

**Working with the Season...**

**“Strategies to Preserve Your  
Livestock Business”**

**Chris Scheid (Victor Harbor)**

**PROADVICE**

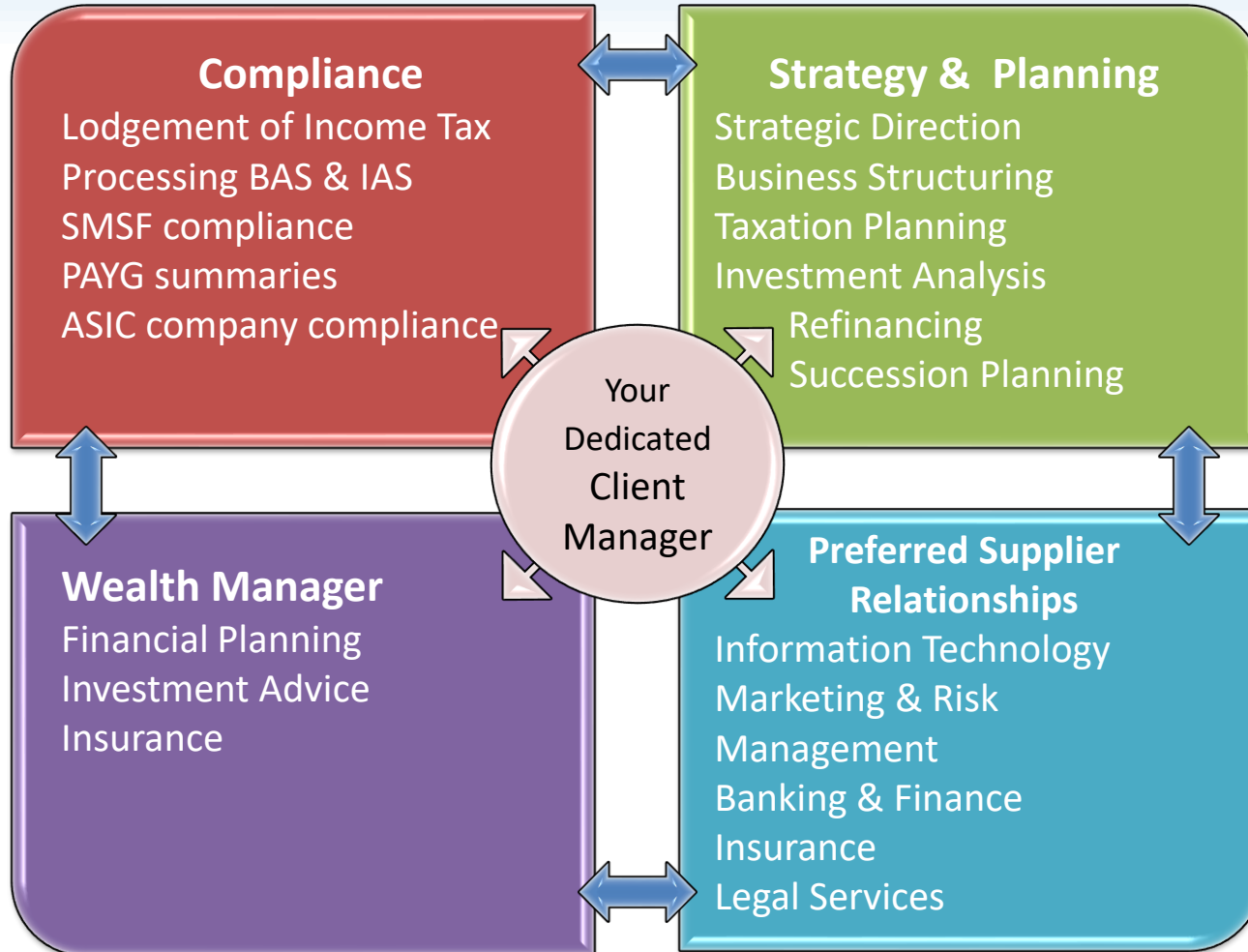
Helping Family Business Grow

# ABOUT PROADVICE

---

- ProAdvice provide professional services to family businesses
  - Professional advisers with a background in the rural sector
    - Accountants
    - Farm Business Coaches/Consultants
    - Wealth Management through RBS Morgans
    - Benchmarking
    - Continuing Education, Training & Networking
    - Succession Planning
- Integrated Services
  - Services tailored to suit your business needs
    - You choose which services to include
    - You choose how frequently you meet with your advisers
    - Price agreed up front, and paid quarterly (no surprises)

