

*Neil Clark, Neil Clark & Associates*

## **Beef and Sheep Industry Megatrends**



*Agribusiness is constantly changing.  
This presentation provides high level insights and trends for  
the ANZSIC Beef and Sheep Industries.*



# Beef and Sheep Industry Megatrends

1. Agribusiness Value Chain
2. National and International Trends
3. Demographic Trends
4. Business Performance
5. Climate



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MONDAY 7TH & TUESDAY 8TH MARCH 2011



# Agribusiness Value Chain

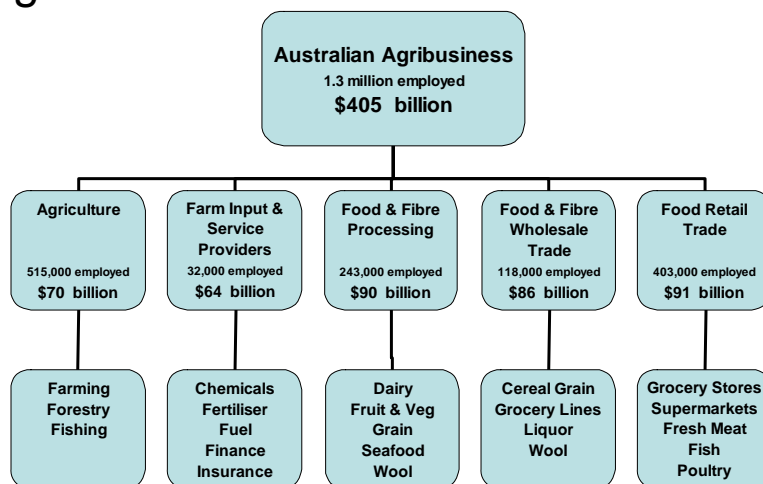
- The Agribusiness Value Chain as measured by business income was valued at \$405 billion at June 2009.
- Every dollar generated on Australian farms generates a further \$5 of activity in the community.
- Estimated beef industry value chain was \$28 billion.
- Estimated sheep industry value chain was \$16 billion.



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## Agribusiness Value Chain



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## Value Chain – Farm Production

- The value of farm production varies from year to year. The following table shows data from ABS Survey 2009
- The gross value of cattle slaughtered was \$7.5 billion. The gross value of sheep and lambs slaughtered was \$2.5 billion

Farm Size	Farm Business Income	Number of Farming Enterprises	Farm Production \$ million	Percentage of National Production	Average Farm Income \$
Small	<\$200k	92,932	5,635	15	60,636
Medium	\$200k - \$500k	24,102	7,759	20	321,923
Large	\$500k - \$1 million	11,195	7,754	20	692,631
Dynamic	\$1 to 2 million	4,975	6,877	18	1,382,312
Corporate	> \$2 million	2,368	10,560	27	4,459,459
<b>Total</b>		<b>135,572</b>	<b>38,586</b>	<b>100</b>	<b>284,616</b>

### Data to Solutions

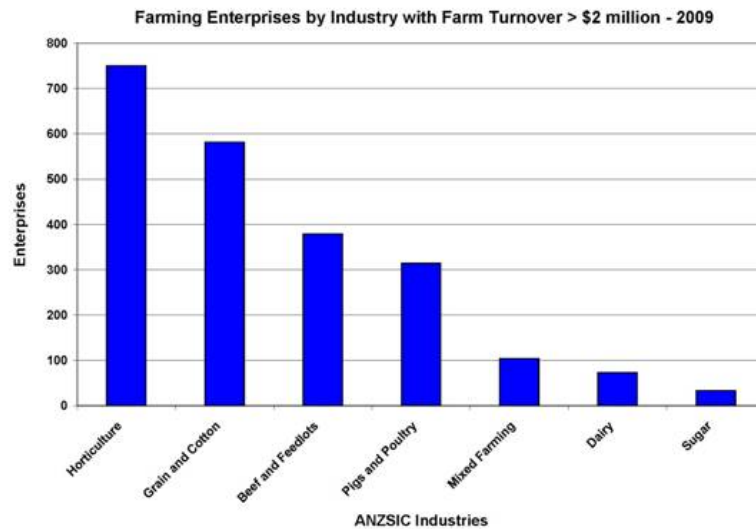
- 2,368 large producers with incomes greater than \$2 million generate 27% of farm production. There are 379 such enterprises in the ANZSIC beef and feedlot industries.



