs**. These include health, selling, purchased fodder and transport costs.
4. **Overhead costs.** As the name implies these are the costs largely incurred regardless of what happens in the production part of the business. For example repairs and maintenance, insurance, rates, pasture improvement, maintenance costs and depreciation.

Total costs are divided by the kilograms of beef produced to give the CoP in $/kg liveweight.

In addition total hectares grazed and the yearly rainfall (for the 2011/12 year) was recorded. Total kilograms of beef produced was divided by hectares grazed to calculate kilograms of

beef/hectare (kgs/ha). For the 2011/12 year this value was subsequently converted to kilogram of beef produced per hectare per 100mm of rainfall received (kgs/ha/100mm).

Data was collated both within each group and also across the pooled data for the network.

One producer from each of the Ebor, Guyra and Yarrowitch groups was selected to be the focus for the case studies.

4 Results and discussion

4.1 Results

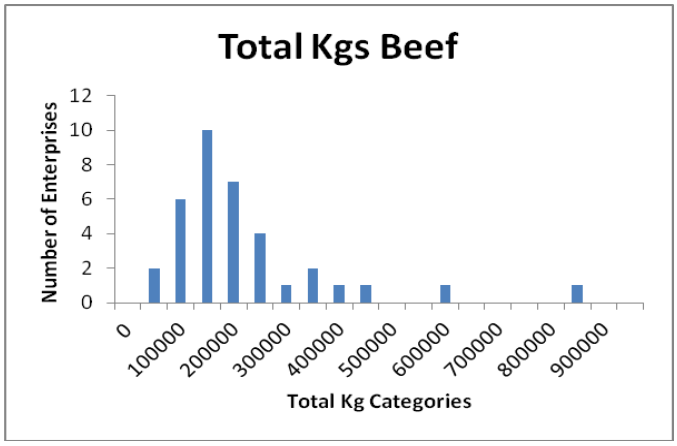
In 2010/11 36 producers contributed data for this evaluation. The median values for total kilograms of beef produced (kgs), kilograms produced per hectare (kgs/ha) and cost of production ($/kg) are shown in Table 2.

Table 2. Total kgs of Beef, Kg/ha and Cost of production in 2010/11.

Total kgs	Kgs/ha	CoP
139,430	222	$1.21

The range and frequency for total kgs produced in 2010/11 is shown in Figure 1.

Figure 1. Range and Frequency for Total Kilograms Produced in 2010/11

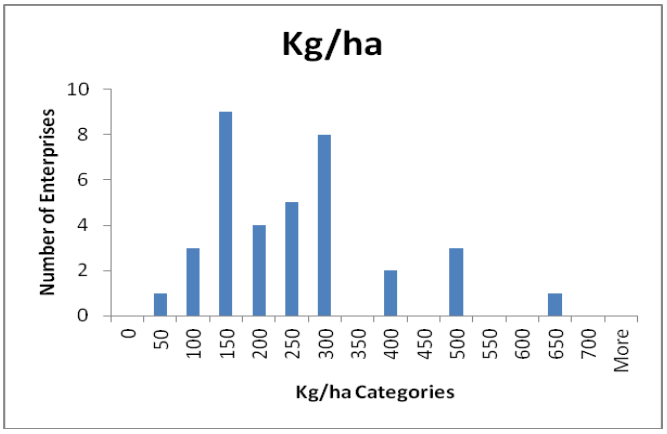


In summary:

- The median for total kilograms of beef produced was 139,430 kgs.
- 61% of producers produced between 100 - 300,000 kgs.
- 17% produced greater than 300,000 kgs of beef.

The range and frequency for kgs produced per hectare in 2010/11 is shown in Figure 2.