# INTEGRATED SERVICES





COMFORT

---

New solutions

Growth



COMFORT

New Learning

New Thinking

---

New solutions

Worry/Anxiety

Growth

COMFORT

New Learning

New Thinking

---

New solutions

Worry/Anxiety

Growth

COMFORT

COURAGE

New Learning

New Thinking

New solutions

Growth

Worry/Anxiety

COURAGE

COURAGE

COMFORT

COURAGE

COURAGE

COURAGE

New Learning

New Thinking



New solutions

Growth

Worry Anxiety

COURAGE

COURAGE

COMFORT

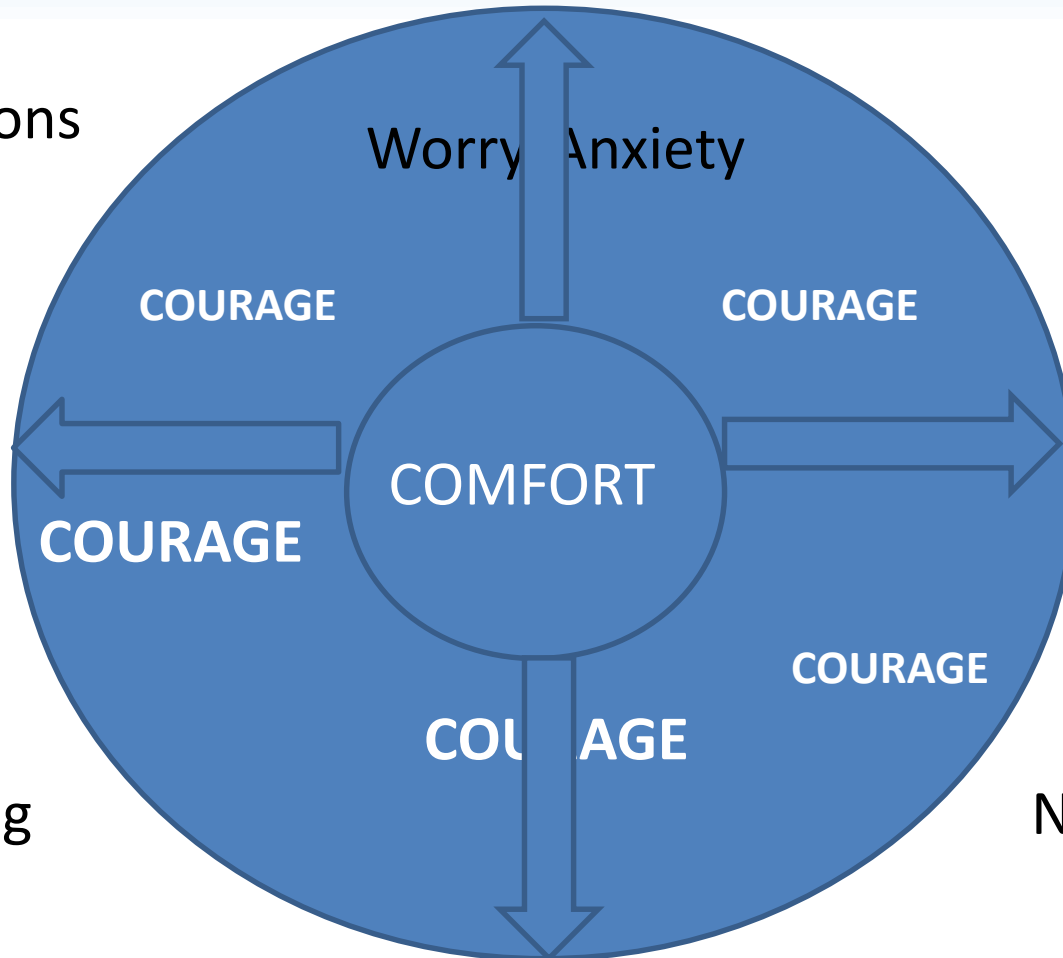
COURAGE

COURAGE

COURAGE

New Learning

New Thinking





# TOPICS TO COVER TODAY

---

- Develop a plan to guide your strategy considering:
  - Developing a goal around ‘people’, ‘business’, ‘enterprise’ and ‘land’
  - What is the livestock hierarchy to sell first?
  - Sell, agist or feed- what is the economic option
  - Critical decisions points- when and what?
- Wool futures

# DROUGHT WORKSHOPS (POST 2006 DROUGHT)

---

- 13 WKSPS, NSW & VIC
- POST 2006 DROUGHT
- 2000 YEARS OF DROUGHT EXPERIENCE
- LOTS OF BAD DECISIONS
- SOME GOOD DECISIONS

# DROUGHT WORKSHOPS (POST 2006 DROUGHT)

---

- 3 ASPECTS :
  - 1. PREPARATION
  - 2. MANAGEMENT (THREATS AND OPPORTUNITIES)
  - 3. RECOVERY

# **DROUGHT WORKSHOPS (POST 2006 DROUGHT)**

---

## **1. ERRORS FROM THE PAST...**

- **DROUGHT FEEDING**  
(livestock, people, business, land)
- **PROCRASTINATION**
- **LOSS OF GROUND COVER AND PASTURE**
- **LOSS OF EQUITY AND CASH**
- **RELYING ON SURFACE WATER**
- **FORGETING ABOUT PEOPLE**
- **HOPING NOT PLANNING**

# DROUGHT WORKSHOPS (POST 2006 DROUGHT)

---

## 1. ERRORS FROM THE PAST...

- HAVE TOOLS BUT...LEARN FROM 'BITTER' EXPERIENCE
- GRAZING CHARTS + PLAN = DECISION
- CELL GRAZIERS = ROTATIONAL
- EARLY SMALL STEP = BIG IMPACT
- PHASE 3 PERENNIAL PLANTS AFTER A BREAK...

# DEPEND ON THE RABBITS FOOT IF YOU MUST

---



# DEPEND ON THE RABBITS FOOT IF YOU MUST

---

But  
REMEMBER IT DIDN'T HELP  
THE RABBIT !!!!