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## Value Chain – Large Commercial Producers

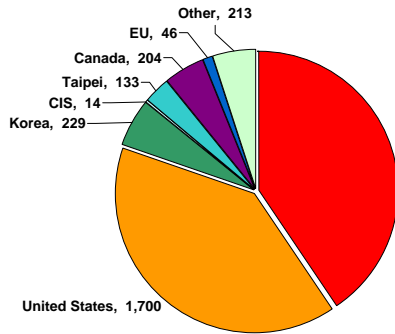


## International and National Trends

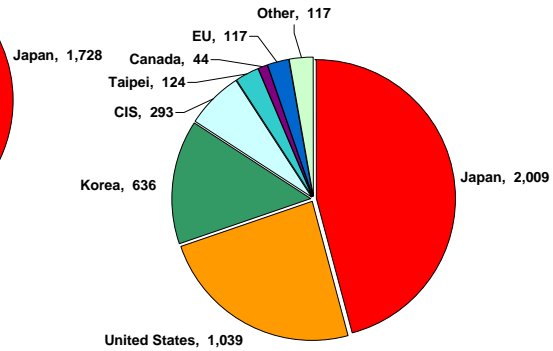
- Beef and Sheep Meat Exports
- Changes in Livestock Population - DSE trends
- Focus on Sheep v Wheat
- Setting priorities for the Beef Industry
- Setting priorities for the Sheep Industry
- Mating Trends

## Value of Exports: Beef

Value of Beef and Veal Exports 2001 - \$ million



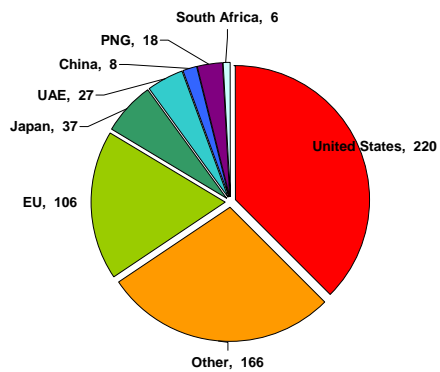
Value of Beef and Veal Exports 2008 - \$ million