Figure 2. Range and Frequency for Kgs /Ha in 2010/11

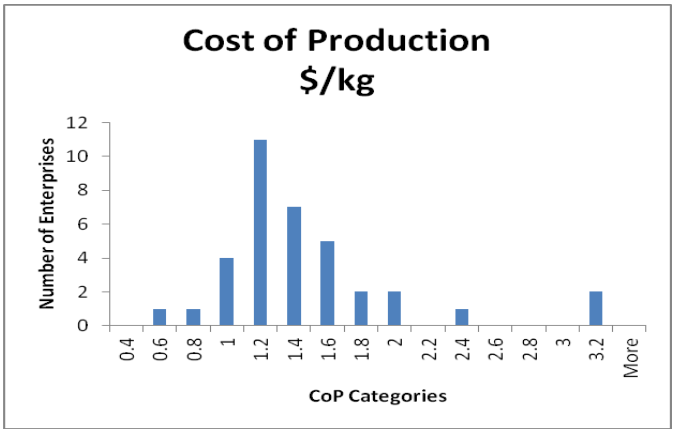


In summary:

- The median for kilograms of beef produced/ha was 222 kgs
- 72% of producers produced between 100 – 300 kgs/ha.
- 17% produced greater than 300 kgs/ha.

The range and frequency for Cost of Production in 2010/11 is shown in Figure 3.

Figure 3. Range and Frequency for Cost of Production in 2010/11



In summary:

- The median for Cost of Production was $1.21/kg.
- 81% of producers produced beef for less than $1.60.
- 50% produced beef for less than $1.20/kg.

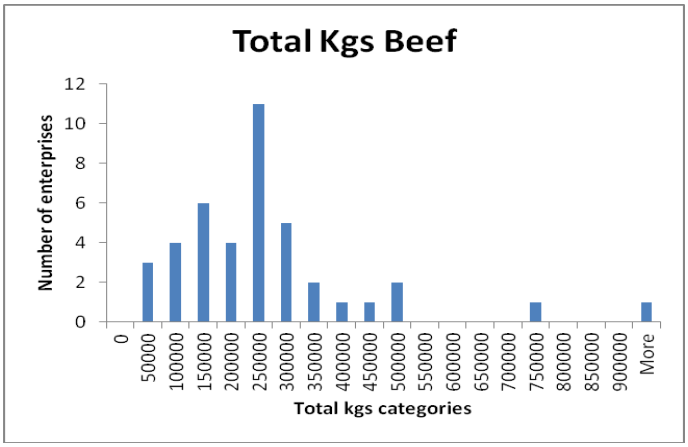
In 2011/12 41 producers contributed data for this evaluation. The median values for total kilograms produced (kgs), kilograms produced per hectare (kgs/ha), kilograms of beef produced per hectare per 100mm of rainfall received and cost of production ($/kg) are shown in Table 3.

Table 3. Total kgs, kg/ha, kg/ha/100mm and Cost of production in 2011/12

Total kgs	Kgs/ha	Kg/ha/100mm	CoP
207,521	155	16.9	$1.33

The range and frequency for total kgs produced in 2011/12 is shown in Figure 4.

Figure 4. Range and Frequency for total kgs produced in 2011/12

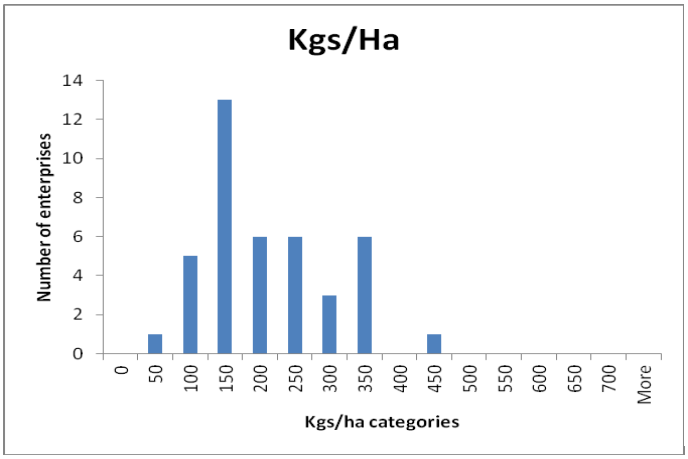


In summary:

- The median for total kilograms of beef produced was 207,521 kgs.
- 73% of producers produced between 1000 - 300,000 kgs.
- 20% produced greater than 300,000 kgs of beef.

The range and frequency for kgs produced per hectare in 2011/12 is shown in Figure 5.