# IMPORTANCE OF GOALS/PLAN

---

WITHOUT A GOAL/PLAN.....

WHERE YOU END UP IS A LUCKY DIP ?

WITH A GOAL/PLAN.....

YOU STAY IN THE DRIVERS SEAT !

# IMPORTANCE OF GOALS/PLAN

---

# IMPORTANCE OF GOALS/PLAN

---

## CONTROL!!



# Dry Spell Dimensions

## Managing the 'dry spell'

---

- PEOPLE
- LANDSCAPE
- BUSINESS
- LIVESTOCK AND CROPS

# Dry Spell Dimensions

## PEOPLE

---

- **GOAL** : Until 2019 break of the season, we will maintain our emotional wellbeing by staying in control
- **Strategy** :
  - Plan don't hope
  - Increase frequency of WOTB
  - Schedule breaks and social activities now
  - Understand stress and depression symptoms
  - Support group ( find buddies )
  - Use a CANARY to predict problems early
  - Plan for living costs and fixed costs if income lost
  - House, garden and amenities (green refuge)

# Dry Spell Dimensions

## LANDSCAPE

---

- GOAL : Maintain X (50-80) % ground cover in all paddocks by 1/5/19
- Strategy :
  - Assess carrying capacity (feed and water) monthly
  - Match SR to CC without delay
  - Core breeders – containment feeding
  - Combine mobs and increase rest periods
  - Fence for control (utilisation and protection)

# Dry Spell Dimensions

## BUSINESS

---

- GOAL : Maintain current equity and have a positive cash flow on 1/5/19
- Strategy :
  - Assume year “0” re-plan from scratch
  - Sell assets that don't produce income
  - Overheads: labour options
  - Overheads: dispose of valuable plant
  - Turnover: price protection, feedlot finish
  - Gross Margin: focus on margin not price
  - Continue major capital investment



# Dry Spell Dimensions

## LIVESTOCK

---

- GOAL : All livestock in BCS suited to production their needs on 1/5/19.
- Strategy :
  - Assess FOO available weekly
  - Match SR and CC (establish a hit list)
  - Supplement remaining feed
  - Change enterprise to suit feed supply
  - Sell heavy buy light
  - Be preventative in managing animal health
  - Monthly re-assessment of Water, FOO Stockflow and Gross Margins
  - **Determine a hierarchy of livestock sales and sell early...**

# IMPORTANCE OF GOALS/PLAN

---

- When do we put our plan in place?
- Determine now a critical date...  
“ the date by which there is <50% chance of achieving a Spring”

