

## Grazing the Rangelands



Figure 1 Rangelands Biodiversity

Have you ever heard someone say “if you want to follow grazing practices that regenerate the land, you will not be profitable”? Some also believe this applies more so in semi-arid and arid environments. The results illustrated in the following pages demonstrate that this is not the case. In this article, we take a look at the financial data for the four Core Producers participating in the Rangelands Living Skin project (a Meat & Livestock Australia funded project focusing within the Western Division of NSW) who are aiming to;

- manage grazing, including providing the opportunity to give plants adequate rest
- improve ground cover
- increase species diversity, including flora and fauna,
- and most importantly, be profitable

The first of the RCS Grazing Principles is to *Plan, Monitor and Manage*. What a great principle! It applies to so many aspects of life and it definitely applies to business and grazing management.

A requirement of the Rangelands Living Skin Core Producers is to submit a budget and participate in the RCS benchmarking program ProfitProbe™. These two processes allow these grazing businesses to plan, monitor and manage through variable seasons and demonstrate profitability alongside sustainability outcomes.



Does it always mean that they are the top performers in the benchmarking? No. What it means is that they reduce the likelihood of surprise and it allows them to anticipate and make adjustments when needed. To achieve this, they update their financial budgets, conduct regular physical feed budgets and use software and tools like Grazing Charts to assist them in monitoring how they are situated.



Figure 2 Soil Coring Netallie, Wilcannia

They know what their *Benchmark Carrying Capacity* is. This is the long-term number of stock carried on the property across the year related to the number of hectares and relative to the average rainfall. It is expressed as DSE Days per Hectare per 100mm. They then relate the benchmark to the current stocking rate of the property.

Think about *Carrying Capacity* as Supply or the amount of feed available. Think of *Stocking Rate* as Demand. Are they in balance, do they match? If not, steps might need to be taken to bring on stock in good seasons, whether that means purchasing and/or agistment or conversely what stock need to be sold or removed from the property to realign the Stocking Rate to match Carrying Capacity. This strategy is essential to ensure that groundcover is improving across the seasons and years.

Pasture monitoring is something that most managers do subconsciously as they perform other tasks across the property, however it is important to be actually recording feed supply on a regular basis. The rate of pasture growth will vary according to time of year and rainfall received. It is therefore important to have a sound grasp of feed supply and livestock growth rates to enable budgeting and to then make the appropriate adjustments to suit the current season. Pasture monitoring and feed budgeting allows managers to be proactive rather than reacting to seasonal conditions. Reacting to seasonal conditions generally means being behind the market movements whether that is destocking or restocking. Being proactive can allow us to anticipate and be in front of market movements.

## Benchmarking Comparisons

The ProfitProbe™ results for the 21-22 financial year demonstrate that the Western Division is capable of competing with the best. The cohort involved in these benchmarks are from across a wide range of regions, enterprises and scale. For the purpose of this article the focus is on four key ratios; Return on Assets (ROA), Gross Margin Ratio, Overhead Ratio and Asset Turnover Ratio. The Benchmark shown in each of the graphs below is the average of the Top 20% of producers within the RCS ProfitProbe™ database over the previous 3 years. The Group Average relates to all businesses who participated in the RCS ProfitProbe database in the 21-22 financial year.

In terms of ROA, it is interesting to note that despite land prices continuing their upward movement, commodity prices have more than kept pace allowing the top 20% of producers to achieve exceptional returns. The Rangelands Living Skin Core Producers achieved an average ROA of 6.2% which coincidentally is what the top 20% producers achieved in 2020-21.

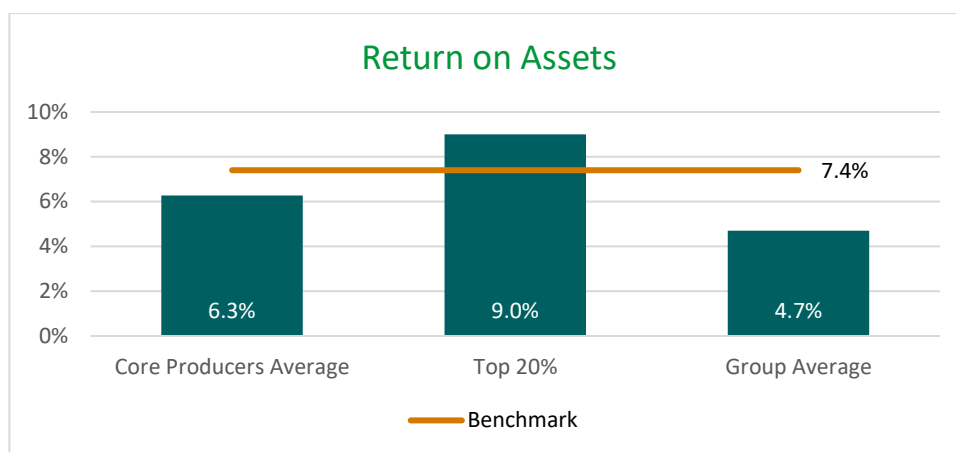


Figure 3 Return on Assets

## Return on Assets

Return on Assets (ROA) is the profit before interest and tax from the property expressed as a percentage of the total assets employed in the business.

