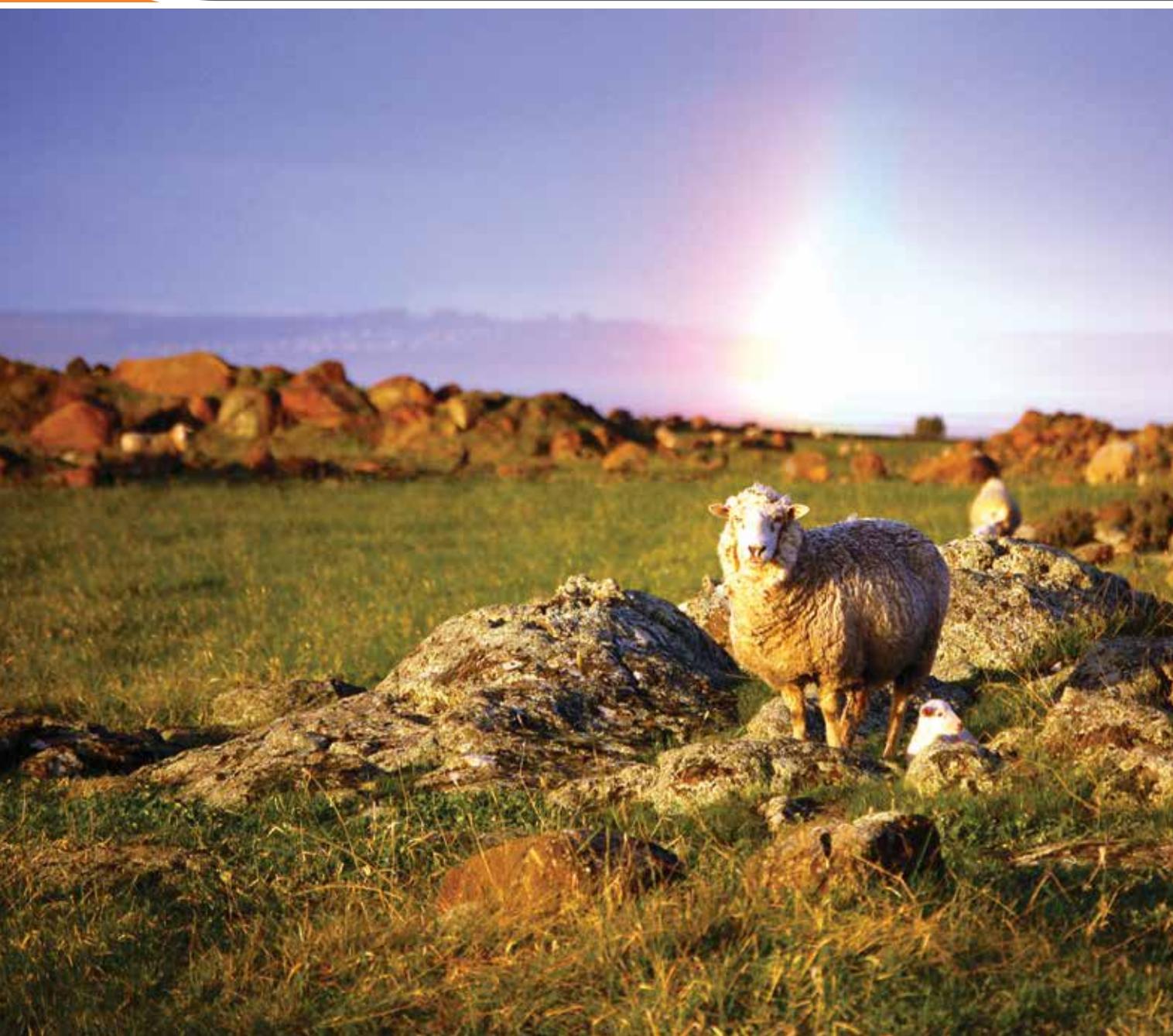


Livestock Farm Monitor Project

Victoria

2011/12



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About the research

This report has been prepared by way of cooperation between the Department of Environment and Primary Industries and Rural Finance.

