

An economic comparison of sheep grazing systems on the northern tablelands of NSW- the Cicerone Farmlets

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The Cicerone Project Inc.

Compare - Measure - Learn - Adopt



NSW DEPARTMENT OF PRIMARY INDUSTRIES

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Farmlet comparisons

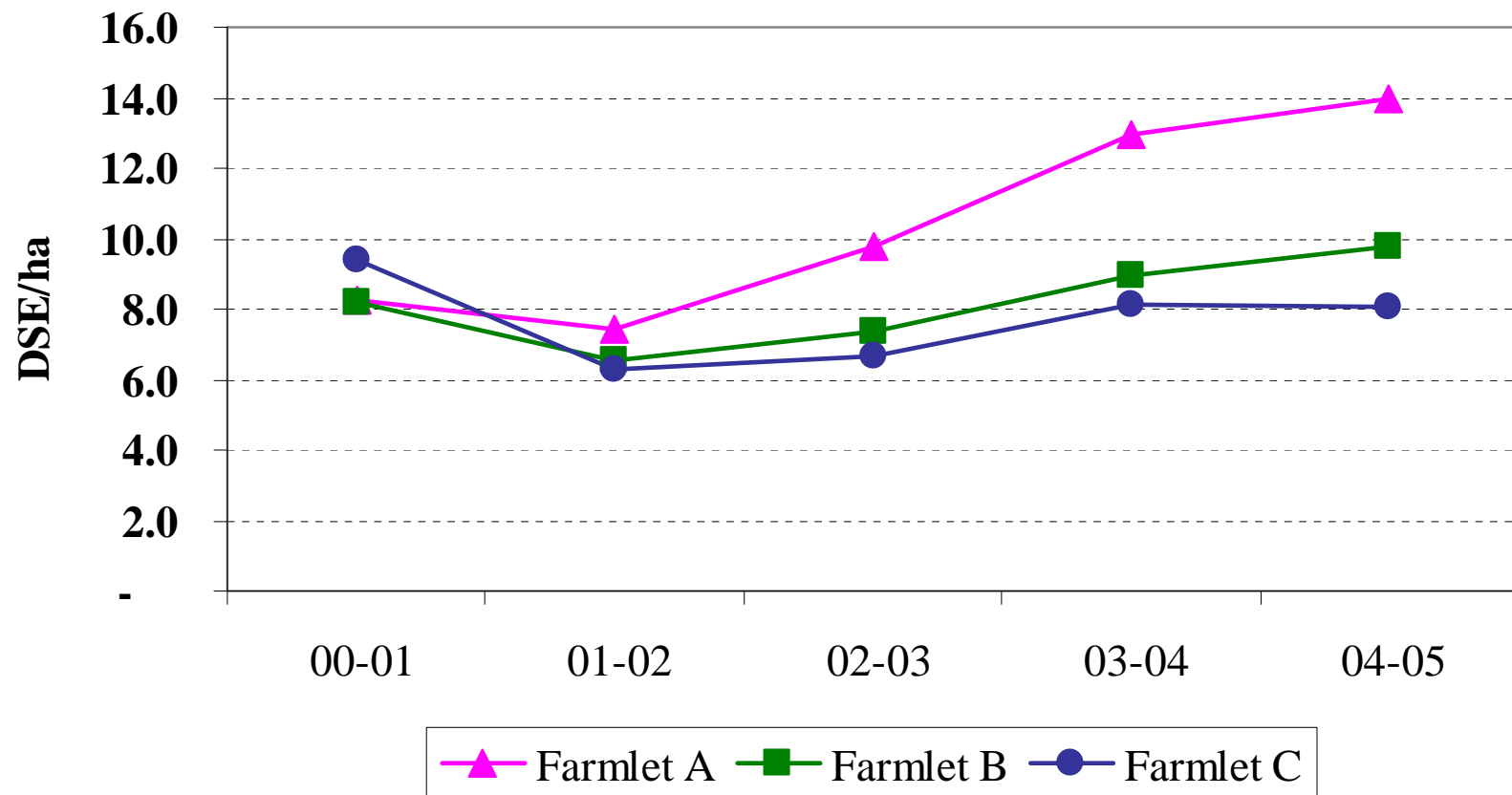
- Located at “Chiswick”, Uralla
- 54 ha each farmlet
- Farmlet A - high inputs of sown pastures and fertilisers (20%/year); flexible rotational grazing in an 8 paddock system
- Farmlet B –moderate inputs of sown pastures and fertilisers; flexible rotational grazing in an 8 paddock system
- Farmlet C – low pasture inputs; intensive rotational grazing system starting with 16 paddocks, but later increased to over 30
- Analysis period 2000-01 to 2004-05 financial years

Validity of comparisons

- It is more valid to compare the results between Farmlets A and B and between Farmlets B and C,
 - Farmlet B represents current practice in the region and
 - due to confounding effects of both different grazing management and input levels between Farms A and C