# Dry Spell Dimensions

## LIVESTOCK – sell, agist, de-stock

---

- No right answer...it depends

# Dry Spell Dimensions

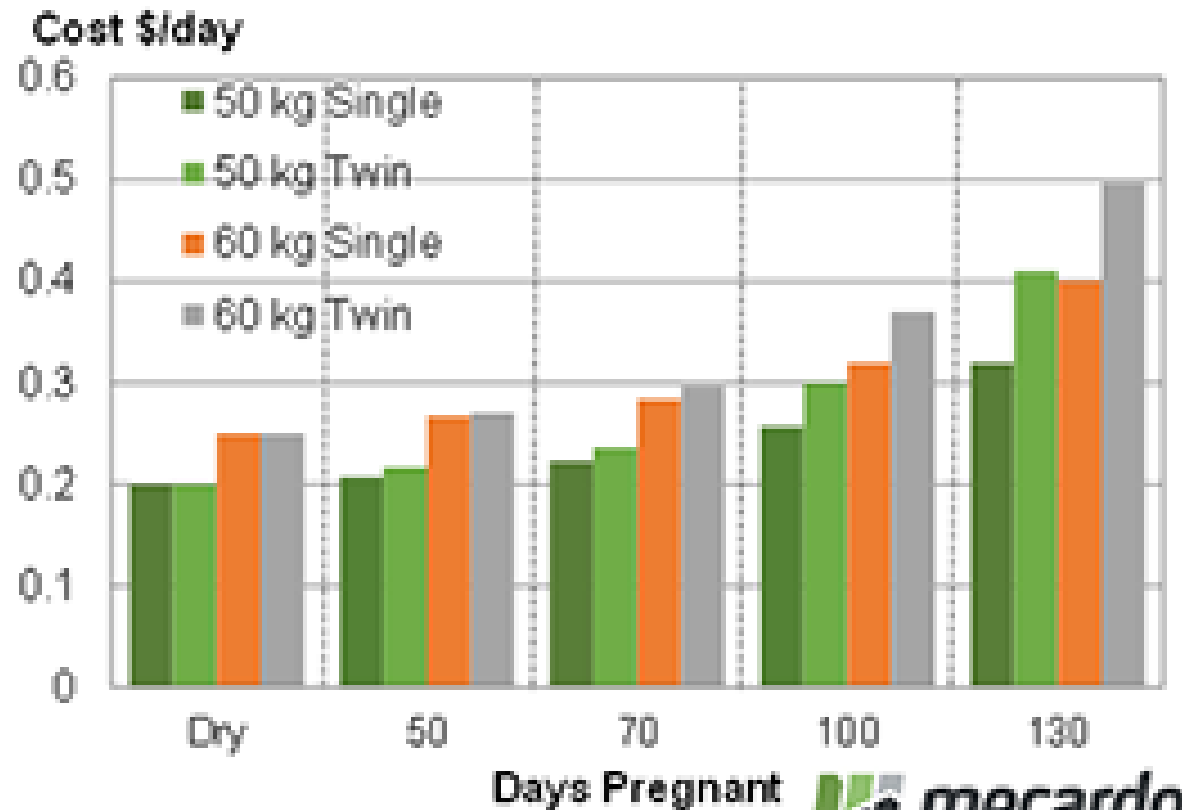
## LIVESTOCK – sell, agist, de-stock

Feed 60 kg ewe:	Maintenance feeding (Lamb weaned) = 90 days
ME required (MJ ME/day)	7.2 MJ ME/day
ME FOO per day	0.0 MJ ME
Gap per day	7.2 MJ ME/day
Ration (12 MJ ME/kg)	0.6kg per day
ME per day	7.2 MJ ME
Ration cost (@ \$400/T)	
Ration cost per day	\$0.24 per head per day
For 90 days	\$21.60 per head fed
Wool: 1.5kg/hd @ \$12/kg gsy @60% yield	\$18 per head (90 days)

# Dry Spell Dimensions

## LIVESTOCK – sell, agist, de-stock

Figure 2. Cost per day of feeding ewes



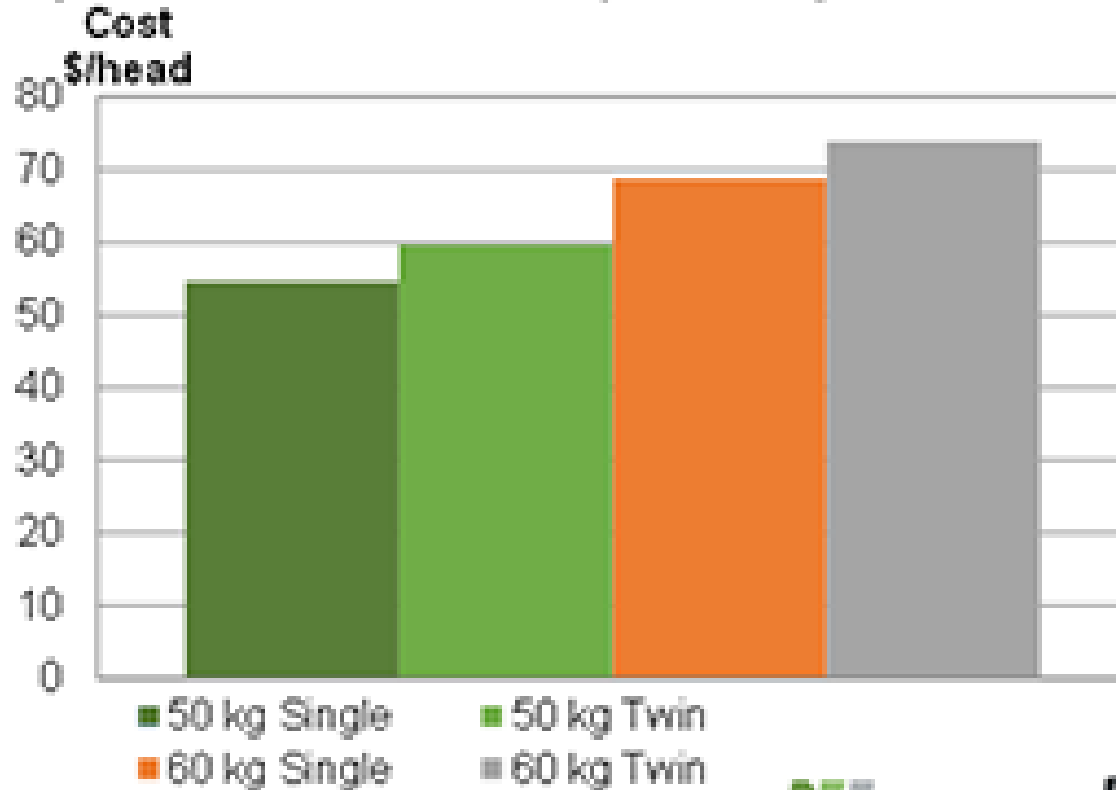
Source: MLA's NLRS



# Dry Spell Dimensions

## LIVESTOCK – sell, agist, de-stock

Figure 3. Total cost 240 days feeding ewes



Source: MLA's NLRS



# Dry Spell Dimensions

## LIVESTOCK – FEED

---

- No right answer...it depends...
- \$ cost & total cost (people, enterprise, land & business)
- Containment feeding of core breeders ✓
- Production feeding – margin ✓
- Breeders feeding - when will stop feeding?
- Control?
- Rumen re-introduction to green grass (Gippsland 2002 – ‘feeding sheep one minute, shooting them the next!’)

# Dry Spell Dimensions

## LIVESTOCK – SELL

- No right answer...it depends
- Establish a hit list now (emotion vs logic) and act early
- Still a market/prices for livestock (2006!)
- Early decisions are best decisions...
- Do the numbers on finishing...
- Leave some margin in for someone else?
- Year + 1 – tax, replan stockflows & cashflows
- Year + 1 – use of FMDs



# Dry Spell Dimensions

## LIVESTOCK – AGIST

---

- No right answer...it depends
- Early decision – where? South East > Sept?
- Agistment to finish livestock vs breeders
- Written agreement, livestock id

# Dry Spell Dimensions OPPORTUNITIES

---

....IF YOU MAKE EARLY DECISIONS...