The Livestock Farm Monitor Project surveys Victorian farms for the collection of physical and financial information. 109 livestock farms participated this year across three regions: Gippsland, South West and Northern Victoria. Participant farms are selected according to farm size, location and enterprise mix. The results published in this report should not be taken to represent true averages because the farms are not selected at random. Not all 2010/11 participants are in the 2011/12 report and there are new participants in this year's dataset. Therefore care needs to be used when comparing the previous and current year's averages due to the variation in the dataset between years.

The method employed to generate the production and profitability data in this report is consistent with that used in previous Farm Monitor Project reports. Readers should be aware that not all benchmarking programs use the same method or terminology for farm financial reporting and that the allocation of items such as overhead costs and owner operator allowance against the farm enterprises will vary between financial benchmarking programs. Standard dollar values for stock on hand and DSE ratings of livestock may also vary. For this reason, the results from different benchmarking programs should be compared with caution.

The Department of Environment and Primary Industries and Rural Finance are grateful for the cooperation of Victoria's livestock farmers who have contributed their farm information to this project.



The year in review

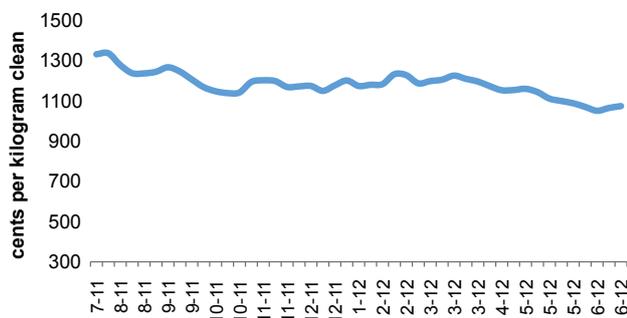
After good prices and seasonal conditions in 2010/11, the 2011/12 year saw a softening of commodity prices and more challenging seasonal conditions, particularly in the South West. Accordingly, livestock farm operating profit was lower compared to the previous year. Even so, the average operating profit reported in 2011/12 of \$144/effective hectare was higher than two years ago which highlights how exceptional the 2010/11 year was.

Wool

The wool market tracked downward slightly during 2011/12. In the context of a sharp increase in wool prices in late 2010, wool prices were reasonable compared to recent history despite gradual softening over the course of 2011/12. Wool prices have shown some resilience to a strong Australian dollar and continue to be supported by demand from China.

The value of wool produced in Victoria in 2011/12 was \$616.8 million (ABS, 2012), down by 9 per cent compared to the previous year.

Figure 1. Southern AWEX Indicator



Data: AWEX

Lamb

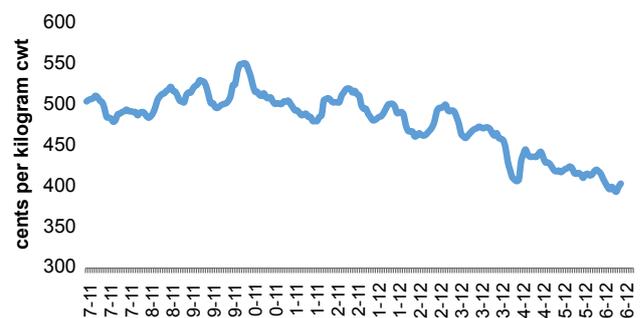
After a long period of lamb prices trending higher, March 2011 saw the market turn. Up to the lamb price peak the market had been supported by low supply and strong competition among graziers after back-to-back good seasons and strong demand from processors. However, prices fell as the expectation of a drier season ahead combined with increased exports of New Zealand lamb into Victoria's international markets and supply began to outweigh demand.