Stocking rate



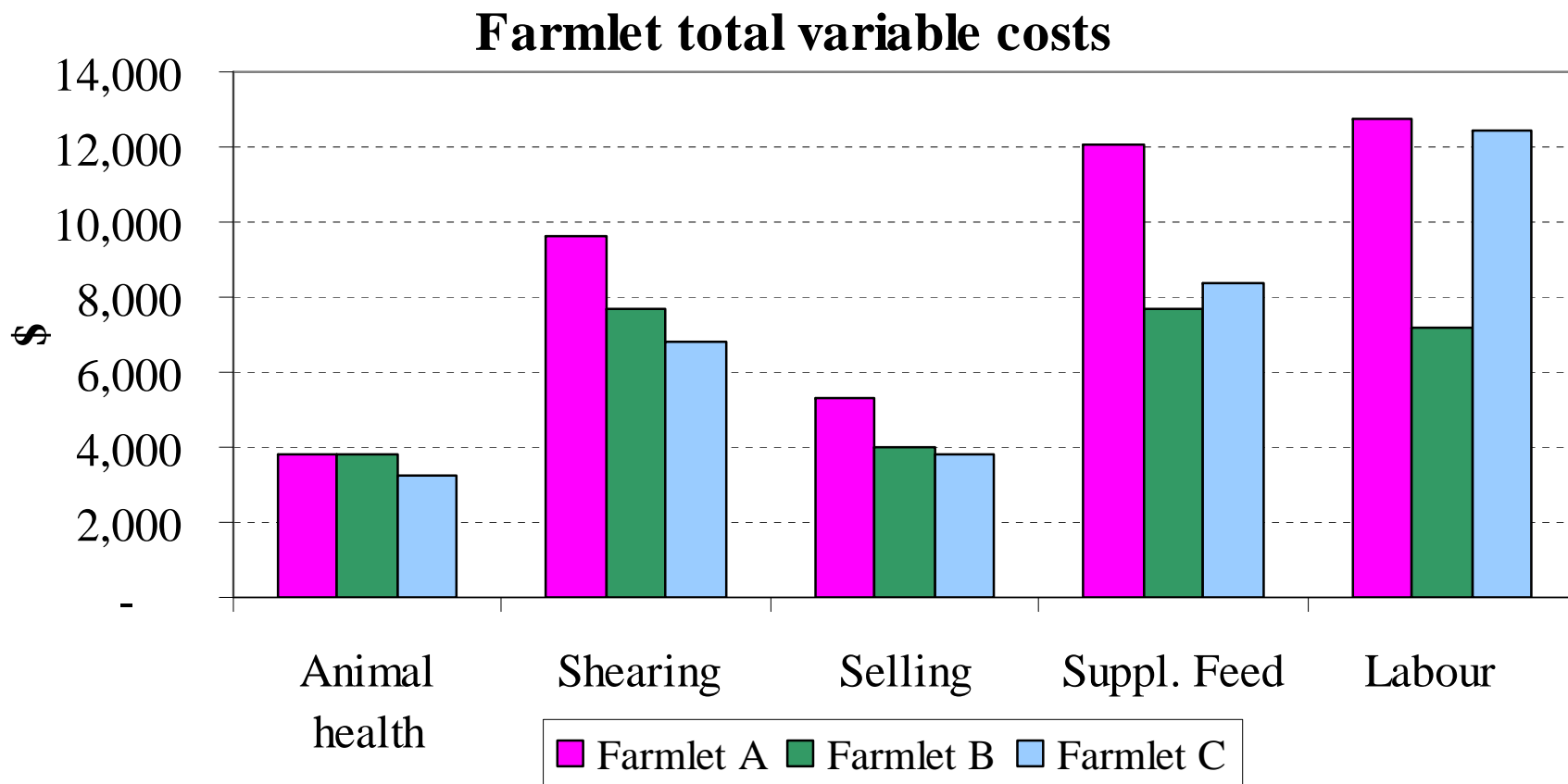


Gross margin format

- Financial Year basis
- 1 Trading schedule
 - Includes opening number & increase (lambs weaned and purchases)
 - Includes sales, deaths and closing number
- 2 Activity gross margin
 - Trading schedule outcome
 - Wool sales
 - Variable costs – shearing, health, fodder, sale costs
 - Labour