- ENTERPRISE CHANGE
- FEEDLOTING LAMBS
- SALES OF RE - VALUED ASSETS
- AGISTMENT
- CAPITAL WORKS
- BUY LAND
- TRAINING AND HOLIDAYS
- SELL LIVESTOCK AND LEASE OR AGIST

# FINAL COMMENTS...

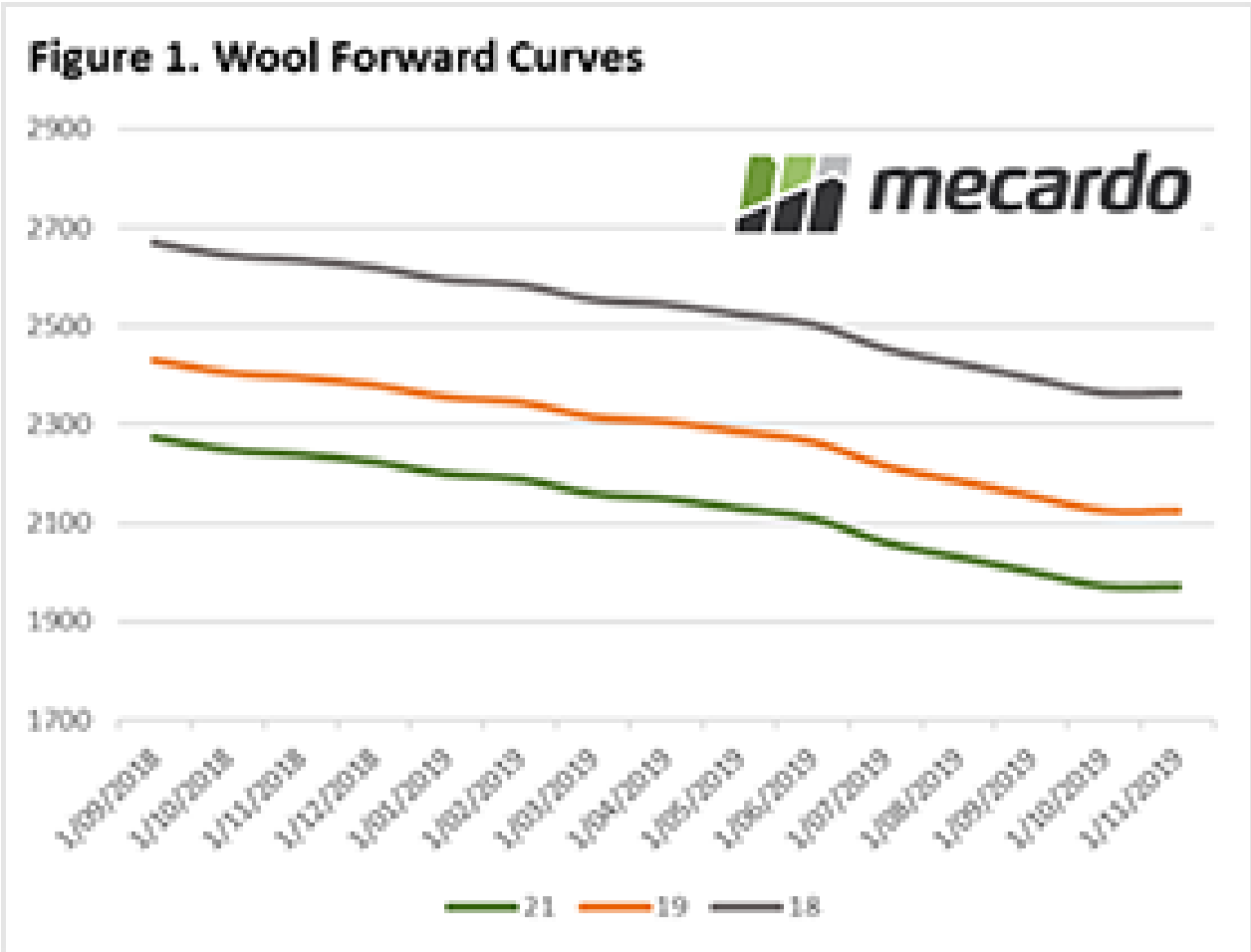
---

- Two forms of regret...which one is greater
- Sometimes it is not about the best decision but the best, worst decision!
- Consider the TOTAL COST of your decisions (people, land) as well as livestock and business
- Plan for the 'recovery phase'