High ROA results are achieved through effective management and timing of operations which facilitates the control of costs compared to value of production. For example, optimal timing of joining whether sheep or cattle will result in progeny hitting the ground at the most appropriate time of year. This allows progeny to perform and the mothers to recover and reconceive.

## Gross Margin Ratio

The gross margin ratio is a function of productivity, price received and direct costs. Livestock enterprises in the Western Division have the opportunity to be low-cost businesses with minimal animal health inputs etc. Freight can be an issue, and in the case of these businesses they minimise this through negotiating sales on farm. Once again inputs that affect gross margin can be reduced through timing and management. When we lamb or calve away from the appropriate time we end up having to prop up the system through supplements or lick, which inevitably adds to our direct costs resulting in pulling down our gross margin. An example might be for those with merinos, not crutching or shearing at the right time can result in getting caught with fly, resulting in a loss of production with a similar result on gross margin.

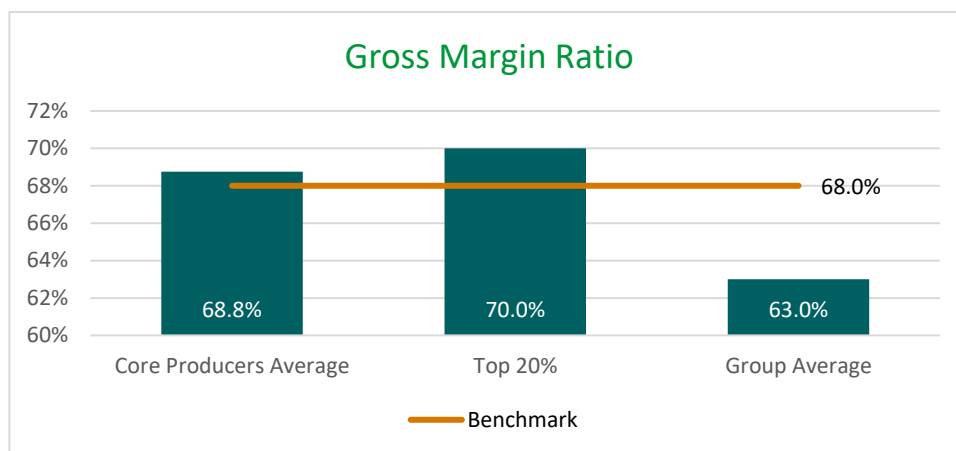


Figure 4 Gross Margin Ratio

## Overhead Ratio

Similarly with overheads, if we can get our timing right with procedures, we can reduce labour and maintenance costs by being proactive. The Core Producers applied the following strategies to manage their overheads;

- preventative maintenance on machinery and plant to reduce downtime with breakdowns
- Use of technology such as telemetry for monitoring stock waters rather than the daily bore to assist with reduced fuel usage, repairs and maintenance, and time.

Overheads used to be known as fixed costs. We deliberately use the term overheads as most of these costs are in fact not fixed, we might just have to look at them from a different view and see where we can make adjustments. Over the last couple of years with good returns there has been a tendency to let costs creep up, however with current prices and a forecast dry spell, we need to move our focus back to cost control.

The Core Producer group have allowed overheads to creep up in a similar manner to the broader industry. Aside from expense creep, there has been additional repairs and maintenance to fences and waters which will allow more effective use of pastures and paddocks. There is always a need for balance and the most intelligent use of hard-earned cash.