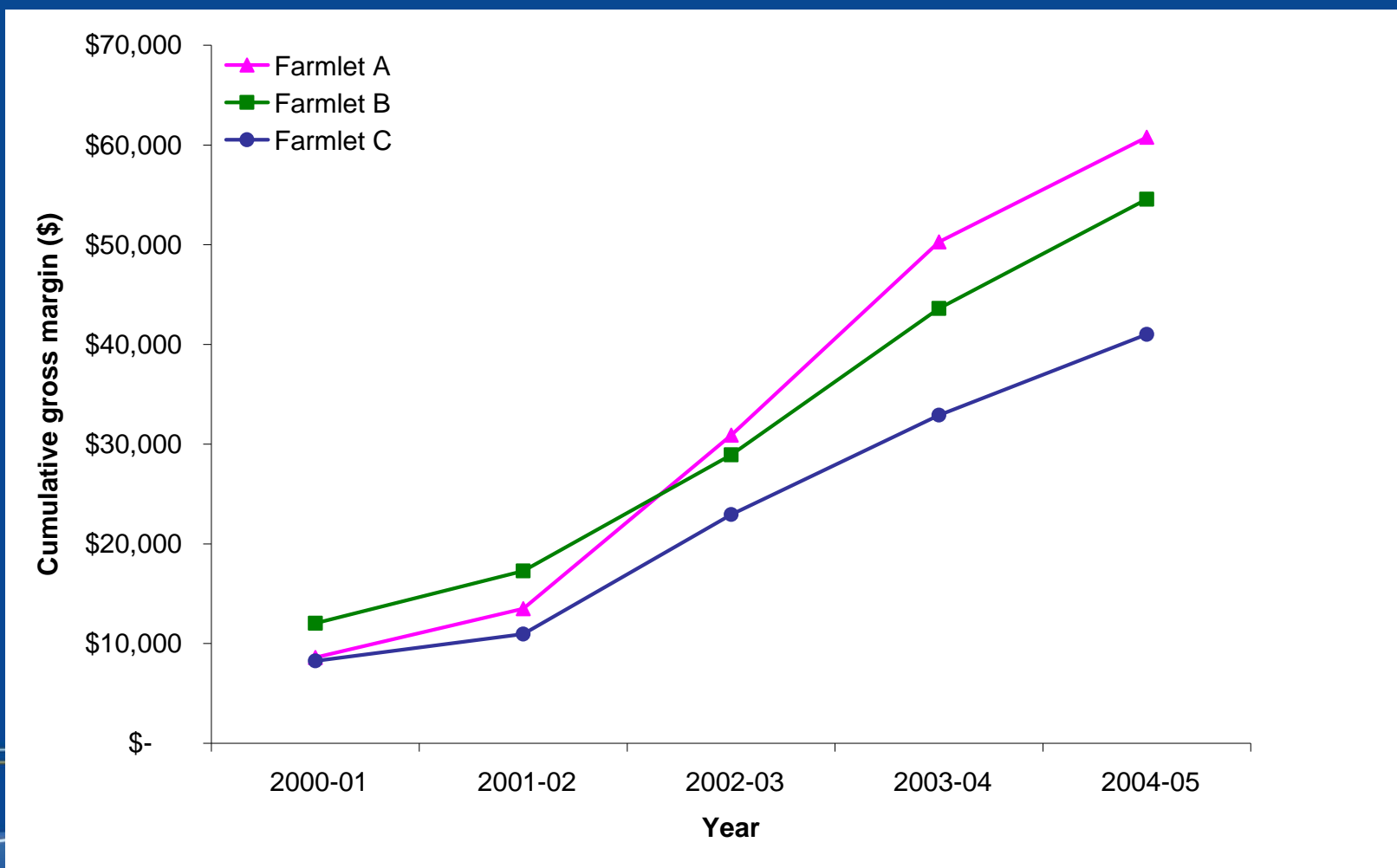


Variable costs





Farmlet scale gross margins



Commercial Scale Analyses



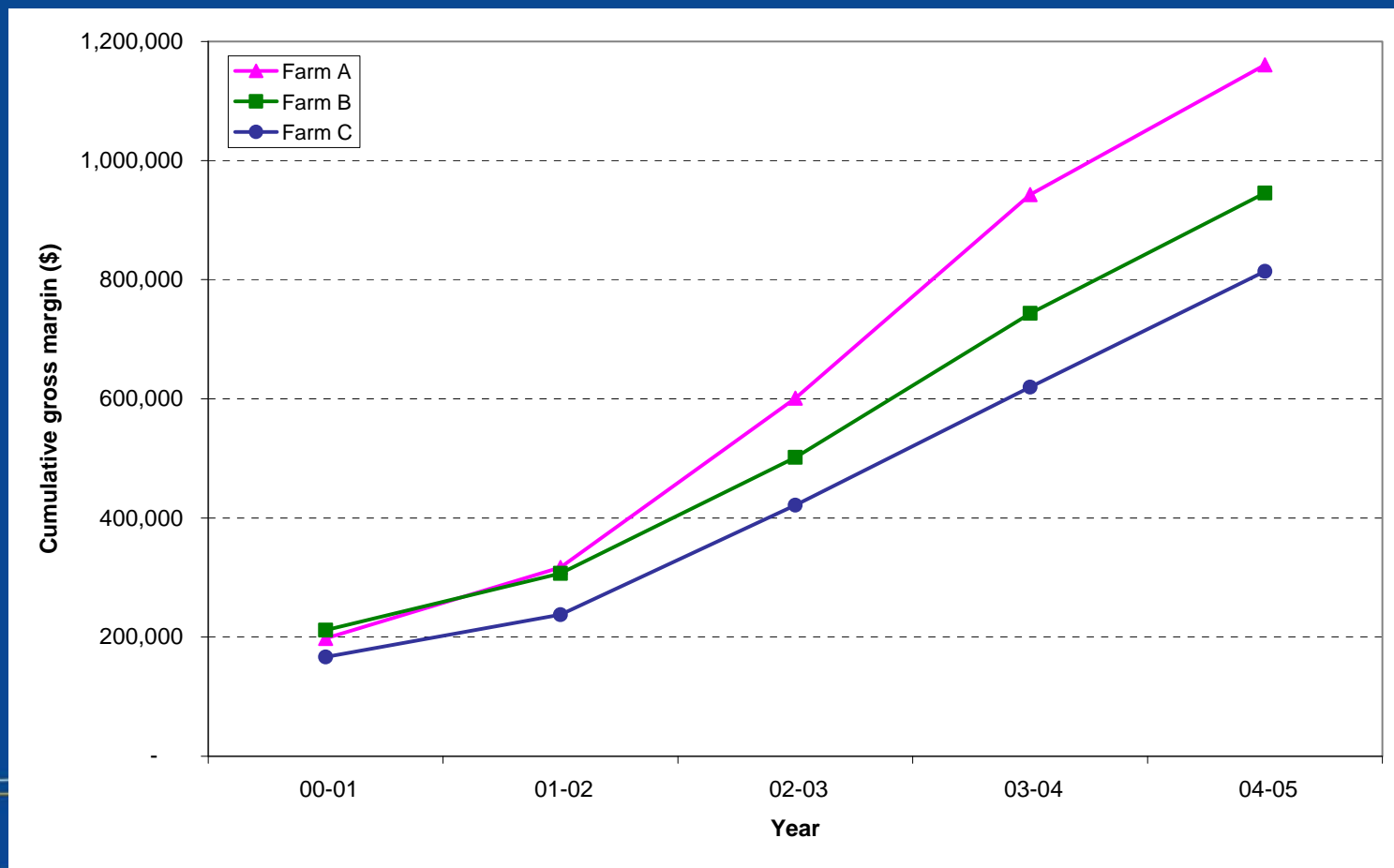


Commercial scale assumptions

- Based on Alford et al reports, 2002 and 2003
- Labour costs removed from gross margins
 - Owner operator assumed
 - Casual labour when required (simple linear programming budget for each year)
- Pasture improvement
 - Assumed purchase of direct drill for \$25,000 in year 1
 - Assumed own spraying and sowing on farm A, and own spraying but contract pasture sowing on Farms B and C