Figure 5. Range and Frequency for kgs produced per hectare in 2011/12

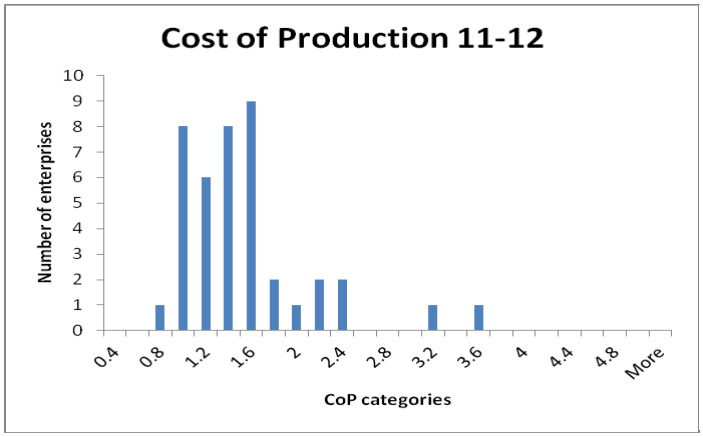


In summary:

- The median for kilograms of beef produced/ha was 155 kgs.
- 80% of producers produced between 100 - 300 kgs/ha.
- 17% produced greater than 300 kgs/ha.

The range and frequency for Cost of Production in 2011/12 is shown in Figure 6.

Figure 6. Range and Frequency for Cost of Production in 2011/12

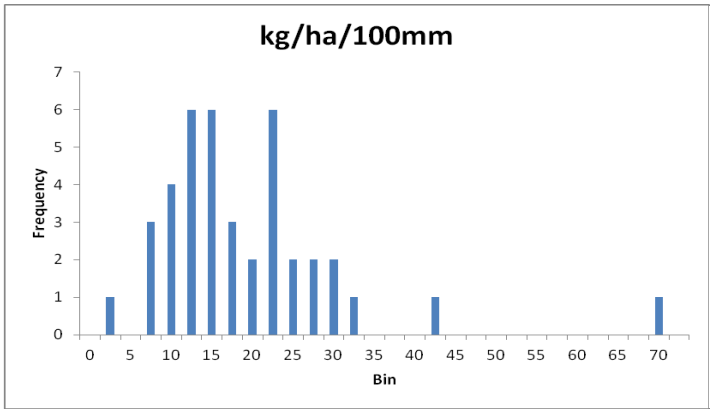


In summary:

- The median for Cost of Production was $1.33/kg.
- 56% of producers produced beef for less than $1.60/kg.
- 22% produced beef for less than $1.20/kg.

The range and frequency for kilogram of beef produced/ha/100mm of rainfall in 2011/12 is shown in Figure 7.

Figure 7. Range and Frequency for kgs/ha/100mm of rainfall in 2011/12



In summary:

- The median for kgs/ha/100mm of rainfall was 17/kg.
- 82.5% of producers produced 10 – 30 kgs/ha/100mm.
- 7.5% of producers produced greater than 30/kgha/100mm.

4.2 Discussion

Beef producers members of the Beef Profit Network who were involved in this project had not used the Cost of Production calculator before joining the network. They participated in an introductory half day workshop after which most were able to complete the calculation without any further face to face assistance. A small number did require clarification in regards to some aspects of completing the task but it was able to be provided without further face to face contact.

Sourcing the required data from their record system was difficult for some project participants in year one but in most cases that was not a problem in year two.
Feedback from the project participants was extremely positive. They openly commented that completing the Cost of Production calculation gave them an insight into aspects of their businesses which previously they were not aware of or had ignored.

Understandably many were hesitant about sharing and discussing their individual results in an open and transparent way as part of a group review workshop session. This was overcome by

the development of mutual trust and confidence amongst the group members and 100 per cent participated in the review workshops. The overwhelming comment made by individual producers in the evaluation of these workshops was that “it was the best thing I ever participated in”.

5 Success in achieving objectives

PROJECT OBJECTIVE 1

To have a network of beef producers located in the northern tablelands region of NSW individually calculate their Cost of Production (CoP) and use the outcome to identify Key Performance Indicators (KPIs) for their businesses.