The drop in lamb price and income coincided with a period of lower grain prices and a good season in Gippsland and the North which helped to control costs.

The season in the South West was less favourable which contributed to a 23 per cent increase in enterprise costs compared to the previous year.

The value of sheep and lamb produced in Victoria in 2011/12 was \$1,134.7 million (ABS, 2012), up 3.8 per cent compared to the previous year.

Figure 2. Eastern States Trade Lamb Indicator



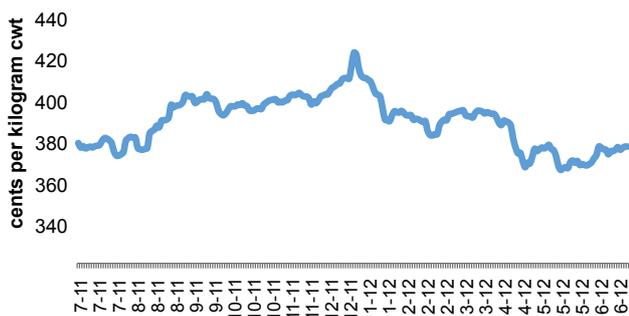
Data: MLA

Beef

Beef markets were volatile during 2011/12. Cattle prices had maintained strength throughout 2011 despite economic crises in Europe, a strong Australian dollar and increased competition from the US in some export markets. However in late 2011, the beef market turned and began a downward trend which persisted for the rest of the financial year. Similar to sheep markets, cattle graziers lost enthusiasm for building herds with concerns about drier times ahead. The increased turn-off placed additional downward pressure on prices.

The value of cattle and calves produced in Victoria in 2011/12 was \$1,322.9 million (ABS, 2012), down 3.4 per cent compared to the previous year.

Figure 3. Eastern Young Cattle Indicator

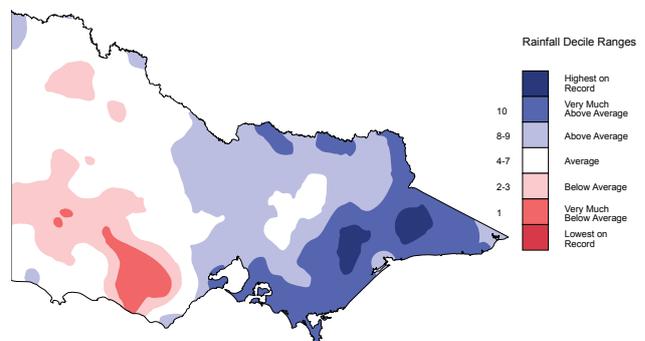


Data: MLA

Rainfall

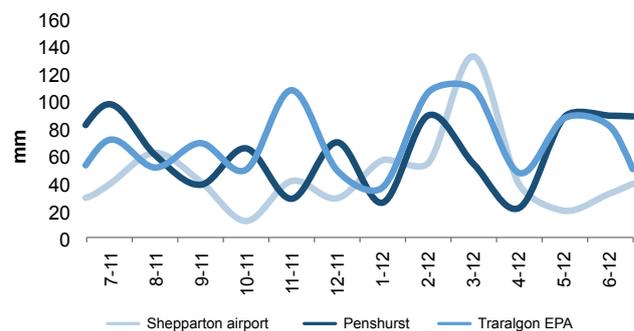
Rainfall was inconsistent across Victoria in 2011/12. While eastern parts of the State received above average rainfall, in the west rainfall was below average. It was particularly dry in the South West where some areas received 200 mm less than average rainfall. Much of the reduction in rainfall occurred during the spring period which impacted the peak pasture growing season and reduced the amount of fodder conserved on many farms.

Figure 4. Victorian Rainfall Deciles July 2011 to June 2012



Data: Bureau of Meteorology

Figure 5. 2011/12 Monthly Rainfall



Data: Bureau of Meteorology

Gippsland

Fast Facts

The average Gippsland livestock farm in 2011/12 ran 3,931 sheep, 483 beef cattle and cropped 33 hectares on a total of 783 effective hectares.