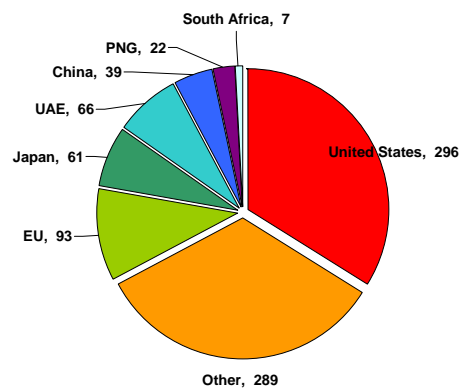
Data to Solutions

## Value of Exports: Lamb

Value of Prime Lamb Exports 2001 - \$ million

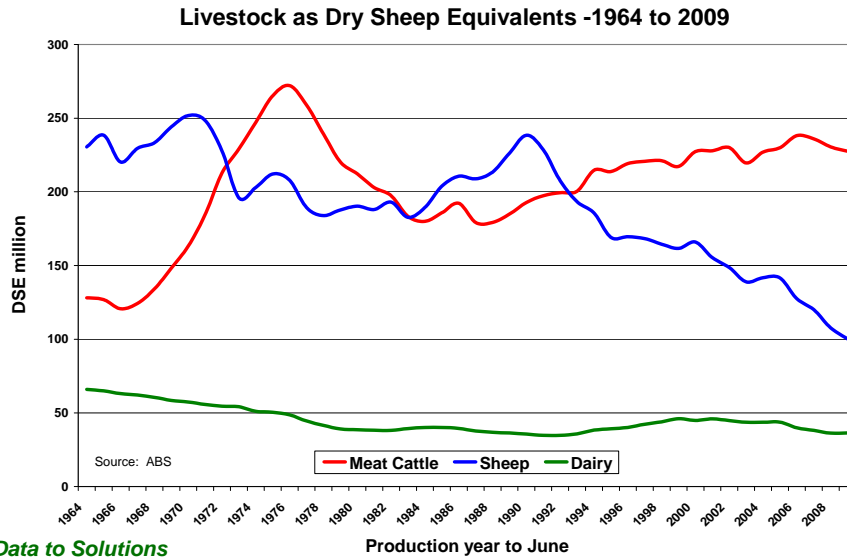


Value of Prime Lamb Exports 2008 - \$ million

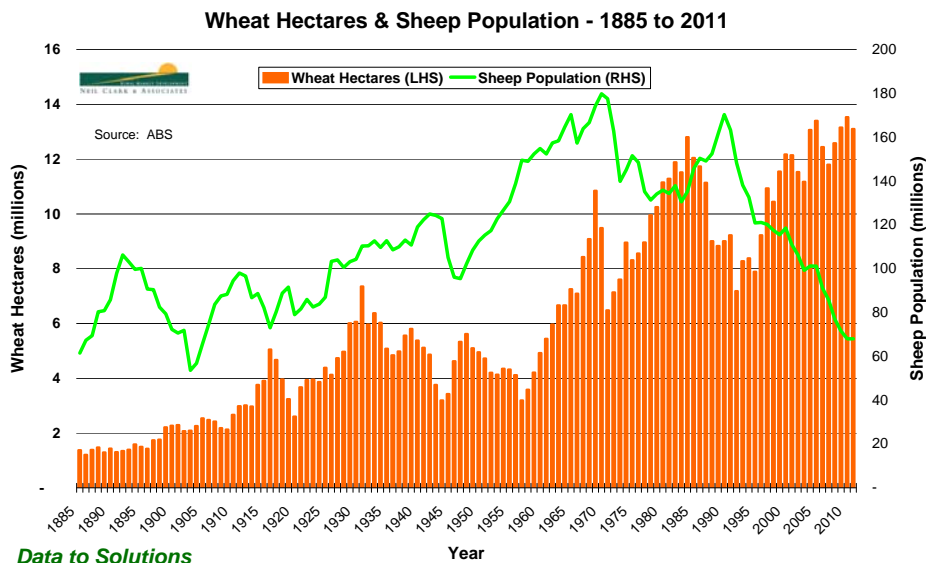


Data to Solutions

## Changes in Livestock Population: DSE Trends



## Focus on Sheep v Wheat



# Setting Priorities for Beef Industry

Beef Cattle Population by Shire 2009

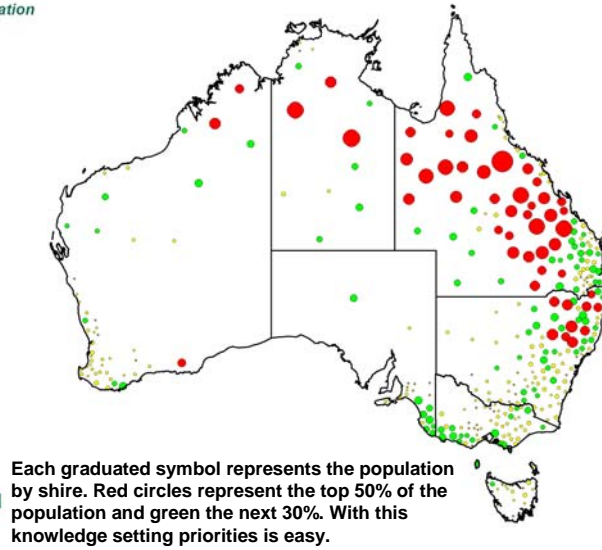
Shire Rating  
Priority  
Secondary  
Tertiary

Beef Cattle Population by Shire  
700,000  
350,000  
70,000

State Boundaries

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201023 Source: NCA, ABS

Data to Solutions



Each graduated symbol represents the population by shire. Red circles represent the top 50% of the population and green the next 30%. With this knowledge setting priorities is easy.

# Setting Priorities for Sheep Industry

Sheep Population 2009 by Shire

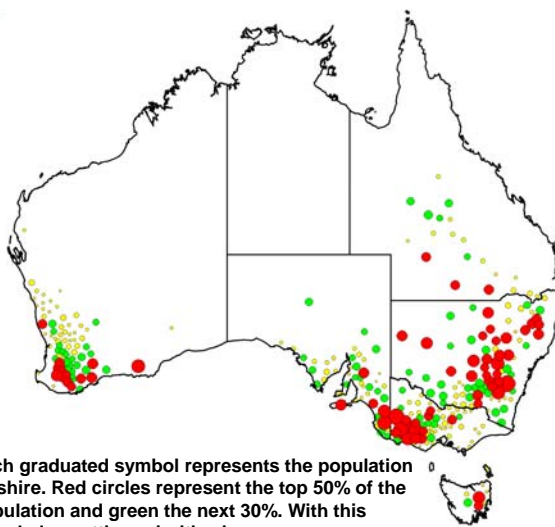
Shire Rating  
Priority  
Secondary  
Tertiary