This objective was successfully achieved by having 36 beef producer members of the Beef Profit Network complete a Cost of Production calculation in 2010/11 and 41 in 2011/12. The Beef Profit Network has expanded and it is anticipated that 65 members will complete a cost of Production calculation for the 2012/13 year.

A number of other important Key Performance Indicators(KPI) for profit such as kilograms of beef produced per hectare and kilograms of beef produced hectare per 100mm of rainfall are also calculated as part of the Cost of Production calculation.

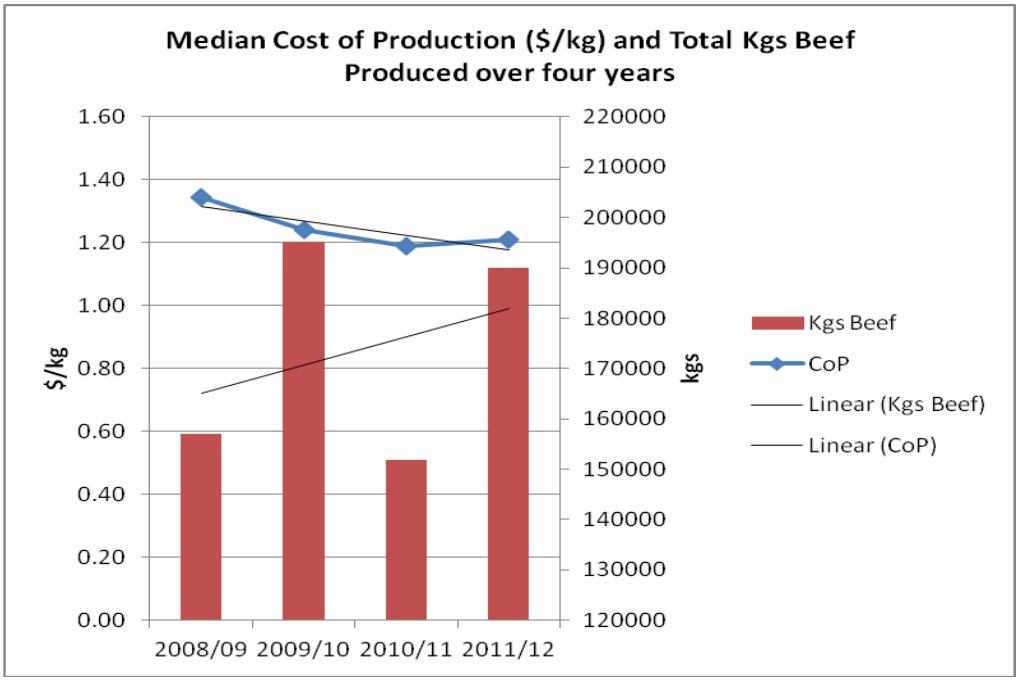
Within the Beef Profit Network benchmarking of these KPIs is conducted at three levels:

- Year to year for the individual businesses.
- Within group.
- Across the network.

Results are discussed in an open and transparent manner at workshops for each group which facilitates a high level of sharing in regards to experience and knowledge. Also as part of this workshop process, individual members develop a focus and set goals for their businesses and report back on progress towards achieving them. Feedback indicates that this is a highly valuable outcome.

In the 4 year period up to 2011/12 the key area of focus has been on increasing productivity (kilograms of beef produced) and controlling Cost of Production. The trends in these KPIs for network members who have supplied data for the period 2008/09 to 2011/12 are shown in Figure 7.

Figure 7. Trends in Cost of Production and Total Kgs Produced over 4 Years.



These results indicate that members of the Beef Profit Network are achieving success in meeting their goals of improving productivity and controlling their Cost of Production. Kilograms of beef produced is trending up and Cost of Production has decreased.

PROJECT OBJECTIVE 2

To establish regional benchmarks for the following three KPIs:

a. Cost of Production ($/kilogram of beef produced)
b. Kilograms of beef produced per hectare (kgs/ha)
c. Kilograms of beef produced per hectare per 100 mm of rainfall received (kg/ha/100mm).