The enterprise mix was Wool 24 per cent, Lamb 19 per cent, Beef 53 per cent and Cropping 3 per cent.

The 2011/12 period was wetter than usual. Average annual rainfall recorded on Livestock Farm Monitor farms was 1,020 mm, which is 35 per cent higher than the long-term average and wetter than the previous year. Across the region rainfall was higher in South Gippsland.

Whole Farm Financial Characteristics

Gross income generated by livestock farms in Gippsland was slightly lower in 2011/12 compared to the previous year, while costs increased. Consequently, operating profit was down 11 per cent to \$90/effective hectare.

The top 20 per cent distinguished themselves by generating more income yet incurring similar or even less costs than the average. A more intensive stocking rate, higher yields and calving and lambing percentages were key points of difference for the top 20 per cent of livestock farms in Gippsland.

Table 1. Gippsland Whole Farm Summary

	Average	Top 20%*
Gross income (\$/effective ha)	690	901
Enterprise costs (\$/effective ha)	226	229
Overhead costs (\$/effective ha)	196	169
Owner operator allowance (\$/effective ha)	179	120
Operating profit (\$/effective ha)	90	383
Return on assets	1.9%	4.3%
Return on equity	7.0%	5.0%
Equity	77%	73%

*Top 20% ranked by operating profit per effective hectare

Wool

Wool production grew for the average farm in 2011/12 compared to the previous year driven by an increase in stocking rate (15 per cent), wool cut (10 per cent), yield (3 per cent) and lamb marking (11 per cent). Even so, the lower wool price in 2011/12 pushed total wool income lower compared to 2010/11.

Table 2. Gippsland Wool Enterprise Summary

	Average	Top 20%*
Stocking rate (DSE/ha)	11.3	12.7
Average micron	18.4	18.7
Average yield (%)	72	74
Lamb marking (%)	84	93
Wool price received (\$/kg clean)	11.02	12.67
Clean wool cut (kg/ha/100 mm)	3.1	4.1
Gross margin (\$/ha/100 mm)	39	67
Profit excl. int/lease (\$/kg clean)	4.33	10.76
Profit excl. int/lease (\$/ha/100 mm)	17	87

*Top 20% ranked according to gross margin per hectare per 100 mm of rainfall

Wool enterprise costs were slightly lower (2 per cent) which was largely due to less reliance on supplementary feed and agistment costs which were lower than the previous year.

Lamb

Compared to last year average stocking rate increased by 1.3 DSE/ha, with farms ranging from eight to 30 DSE/ha. The average carcass weight of lamb sold was unchanged compared to the previous year.

Profit for the average farm fell in 2011/12 largely due to a decline in the lamb price. The average farm received \$24 per head less in 2011/12 than the previous year.

Table 3. Gippsland Lamb Enterprise Summary

	Average	Top 20%*
Stocking rate (DSE/ha)	18.3	22.7
Lamb marking (%)	111	133
Lamb price received (\$/kg cwt)	5.08	4.74
Lamb sold (kg cwt /ha/100 mm)	13.4	15.5
Gross margin (\$/ha/100 mm)	63	91
Profit excl. int/lease (\$/kg cwt) ¹	\$2.77	\$6.54
Profit excl. int/lease (\$/ha/100 mm)	\$30	\$42

*Top 20% ranked according to gross margin per hectare per 100 mm of rainfall

Beef

The average stocking rate for beef cattle increased by 23 per cent in 2011/12 to 19 DSE/ha and there was a small increase in average beef sold (7 per cent). The average sale price was slightly higher than the previous year at \$2.00 per kilogram live weight. Nevertheless, these small increases in output and price were offset by increased costs for the average farm putting pressure on beef enterprise profit. Further, the average Gippsland beef enterprise recorded a negative livestock trading profit (which is part of the income calculation) which has also put pressure on profit in 2011/12.