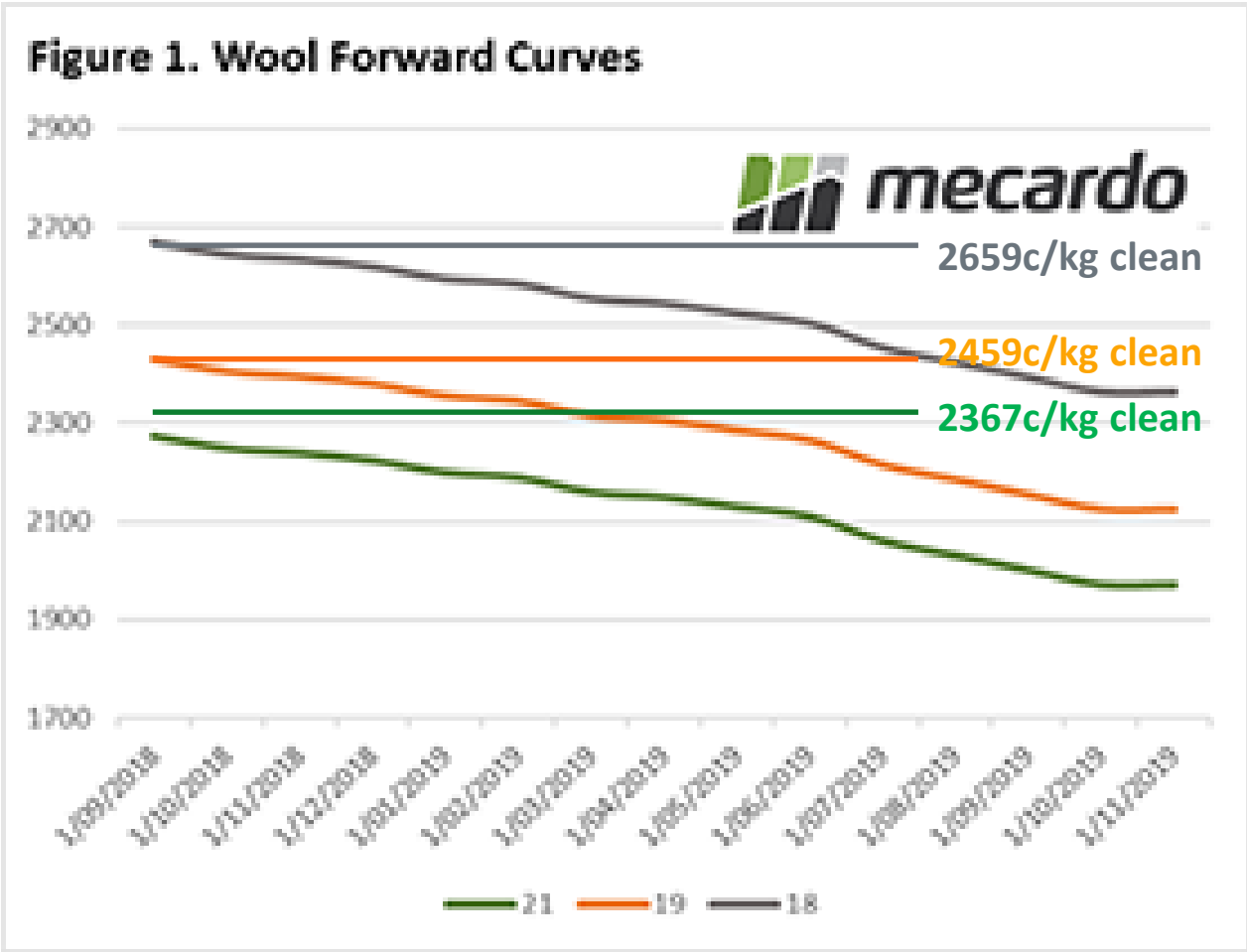
# WOOL FUTURES

Figure 1. Wool Forward Curves



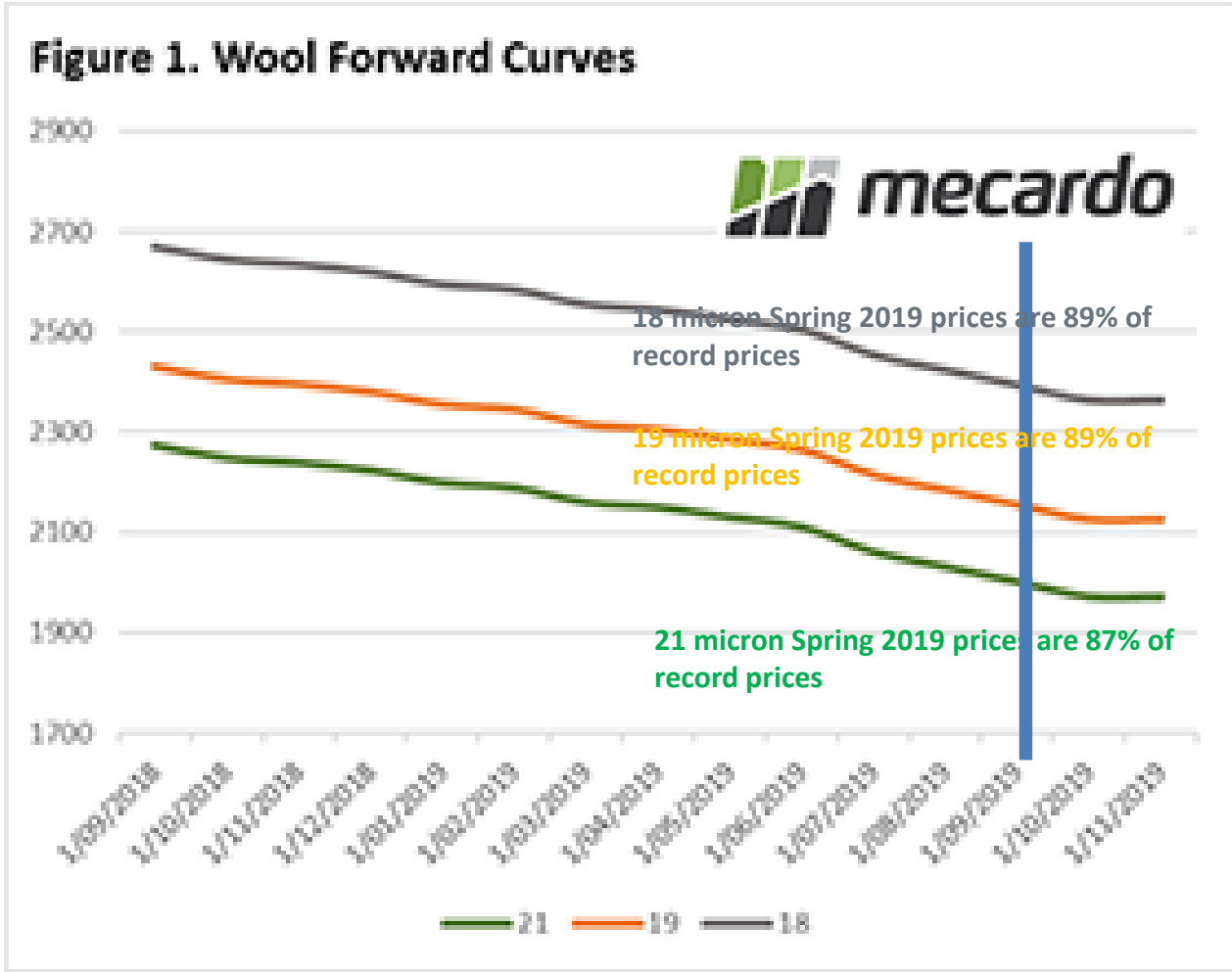
# WOOL FUTURES

Figure 1. Wool Forward Curves

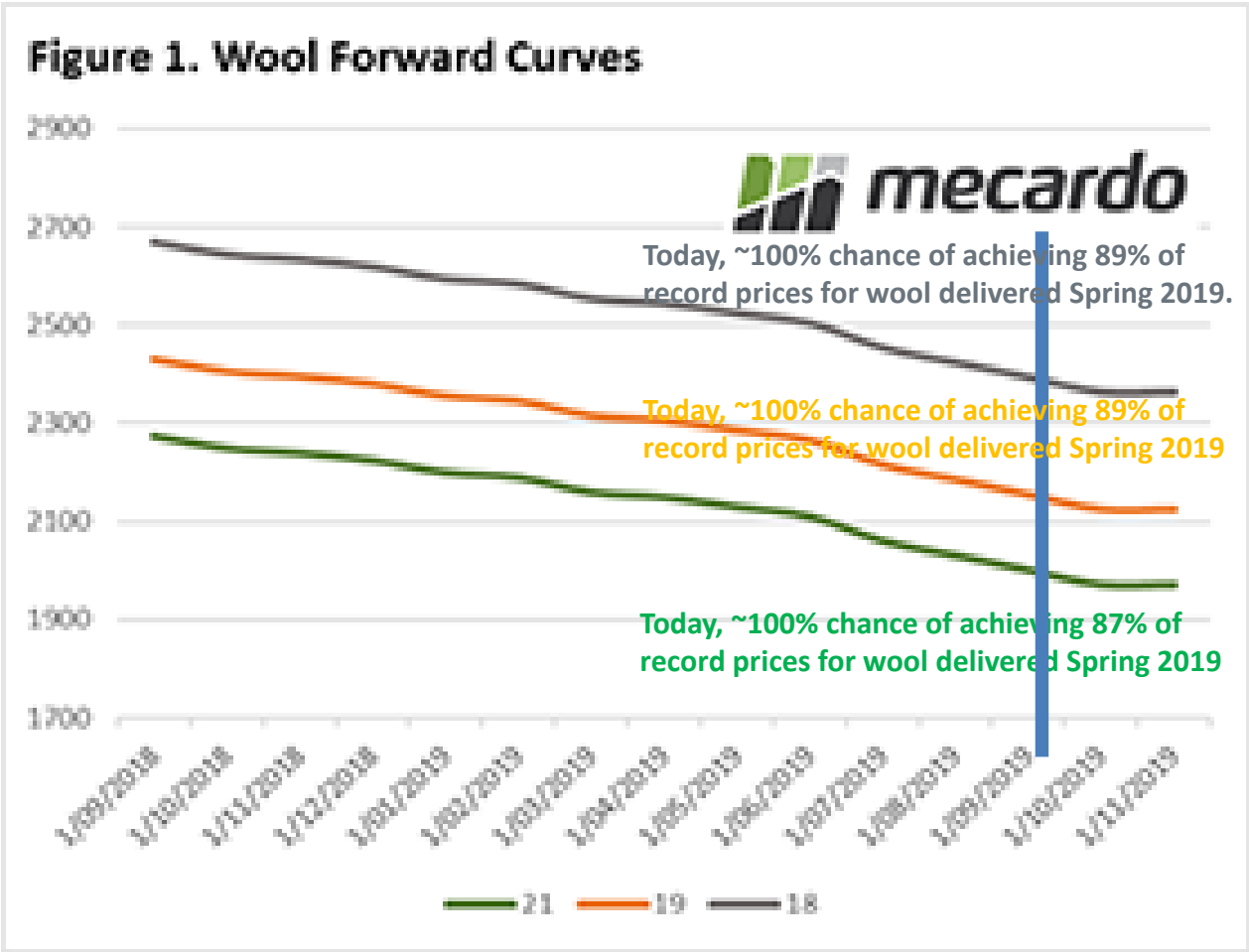


# WOOL FUTURES

Figure 1. Wool Forward Curves



# WOOL FUTURES





# WOOL FUTURES

---

- Fear and greed...