The results presented in Section 4 are derived from data collected over just two years and benchmarks developed from it should be considered as preliminary. Year to year variations can occur for many reasons and cause the results to be misleading. Trends developed over a minimum of three years will give a more reliable benchmark both at the individual business and regional level. Five years of data would be preferable.

Indicative regional benchmarks have been developed based on the two years of data available from this sample of beef producers located in the NSW northern tablelands region. They are shown in Table 4. These indicative benchmarks will be updated as data for more years is collected and the updated benchmarks will be provided to beef producers in that region.

Table 4: Indicative Region Benchmarks for Important Production and Profit KPIs

Year	Cost of Production ($/kg)	Kilogram of beef per hectare (kg/ha)	Kilogram of beef per hectare per 100mm of rainfall (kg/ha/100mm)
2010/11	1.21	222	N/A
2011/12	1.33	155	16.9
Mean	1.27	189	16.9

PROJECT OBJECTIVE 3

Develop regional case studies to promote regional benchmarks, improved business benchmarking and opportunities to engage in MBfP and regional production groups.

Three regional case studies have been developed to promote regional benchmarks, improved business benchmarking and opportunities to engage in MBfP and regional production groups. An overview of this project work and two of the producer case studies have been published in MLA's member magazine *Feedback* (October 2012 and January/February 2013). These articles can be found in Appendix 1.

6 Impact on Meat and Livestock Industry – now & in five years time

Beef producers face a constant challenge to remain profitable in an operating environment where input costs are constantly rising. Without productivity gains made by adopting innovative production and management technologies, many beef businesses would be unstainable.

Beef producer members of the Beef Profit Network have shown that by making gains in productivity (kilograms of beef produced) they have decreased their Cost of Production.

Kilograms of beef produced and CoP are strong indicators of profitability and a simple cost of production calculation enables beef producers to determine these KPIs for their businesses.

This project has demonstrated that commercial beef producers can take this initial step towards gaining a better understanding in regards to the health of their beef businesses by using the MLA *Calculating Cost of Production for your beef business* tool.

Beef producers should be encouraged to use the tool to calculate Cost of Production for their businesses and be assured that they can do it relatively easily without necessarily seeking professional support. Importantly though they need to be made aware that a result from just one year of data can be misleading. The trend over three years should be the minimum and it is important to be constituent year to year with the assumptions used as part of the calculation.

Benchmarking their businesses within their own operation year to year and also against regional benchmarks such as those established by this project adds significant value to the outcome and should also be encouraged across the southern Australian beef industry over the next five years. It is important though that any benchmarking which is undertaken outside the business be only done against businesses where the data has been collected and collated in the same manner.

7 Appendices

1. *Appendix 1: Kilos and Costs – the profit drivers*. Feedback October 2012, page 22.
2. *Appendix 2: Questioning cost of production*. Feedback October 2012, page 23.
3. *Appendix 3: Growing more meat not the herd*. Feedback January/February 2013, page 15.

Appendix 1

Cost of production

Kilos and costs – the profit drivers

Understanding the profit drivers in beef production is not a complex exercise, according to the facilitator of six Beef Profit Groups in northern NSW.

The simple philosophy of the groups is based on establishing two figures – the kilograms of meat produced and the costs of producing that meat.

Facilitator Bill Hoffman, of Hoffman Beef Consulting, said each group addresses unique production and profit issues at quarterly meetings, but at their core is a strong focus on measuring and monitoring business health through annually calculating the kilograms and the costs.

Located at Guyra, Ebor, Yarrowitch, Baryulgil, Northern Rivers and in the North West, the groups involve 72 producers who collectively manage 79,900 cattle, conservatively valued at $63.9 million, across 119,850ha.

"The most profitable beef producers do not necessarily have the lowest cost of production (CoP), but they have it under control, it's relatively low, and importantly, they're using the figure to improve their beef enterprise," Bill said.

Most of the groups have been calculating CoP for a number of years, which has enabled Bill to develop indicative regional benchmarks for different beef operations in various locations.