The top 20 per cent of beef enterprises in Gippsland were distinguished by higher stocking rate, higher calving percentage and lower costs than the average beef enterprise.

Table 4. Gippsland Beef Enterprise Summary

	Average	Top 20%
Stocking rate (DSE/ha)	19.0	28.2
Calving (%)	90	98
Beef price received (\$/kg lwt)	2.00	1.93
Beef sold (kg lwt/ha/100 mm)	38	51
Gross margin (\$/ha/100 mm)	42	92
Profit excl. int/lease (\$/kg lwt)	-0.01	0.90
Profit excl. int/lease (\$/ha/100 mm)	-\$9	\$28

*Top 20% ranked according to gross margin per hectare per 100 mm of rainfall

1 Prime lamb enterprise income includes proceeds from wool sales and sheep trading as well as income from lambs. Therefore enterprise profit in \$/kg cwt can appear higher than the lamb price received.

South West

Fast Facts

The average livestock farm in 2011/12 ran 7,238 sheep, 522 beef cattle and cropped 75 hectares on a total of 1,234 effective hectares.

The average enterprise mix was Wool 41 per cent, Lamb 33 per cent, Beef 12 per cent and Cropping 14 per cent.

The 2011/12 period was drier than usual. Average annual rainfall recorded on Livestock Farm Monitor farms was 562 mm, which is 13 per cent lower than the long-term average and drier than the previous year.

Whole Farm Financial Characteristics

Gross income generated by the average livestock farm in the South West was 12 per cent lower in 2011/12 compared to the previous year. Enterprise costs were 60 per cent higher driven by a large increase in supplementary feed and agistment costs. Consequently, operating profit was down 38 per cent to \$225 per effective hectare.

The top 20 per cent of farms were distinguished by generating more income than the average, which was more than sufficient to offset their higher production costs.

Table 5. South West Whole Farm Summary

	Average	Top 20%*
Gross income (\$/effective ha)	696	1,052
Enterprise costs (\$/effective ha)	341	431
Overhead costs (\$/effective ha)	137	167
Net income (\$/effective ha)	293	540
Operating profit (\$/effective ha)	225	465
Return on assets	4%	7%
Return on equity	3.3%	6.8%
Equity	79%	73%

*Top 20% ranked by operating profit per effective hectare

Wool

The stocking rate for wool enterprises in the South West was 7 per cent, or 1 DSE/ha, lower compared to the previous year while the amount of wool cut increased by 2 kilograms per hectare.

Enterprise costs increased largely due to higher supplementary feed costs as a result of the dry period that stretched from late spring to mid-autumn.

Wool profits for both the average and the top 20 per cent wool enterprises declined in 2011/12 by 37 per cent compared to the previous year, largely due to higher input costs and lower wool prices.

Table 6. South West Wool Enterprise Summary

	Average	Top 20%*
Stocking rate (DSE/ha)	14.1	14.9
Average micron	18.4	18.8
Average yield (%)	71	70
Lamb marking (%)	84	100
Wool price received (\$/kg clean)	12.45	12.87
Clean wool cut (kg/ha/100 mm)	6.0	6.9
Gross margin (\$/ha/100 mm)	74	115
Profit excl. int/lease (\$/kg clean)	6.68	10.50
Profit excl. int/lease (\$/ha/100 mm)	39	73

*Top 20% ranked according to gross margin per hectare per 100 mm of rainfall

Lamb

Prime lamb production stepped up a gear in the South West in 2011/12. The average stocking rate increased by 3 per cent and the amount of lamb sold on a kilograms carcass weight per hectare per 100 mm of rainfall (kg cwt/ha/100 mm) basis increased by 50 per cent. However, a 19 per cent drop in the average lamb price received and higher enterprise costs saw a decline in profit for the average prime lamb enterprise in the South West. Despite these challenges the average lamb enterprise still generated a profit (excluding interest and lease) of \$2.83 per kilogram carcass weight.