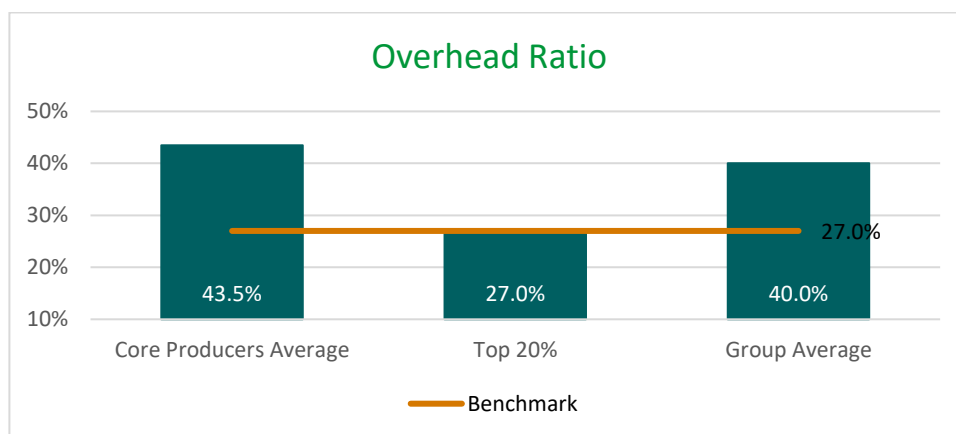


Figure 5 Overhead Ratio





*Figure 6 Grazing on the Hay Plain*

## Asset Turnover Ratio

Asset turnover is largely related to kilograms or tonnes of product sold through the gate as well as scale utilisation. In the livestock industry a major contributor is reproductive rate and age at first joining, or more accurately, the number of progeny weaned related to total flock or herd numbers. In the sheep industry scan rates are often quite good, where things fall down is lamb survival through to weaning. Are we hanging onto ewes that are fertile but not good mothers or do we have a predator issue? Aside from baiting, could that be addressed with Guardians for example donkeys etc. Dams or mothers that do not bring progeny to the yards at weaning need to be culled.



Figure 7 Goats –Between Wilcannia and Cobar

It is important to build flexibility into the structure of the business and having policies in place that describe the strategies that will be followed in the event of a change in feed supply. These policies need to be clear and agreed to by all decision makers. They should be written and can assist in removing emotion from stressful times. In dry seasons what classes of stock might be sold, for example cast for age or secondary lines if it is a breeding operation. Can sheep perform better in favourable years if we use cattle to open up the feed? These could be agistment or trade stock that can be removed in drier years.

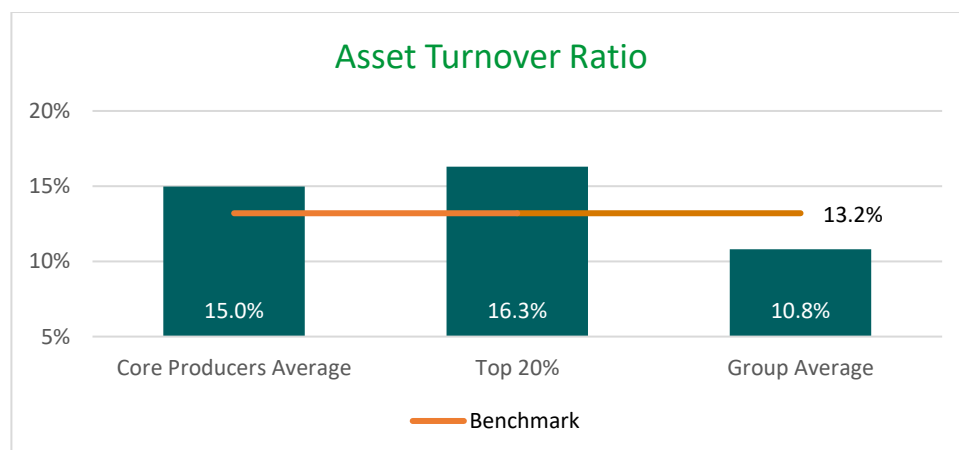


Figure 8 Asset Turnover Ratio



Time spent in the office working on strategies and budgets whether they are feed budgets or financial is an important element in helping to destress what can be a stressful situation. Managers that put these structures in place have time to make informed decisions rather than reacting to circumstances. Businesses that know how they are performing tend to be proactive and empowered, this is demonstrated by their willingness to try new and at times challenging concepts. They work with the landscape they live in and they are constantly working towards regenerating country. An essential element that contributes to this landscape regeneration is maintaining and improving groundcover to improve the water cycle.



*Figure 9 Checking pastures Etiwanda, Cobar*

By *Planning, Monitoring and Managing* all aspects of their production system, that is knowing where they are and how they are progressing, the four Core Producers have time to consider the wider ramifications and interactions of the seasons, the landscape and their business. The result is that they work in harmony with nature and at the same time are profitable and able to contribute meaningfully to the regional community and economy whilst continuing to regenerate the landscape within which they live and work.

To find out more details about the Rangelands Living Skin project, visit;

<https://www.mla.com.au/research-and-development/Grazing-pasture-management/rangelands-living-skin/>.

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