Comparing CoPs

Within the six groups there is a wide range of CoP each year from $0.79/kg to $3.92/kg. Each year there are outliers (notably different figures from the bulk of the data) for a range of reasons, but the median 2010-11 CoP across the Ebor, Guyra and Yarrowitch groups was $1.22/kg.

"The benefit of having six beef profit groups with the same facilitator is we can compare the CoP within the group, and across the groups, because it was calculated in the same way," Bill said.

"In the early days the group environment offers support and confidence in calculating CoP. Over time the capacity is built within the individual members so that if the group was to dissolve, producers would continue to calculate their CoP individually as a measure of business health."

Bill emphasised any form of benchmarking needs to be approached with caution.

"Benchmarking an individual business year-to-year with itself gives the most informed view of where the business is going. A high CoP in one year may indicate one off events such as major pasture renovation or significant repairs and maintenance so it is important to look at the trend over a minimum of three years, preferably five," Bill said.

"To date we have kept the process simple as that is what group members tell me they want. We focus on the operational level of the business and a small number of Key Performance Indicators that are strongly collated with profit and I am sure that has strong flow on benefits to overall profit."

CoP and kilograms of beef produced are strong indicators of profit. Between 2008-09 and 2010-11 CoP has fallen by $0.33/kg and kilos of beef produced has risen by 14,896kgs across the three NSW northern tablelands Beef Profit Network groups.

"In 2010-11 86% of the members would have achieved a positive operating margin in $/kgs of beef they produced and that is a pleasing result," Bill said.

Calculating CoP

There are four components to the calculation:

1. Kilograms of beef produced
This is calculated by recording any significant change that occurred in the inventory of livestock on the property at the end of the year compared to the start.

Kilograms of beef sold are recorded in liveweight terms (carcase weight sales are converted to a liveweight equivalent).

Kilograms of beef purchased is subtracted from the sale of kilograms.

2. Labour costs
These include permanent and/or casual labour costs plus an allowance for a fulltime owner/operator at $50,000 per year.

3. Herd enterprise costs
These include health, selling, purchased fodder and transport costs.

4. Overhead costs
As the name implies these are the costs largely incurred regardless of what happens in the production part of the business. For example repairs and maintenance, insurance, rates, pasture improvement and maintenance costs and depreciation.

Total costs are divided by the kilograms produced to give the CoP in $/kg liveweight.