Table 7. South West Lamb Enterprise Summary

	Average	Top 20%*
Stocking rate (DSE/ha)	16.1	20.3
Lamb marking (%)	112	107
Lamb price received (\$/kg cwt)	4.89	5.15
Lamb sold (kg cwt /ha/100 mm)	16.8	15.6
Gross margin (\$/ha/100 mm)	77	113
Profit excl. int/lease (\$/kg cwt) ²	\$2.83	\$6.74
Profit excl. int/lease (\$/ha/100 mm)	\$1	\$74

*Top 20% ranked according to gross margin per hectare per 100 mm of rainfall

Beef

Average beef enterprise profit in the South West was lower by \$0.16 per kilogram live weight in 2011/12 largely due to farms selling less beef (-17 per cent) and a lower beef price (-3 per cent) compared to the previous year. Enterprise costs for the average beef enterprise in the South West were unchanged this year.

The top 20 per cent of beef enterprises in the South West were distinguished by more intensive production evidenced by a higher stocking rate, higher calving rate and selling more beef per hectare per 100 mm of rainfall than the average beef enterprise. The top 20 per cent were also able to keep their costs on a dollars per kilogram live weight basis lower than the average which also helped drive a higher profit for the top 20 per cent.

Table 8. South West Beef Enterprise Summary

	Average	Top 20%*
Stocking rate (DSE/ha)	14.4	17.0
Calving (%)	84	89
Beef price received (\$/kg lwt)	1.84	2.08
Beef sold (kg lwt/ha/100 mm)	101	123
Gross margin (\$/ha/100 mm)	50	115
Profit excl. int/lease (\$/kg lwt)	\$0.37	\$0.63
Profit excl. int/lease (\$/ha/100 mm)	\$22	\$88

*Top 20% ranked according to gross margin per hectare per 100 mm of rainfall

2 Prime lamb enterprise income includes proceeds from wool sales and sheep trading as well as income from lambs. Therefore enterprise profit in \$/kg cwt can appear higher than the lamb price received.

Northern Victoria

Fast Facts

The average Northern Victorian livestock farm in 2011/12 ran 4,737 sheep, 609 beef cattle and cropped 31 hectares on a total of 1,076 effective hectares.

The enterprise mix was Wool 43 per cent, Lamb 30 per cent, Beef 21 per cent and Cropping 6 per cent.

The 2011/12 period was wetter than usual. Average annual rainfall recorded on Livestock Farm Monitor farms was 733 mm, which is 13 per cent higher than the long-term average but lower than the previous year.

Whole Farm Financial Characteristics

Gross income generated by the average livestock farm in the North was 12 per cent lower in 2011/12 compared to the previous year. Enterprise costs were 15 per cent higher driven by higher supplementary feed and agistment costs which rose by an average of \$13 per hectare across the various livestock enterprises. Consequently, operating profit was down 35 per cent to \$118 per effective hectare, but most farms remained profitable. The top 20 per cent recorded only a 6 per cent drop in operating profit compared to the previous year and the strongest return on assets and return on equity of all livestock farms in Victoria.

Table 9. Northern Victoria Whole Farm Summary

	Average	Top 20%*
Gross income (\$/effective ha)	436	667
Enterprise costs (\$/effective ha)	132	158
Overhead costs (\$/effective ha)	106	86
Net income (\$/effective ha)	199	422
Operating profit (\$/effective ha)	118	377
Return on assets	3%	8%
Return on equity	2.6%	12.2%
Equity	80%	73%

*Top 20% ranked by operating profit per effective hectare

Wool

The average wool enterprise in Northern Victoria produced 2.2 kilograms per hectare more clean wool than the previous year. However, higher enterprise costs and a slightly lower wool price meant that profit was lower than the previous year.

The top 20 per cent were distinguished by a higher stocking rate and lower costs per kg clean wool which saw them return a profit only slightly lower than the previous year despite a lower price for their wool than the average wool enterprise.