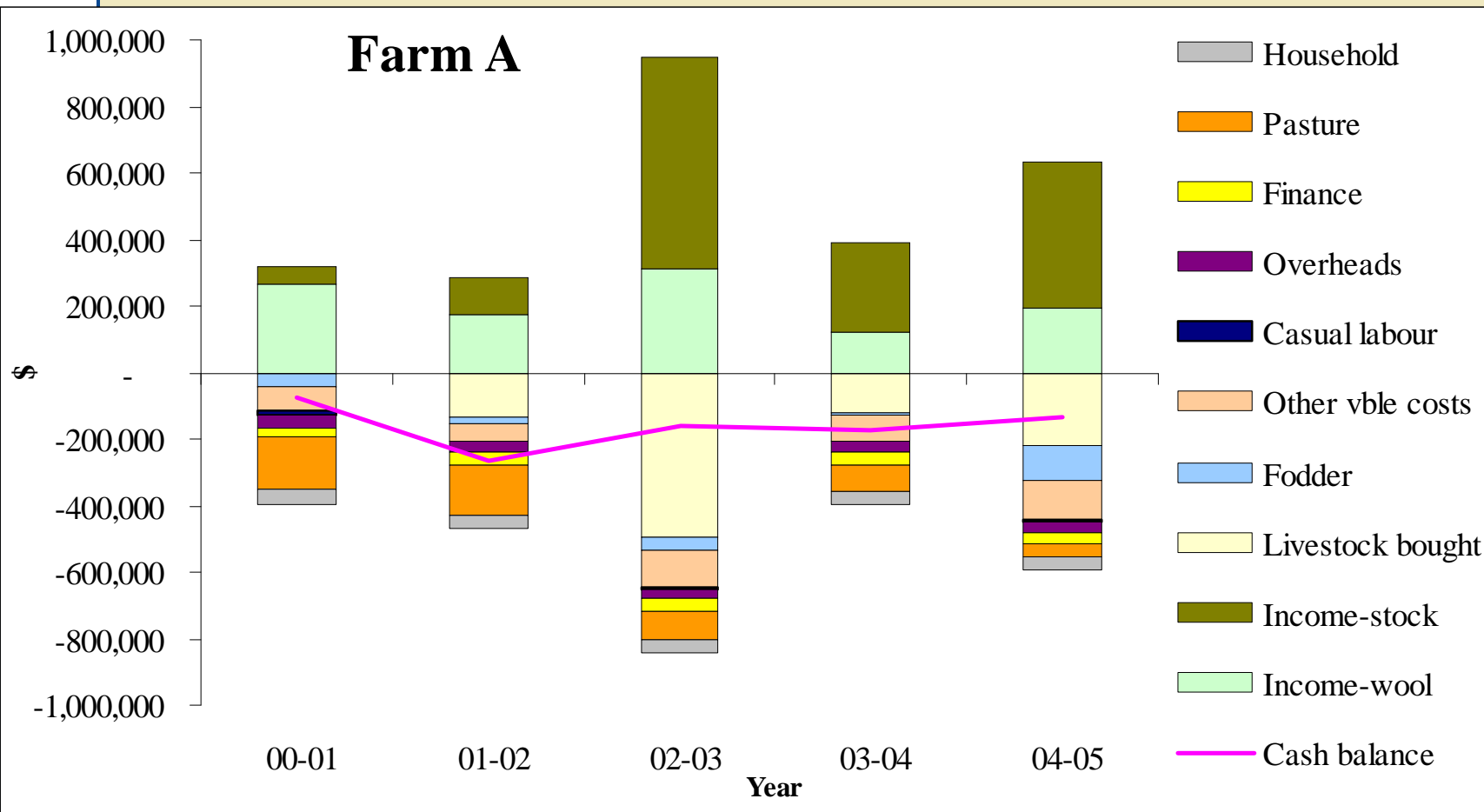


Cumulative gross margins – commercial scale

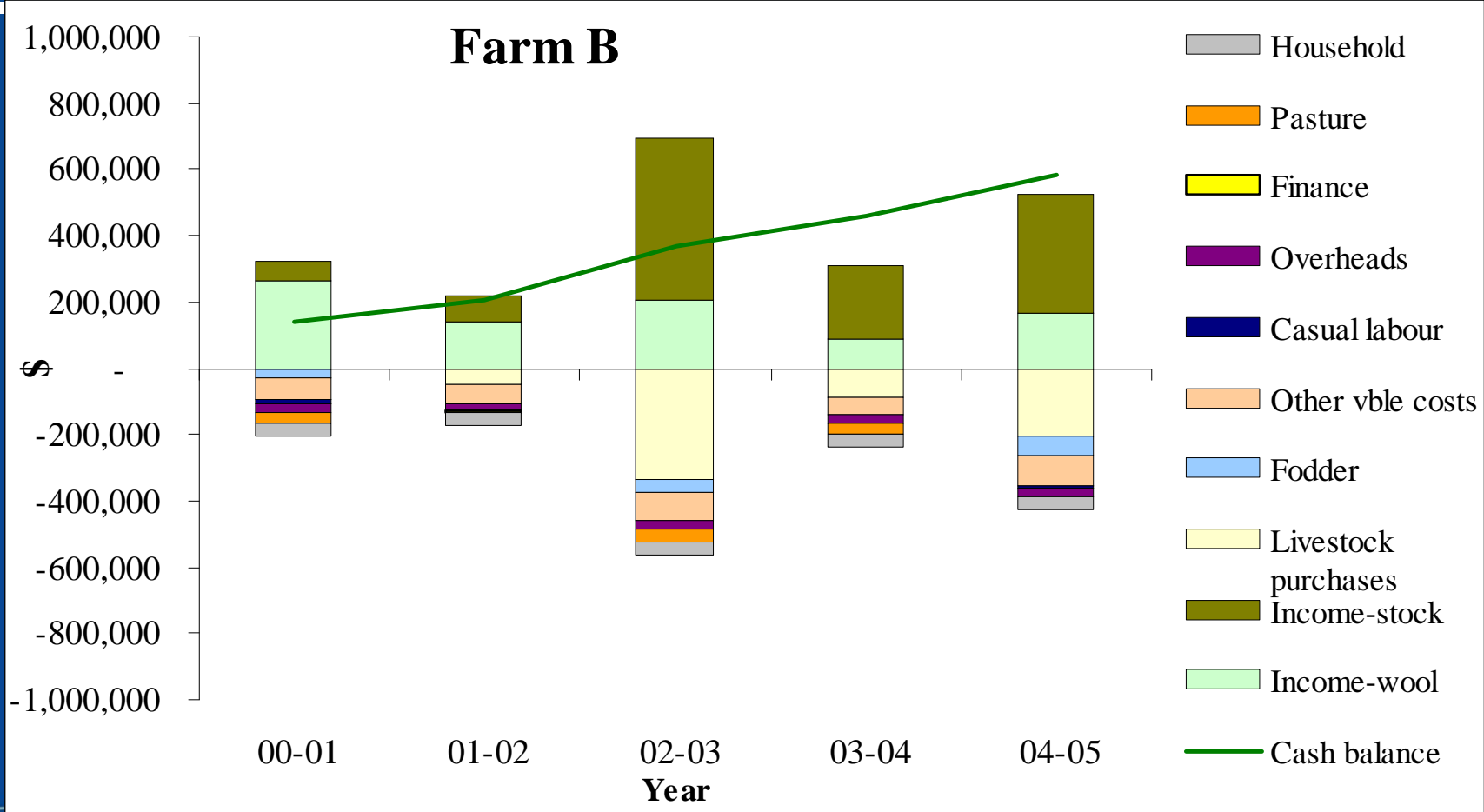




Farm A commercial scale

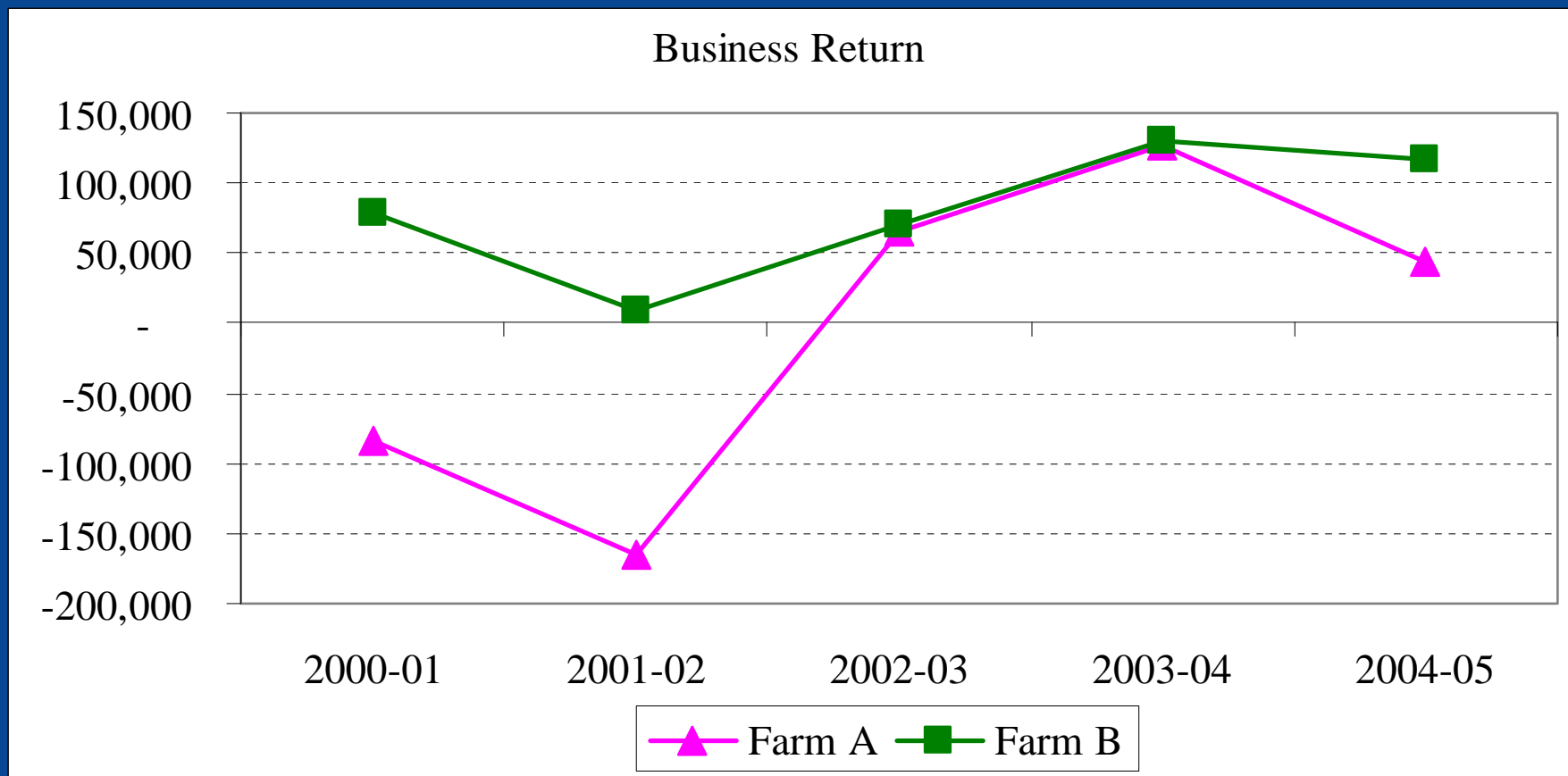


Farm B commercial scale

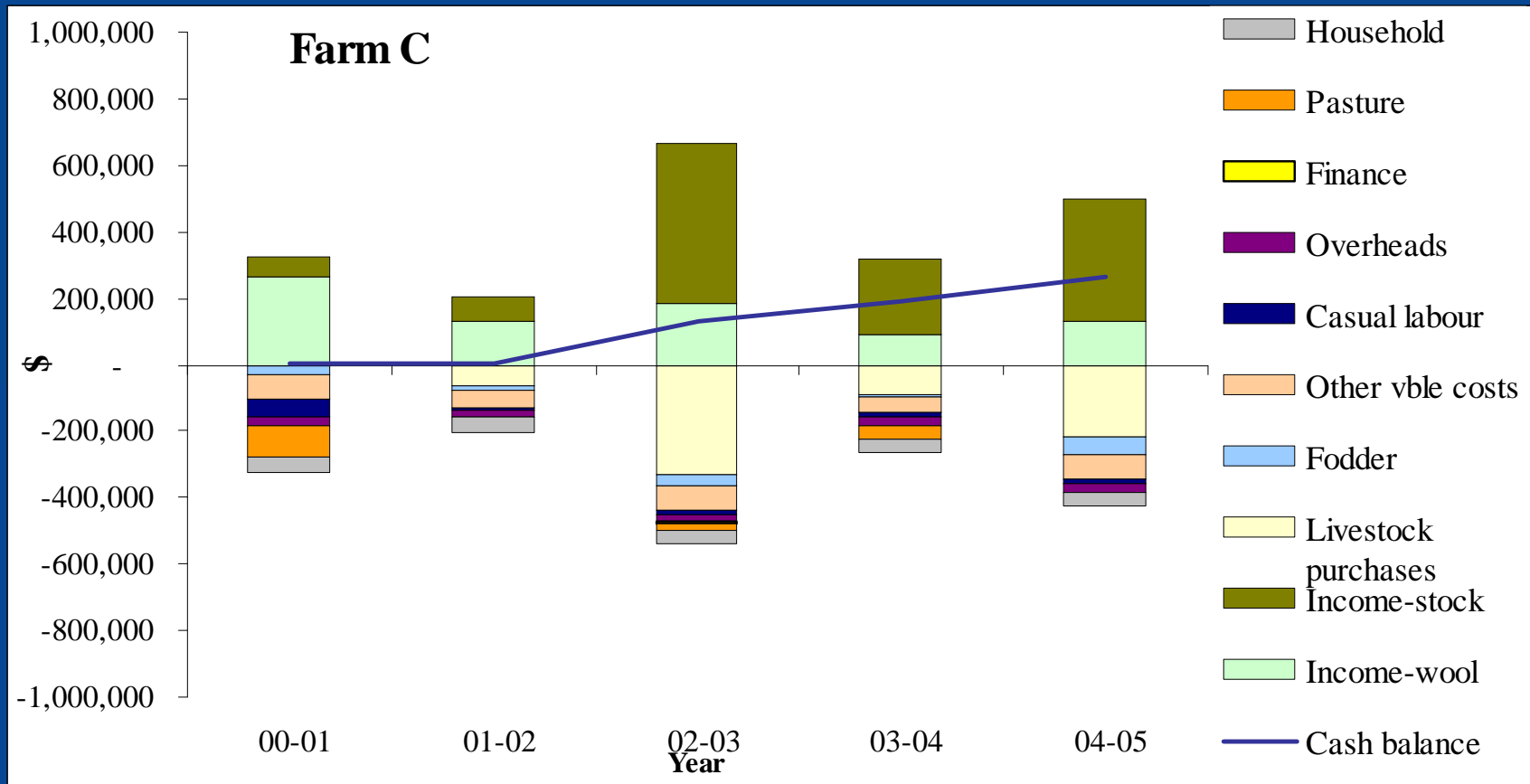




Farm A & B - commercial scale

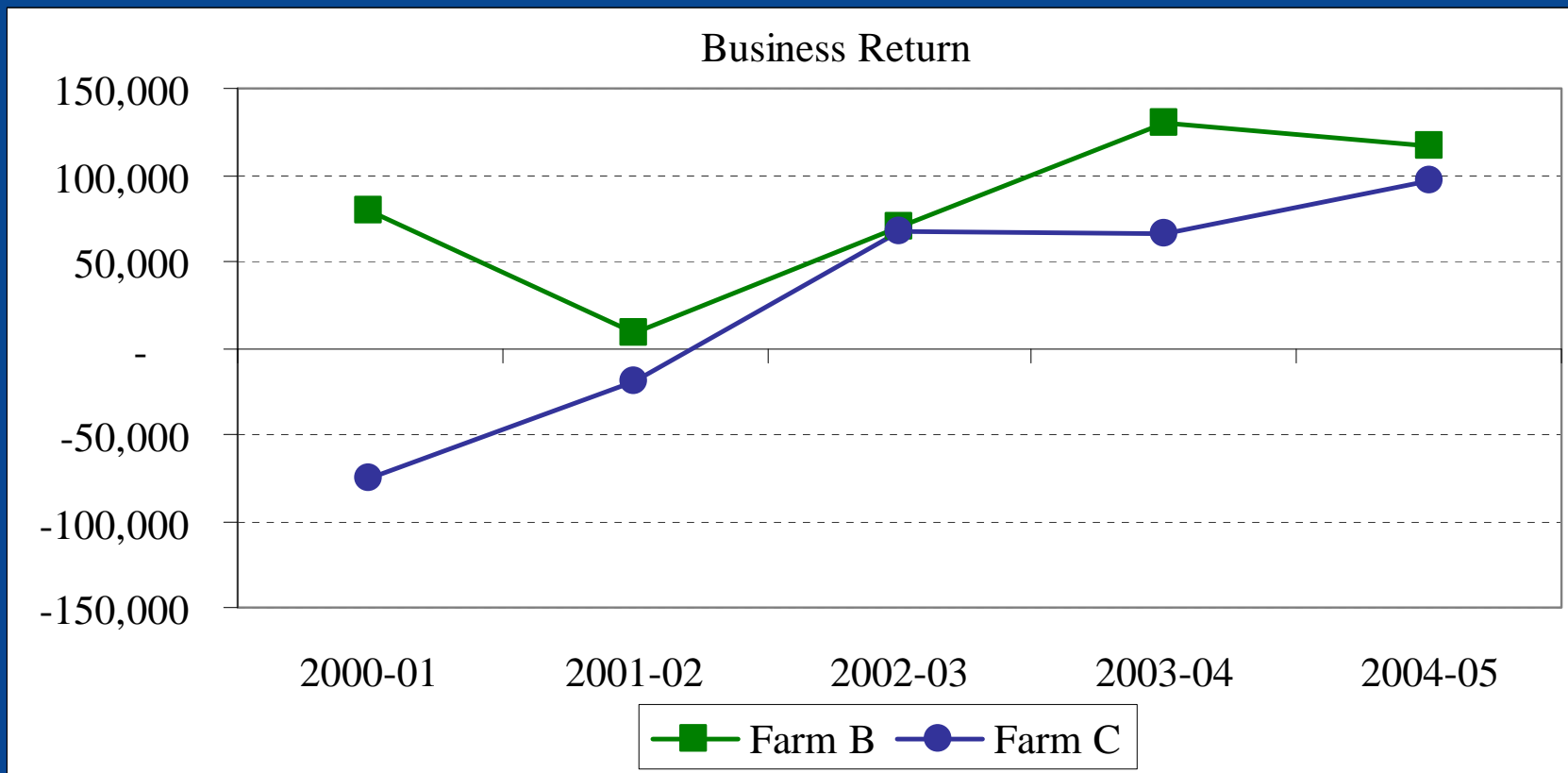


Farm C commercial scale

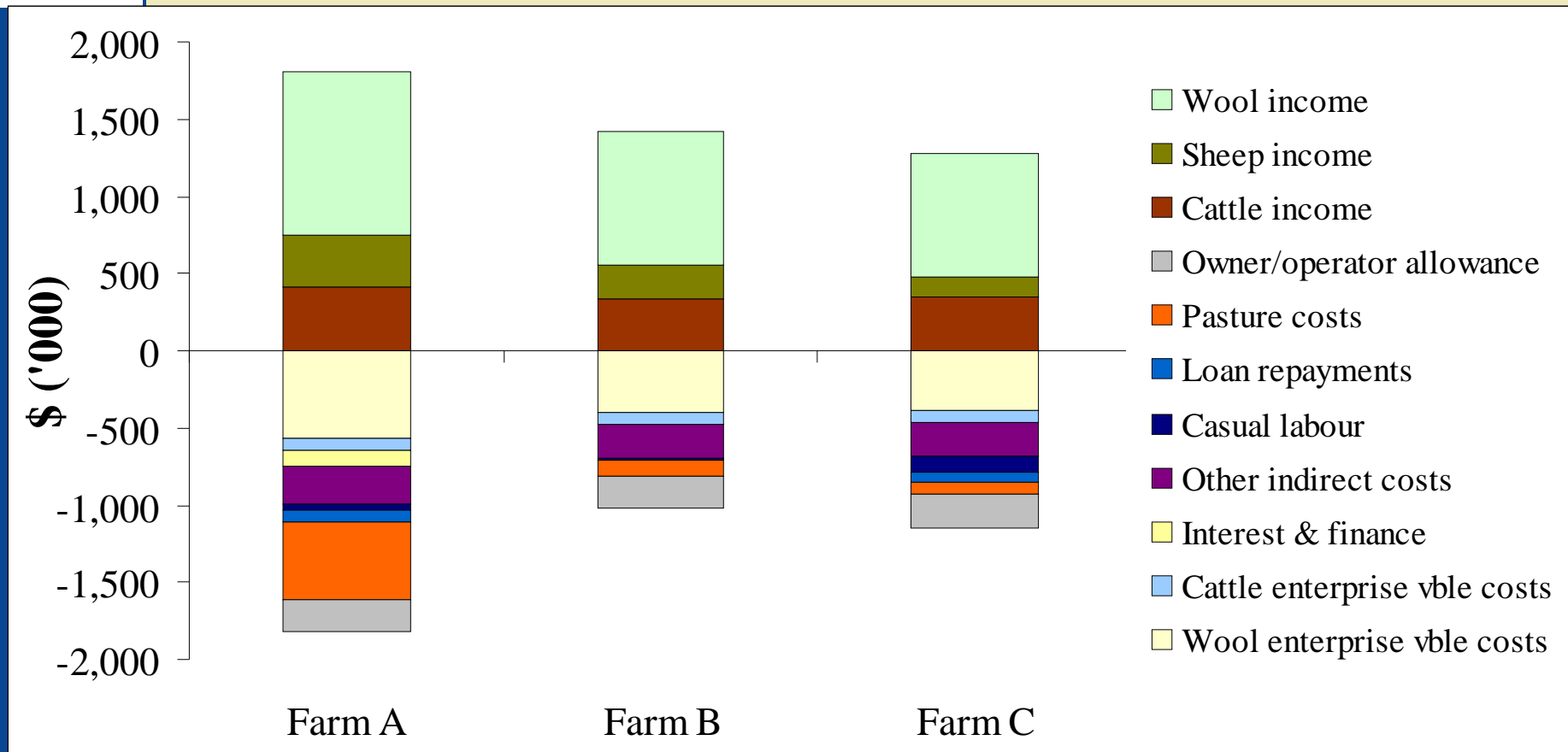




Farm B & C – commercial scale

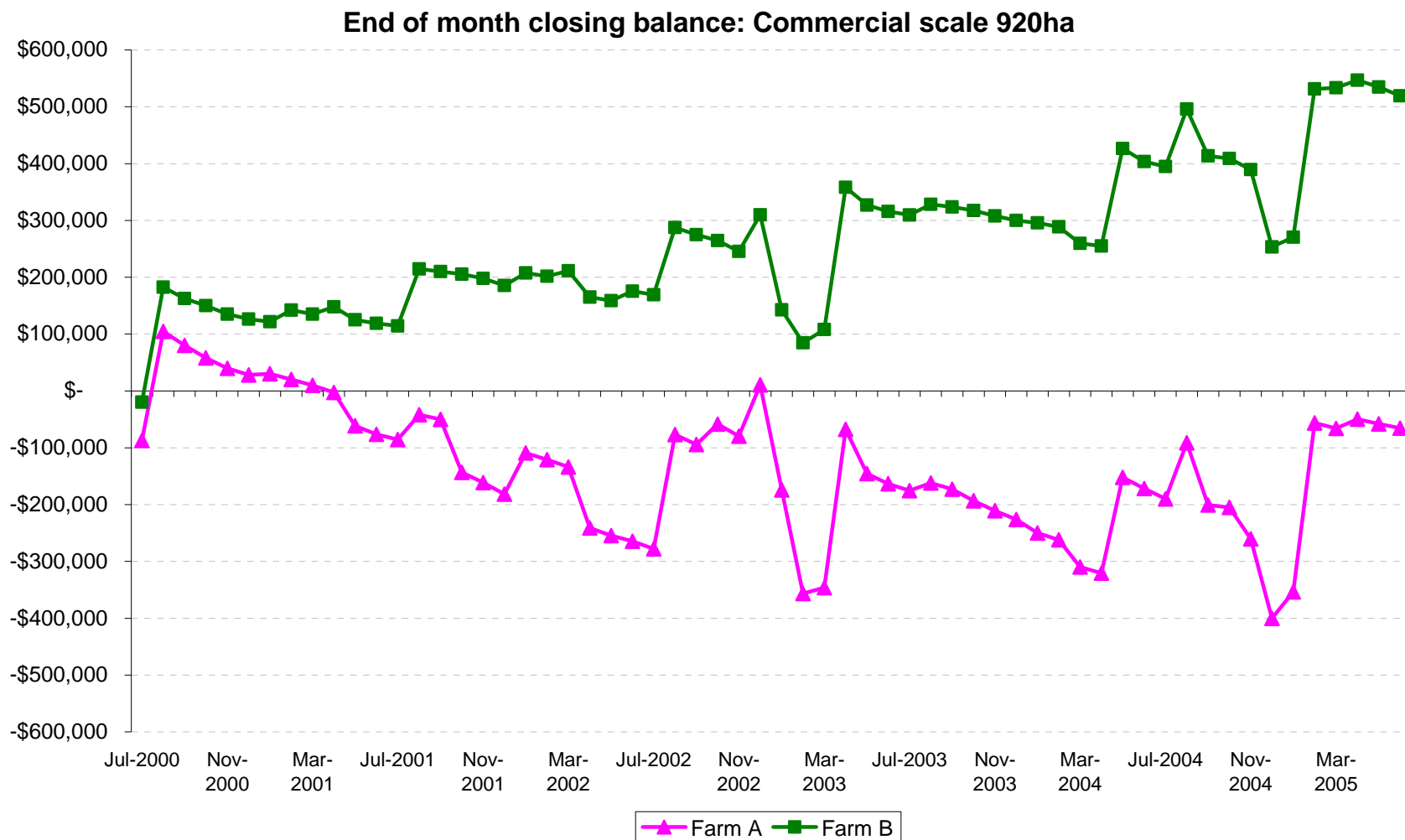