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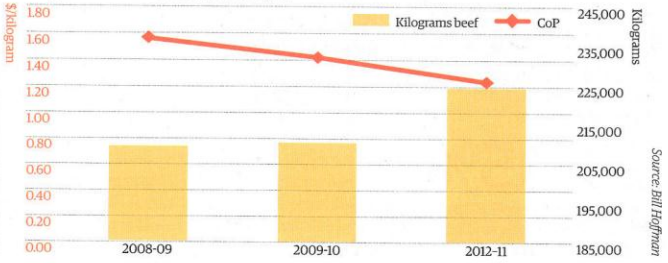
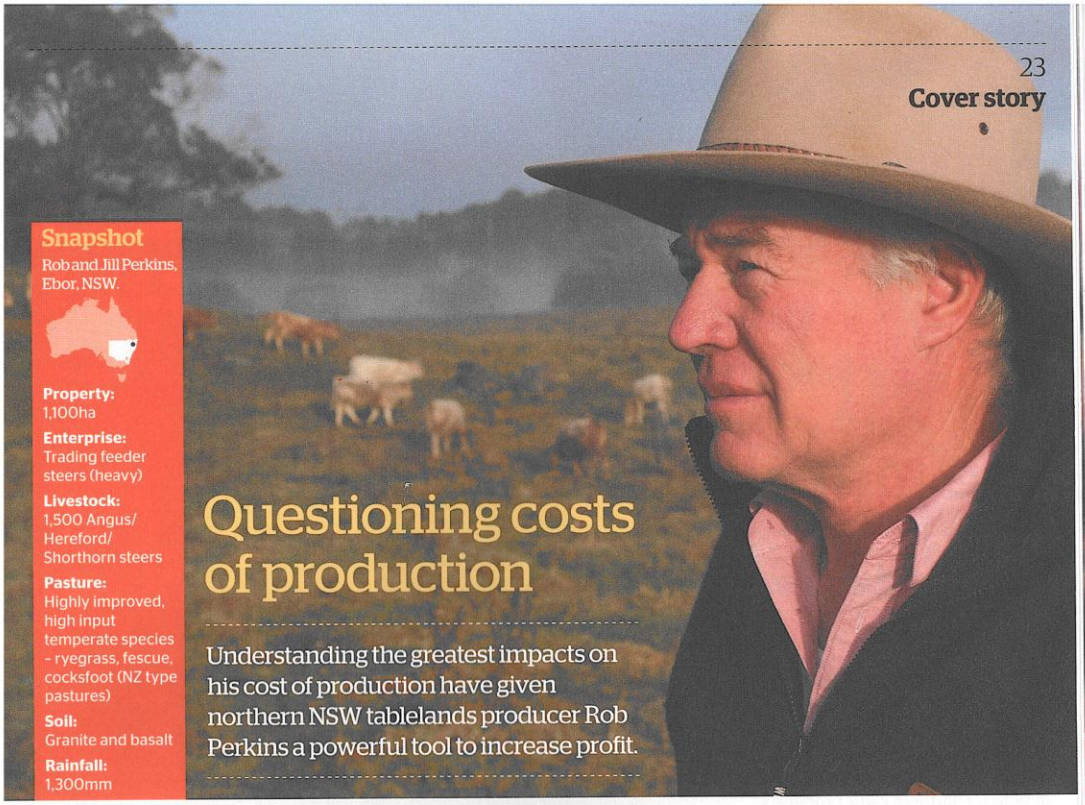
The *MLA beef cost of production calculator* is a tool to help beef producers determine their CoP and compare their performance annually
www.mla.com.au/beefCoP

Figure 1 **Average cost of production (/kg) and total kilograms of beef produced over three years for six Beef Profit Groups.**



Source: Bill Hoffman

Appendix 2



Snapshot
Rob and Jill Perkins, Ebor, NSW.

Property: 1,100ha
Enterprise: Trading feeder steers (heavy)
Livestock: 1,500 Angus/ Hereford/ Shorthorn steers
Pasture: Highly improved, high input temperate species – ryegrass, fescue, cocksfoot (NZ type pastures)
Soil: Granite and basalt
Rainfall: 1,300mm

Questioning costs of production

Understanding the greatest impacts on his cost of production have given northern NSW tablelands producer Rob Perkins a powerful tool to increase profit.

Ebor beef producer Rob Perkins quickly realised that penny pinching on a drum of drench wasn't going to grow his bottom line. But closer examination of his cost of production (CoP) and his big expenses would.

"After three years my CoP has averaged out at about $1.10/kg. I know my biggest costs are pasture and fertiliser and I scrutinise these large costs to make sure I am getting value for money," he said.

"Having intimate knowledge of my costs allows me to narrow my focus and takes it off trying to save $10 on drench."

After four years with the Ebor Beef Profit Group, Rob continues to value the insight that calculating his CoP gives him into his heavy feeder steer operation. The big costs in Rob's operation stem from the high input, highly improved, intensively managed pasture base.

To manage his fertiliser input costs and maintain high quality pastures, Rob has a simple philosophy of replacing the nutrients removed by the cattle.

"Because we are monitoring the stock weights monthly, and know how many kilograms of beef we produce, we can replace the nutrients per kilogram of beef removed. We also soil test and occasionally tissue test," Rob said.

Rob is acutely aware that monitoring and tactical control of stock, coupled with high pasture utilisation, are vital to maximise kilograms of beef per hectare.

"The trader steer market probably has the highest cents per kilogram. We have the scales linked to the NLIS devices so we can monitor stock weights monthly and draft off the tops. We are aiming to get the cattle to 470–480kg," Rob said.

"I also know the price I am going to get for my animals before they leave the farm."

Profit from pastures

Another challenge in Rob's enterprise is utilising the summer feed flush and he always runs slaughter cattle, as well as the feeder steers, to assist in achieving this.