Table 10. Northern Victoria Wool Enterprise Summary

	Average	Top 20%*
Stocking rate (DSE/ha)	9.7	13.8
Average micron	18.5	18.9
Average yield (%)	69	70
Lamb marking (%)	84	91
Wool price received (\$/kg clean)	12.19	11.83
Clean wool cut (kg/ha/100 mm)	3.0	4.7
Gross margin (\$/ha/100 mm)	48	84
Profit excl. int/lease (\$/kg clean) ³	6.52	14.203
Profit excl. int/lease (\$/ha/100 mm)	25	50

*Top 20% ranked according to gross margin per hectare per 100 mm of rainfall

³ Wool enterprise income includes proceeds from sheep trading as well as income from wool. Therefore enterprise profit in \$/kg clean can appear higher than the wool price received.

Lamb

The most significant change for the average prime lamb enterprise in Northern Victoria in 2011/12 was a 170 per cent increase in lamb sold on a kilograms carcass weight per hectare per 100 mm of rainfall basis. However slightly higher enterprise and overhead costs in 2011/12 combined with a 15 per cent drop in lamb prices meant that profit on a dollars per kilogram of carcass weight basis fell from \$3.00 the previous year to \$1.44. The top 20 per cent of prime lamb enterprises were characterised by being more intensive which is reflected in their higher stocking rate and higher lambing percentage. While the top 20 per cent recorded slightly higher enterprise costs than the average in 2011/12 they generated more income from wool and sheep trading within the prime lamb enterprise which helped drive a stronger profit.

Table 11. Northern Victoria Lamb Enterprise Summary

	Average	Top 20%*
Stocking rate (DSE/ha)	8.8	11.5
Lamb marking (%)	107	125
Lamb price received (\$/kg cwt)	5.02	5.32
Lamb sold (kg cwt /ha/100 mm)	15.8	12.4
Gross margin (\$/ha/100 mm)	36	62
Profit excl. int/lease (\$/kg cwt)	1.44	3.22
Profit excl. int/lease (\$/ha/100 mm)	\$9	\$41

*Top 20% ranked according to gross margin per hectare per 100 mm of rainfall

Beef

Beef enterprises in Northern Victoria recorded an almost identical volume of production to the year before in kilograms of live weight per hectare terms. Even so, beef sold reduced by 73 kilograms of live weight per hectare and the beef price received dropped by 5 per cent. Nevertheless, better returns from trading cattle and lower enterprise costs helped the average beef enterprise to record an increase in profit from \$0.34 per kilogram of live weight to \$0.45 per kilogram of live weight. The top 20 per cent were characterised by higher stocking rate, higher beef production and more beef sold than the average beef enterprise. Their lower than average enterprise and overhead costs also contributed to the top 20 per cent generating a stronger profit.

Table 12. Northern Victoria Beef Enterprise Summary

	Average	Top 20%*
Stocking rate (DSE/ha)	10.6	15.1
Calving (%)	87	86
Beef price received (\$/kg lwt)	1.79	1.79
Beef sold (kg lwt/ha/100 mm)	31.37	42.09
Gross margin (\$/ha/100 mm)	38	60
Profit excl. int/lease (\$/kg lwt)	0.45	1.20
Profit excl. int/lease (\$/ha/100 mm)	8.29	41.88

*Top 20% ranked according to gross margin per hectare per 100 mm of rainfall

List of abbreviations

ABS	Australian Bureau of Statistics
AWEX	Australian Wool Exchange
cwt	Carcass weight
DEPI	Department of Environment and Primary Industries Victoria
DSE	Dry Sheep Equivalent
ha	Hectare
kg	Kilogram
lwt	Live weight
M	Million
mm	Millimetres. 1 mm is equivalent to 4 points or 1/25th of an inch of rainfall.
t	Tonne = 1,000 k.

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