Summary 2000-01 to 2004-05





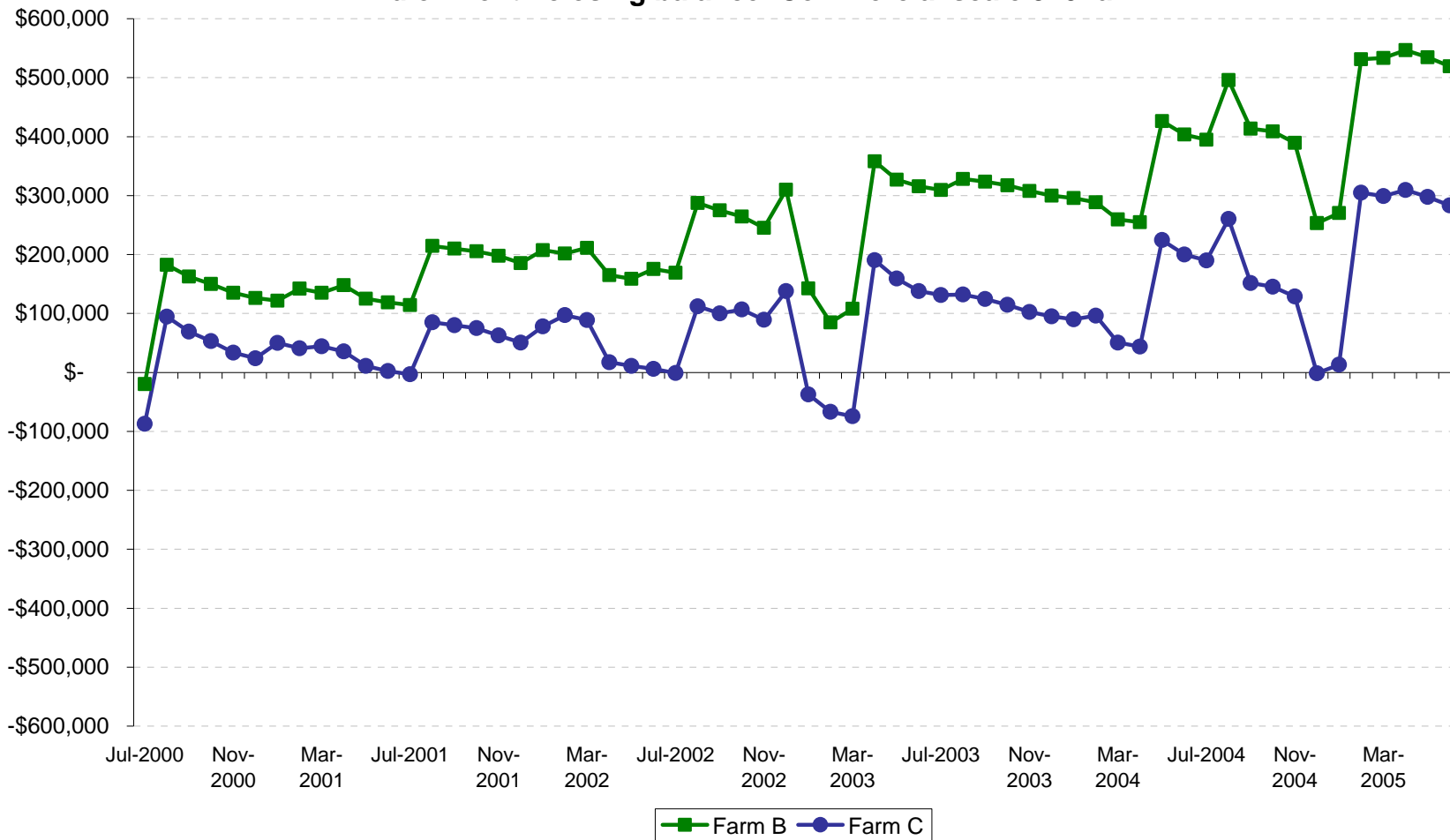
Cash flow statement: Farms A & B end of month closing balance





Cash flow statement: farms B & C end of month closing balance

End of month closing balance: Commercial scale 920ha



Rankings

- Gross margins over 00-01 to 04-05
 1. Farm A
 2. Farm B
 3. Farm C

- Business return results
 1. Farm B
 2. Farm C
 3. Farm A



Conclusions

- Peaks and troughs in cash flow graph are due to livestock purchases and sales
- High potential production from farmlet A has not occurred to date, probably due to low rainfall during the 5 year span of analysis
- Farmlet A has the potential for higher fodder conservation in order to maintain its higher stocking rates in dry times (prevented by low rainfall until late 2005)
- A commercial scale (920ha) Farm A would not have become insolvent.
- in the case of Farm A, the investment in altering the production system to take advantage of good seasons carries with it increased risk of higher losses in poor seasons
- A decline in digestible pasture species was observed on Farmlet B, which may reduce longer term profitability

Conclusions

- Commercial scale Farm C had lower gross margin returns than Farm B, plus higher cost of fencing and labour
- Farm C was able to maintain a higher level of desirable pasture species composition than Farm B; however Farm C had a consistently low pasture legume percentage and low pasture digestibility due to long pasture rest periods.
- Climatic conditions over the analysis period have not sufficiently tested the potential of the different treatments; Farmlets A and C might be capable of better capturing the advantages of above average rainfall

Acknowledgements

- The Cicerone Project Board and staff, especially Caroline Gaden, Justin Hoad, Jim Scott & Dion Gallagher for assistance with data
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