Rob likes to increase the numbers of crossbred cattle in summer to consume the surplus feed and uses MSA to maximise the returns from these cattle.

As he is running a trading, as opposed to a breeding, operation, gathering the data to calculate Rob's CoP takes time but he insists it's no deterrent.

"If the group dissolved tomorrow I would continue to calculate my CoP for my own benefit," he said.

"If you have a good accounting package, the process of collecting the data is not onerous. We pull most of our figures off the information prepared for the accountant, and then it is simply a matter of adding up the kilograms of beef that have entered and exited the property."

The Ebor Beef Profit Group benefits from the sharing of information about each individual enterprise.

"The first year we kept our CoP private but it didn't take long before we just opened the books," Rob said.

"It has been a great policy as nothing is divulged outside the four walls of the meeting. Different producers have different costs of production and when you understand their philosophy, and the goals they have for their business, things start to fall into place."

Table 1 **Ebor Beef Profit Group**

Year	Mean cost of production and range ($/kg)	Mean kilograms of beef/ha and range
2008-09	1.54 (0.86-3.54)	327 (117-912)
2009-10	1.38 (0.86-2.69)	364 (131-937)
2010-11	1.22 (0.79-2.26)	327 (166-609)

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Appendix 3

Cost of production

Growing more meat not the herd

By gaining a handle on costs, this Yarrowitch producer identified the best way to grow his business was to grow more meat not his herd.

Snapshot

Tony and Jan Gaudron, Yarrowitch, NSW.

Property: 1,000ha

Enterprise: Breeding and finishing cattle for the EU and heavy domestic market

Livestock: 500 Angus breeders with some Gelbvieh and South Devon bloodlines

Pasture: Improved pastures – cocksfoot, ryegrass, fescue

Soil: Basalt

Rainfall: 960-1,300mm

After four years with the Yarrowitch Beef Profit Group, Tony Gaudron found he had two ways of increasing his profits – run more cattle or put more weight on his existing herd. The end result would be the same: increased kilograms per hectare.

"The Beef Profit Group allowed access to each other's figures. This illustrated that while my cost of production (CoP) was quite good, averaging around $1/kg, my kilograms of beef per hectare (255), given our rainfall and pastures, was not as good as it could be," Tony said.

The analysis became a driving force for improving productivity, with Tony setting a target of producing 300kg/ha. He initially took a path to reduce the turnoff age of his cattle through better weaner management – a tactic requiring more cows. Two good seasons saw Tony change course and simply try to put as much weight as possible onto his steers.

"In the last 12 months our steer turn-off weight has increased from 340kg to about 380kg dressed weight. Our long term aim is still to reduce turnoff age and run more cows. We are retaining more heifers but the breeding process takes time," he said.

"Buying EU accredited weaners is not profitable for us, so the solution is to find the most profitable balance between turnoff weight and age."

Other business drivers

Always conscious of his input costs, Tony aspires to maintain a low cost enterprise, which is strongly reflected in his approach to breeding and genetics. Calving difficulty in the heifers has led Tony to invest most of his bull buying budget in low birth weight, short gestation length bulls. A third of the bulls used for the cow herd are bred by Tony.

"To buy an Angus bull with great traits across the board could cost up to $10,000. I can get the growth into my herd using other breeds (South Devon and Gelbvieh) cheaply, and then focus on introducing the traits the Angus breed is renowned for," Tony said.

Being involved in the Yarrowitch group has been a catalyst for change and Tony values the diversity and interaction that the group offers.

"Calculating the CoP is a quick and painless process involving little effort. The biggest value comes from sharing the results, looking at the diversity across the group and sharing information about what drives on farm profitability," Tony said.

Table 1 Yarrowitch Beef Profit Group

Year	Mean cost of production and range ($/kg)	Mean kilograms of beef per hectare and range
08-09	1.35 (0.85-2.37)	256 (173-480)
09-10	1.32 (0.87-2.01)	233 (250-353)
10-11	1.19 (0.85-1.69)	288 (166-609)

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Calculate your cost of production with the help of MLA's online calculator:
www.mla.com.au/CoPbeef