- What is your objective in selling your wool
  - Get the highest price??
  - Beating your budget
- Production risk – fwd sell <50% forward
- Use of deciles (probability)

# Dry times...Your success is all about your attitude!



**“Whether you think you can, or whether you think you can’t...you’re probably right”.**

(Henry Ford, Inventor of the Model T Ford)

# Dry times...Threats are an opportunity for you to change...

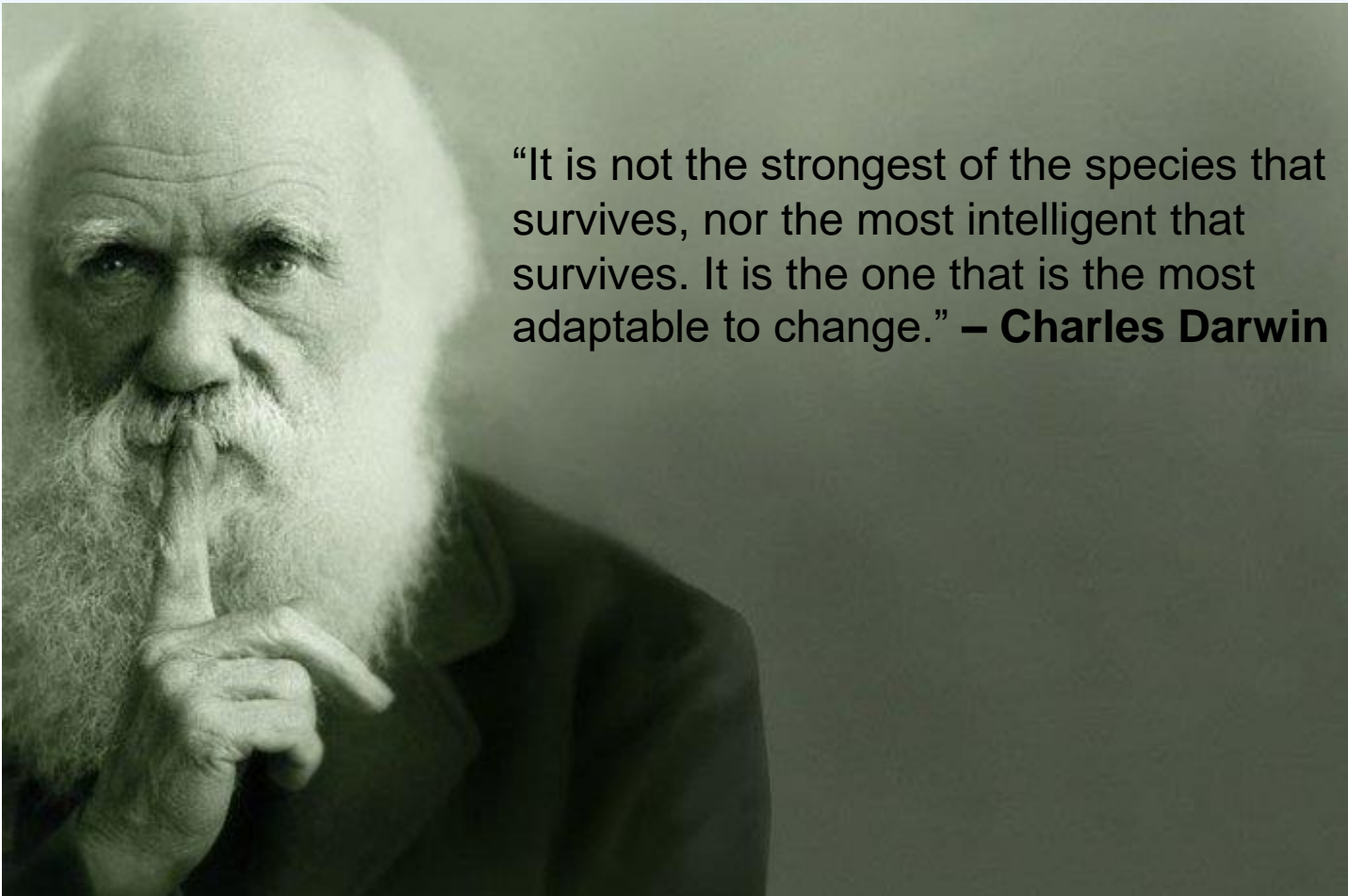


**“Mortal danger is an effective antidote for fixed ideas”**

WWII Field Marshall  
Erwin Rommel  
(The Desert Fox)

# Your future success is based upon how adaptable you can be...

---



# PROADVICE

Helping Family Business Grow