Sheep Population by Shire  
1,710,000  
855,000  
171,000

State Boundaries

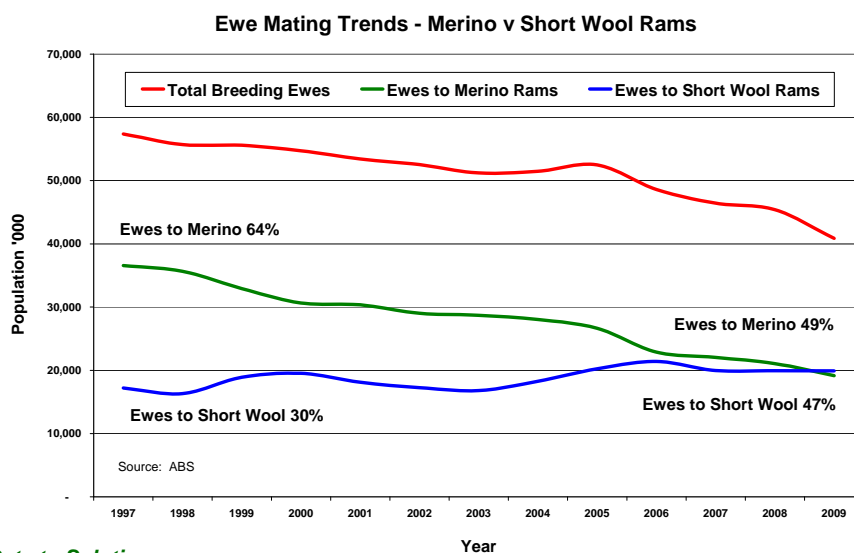
NEIL CLARK & ASSOCIATES  
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Data to Solutions



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## Mating Trends

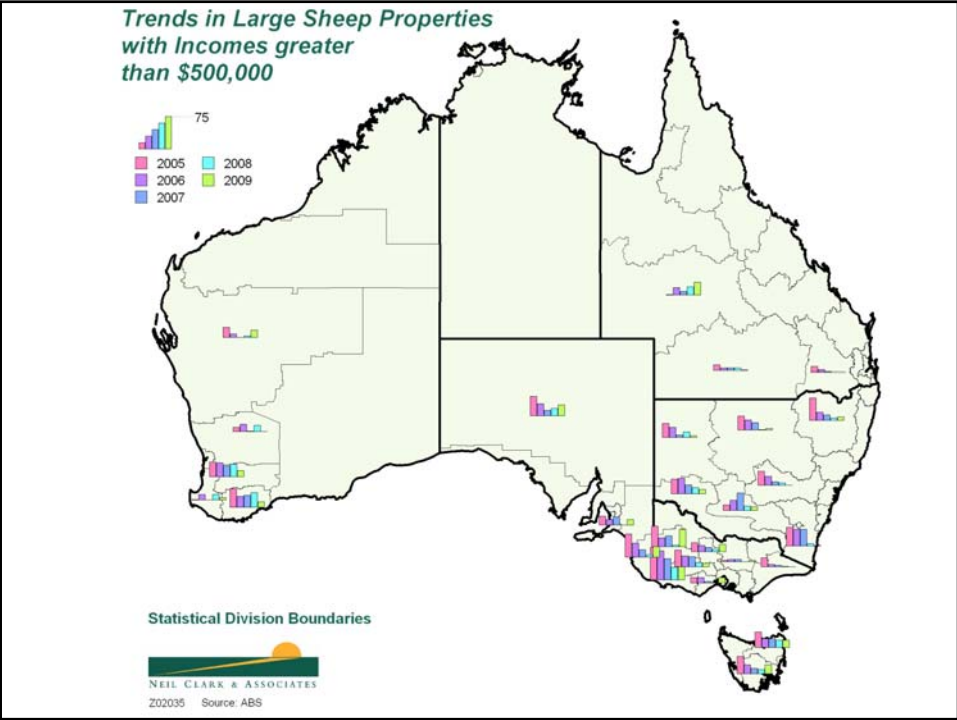
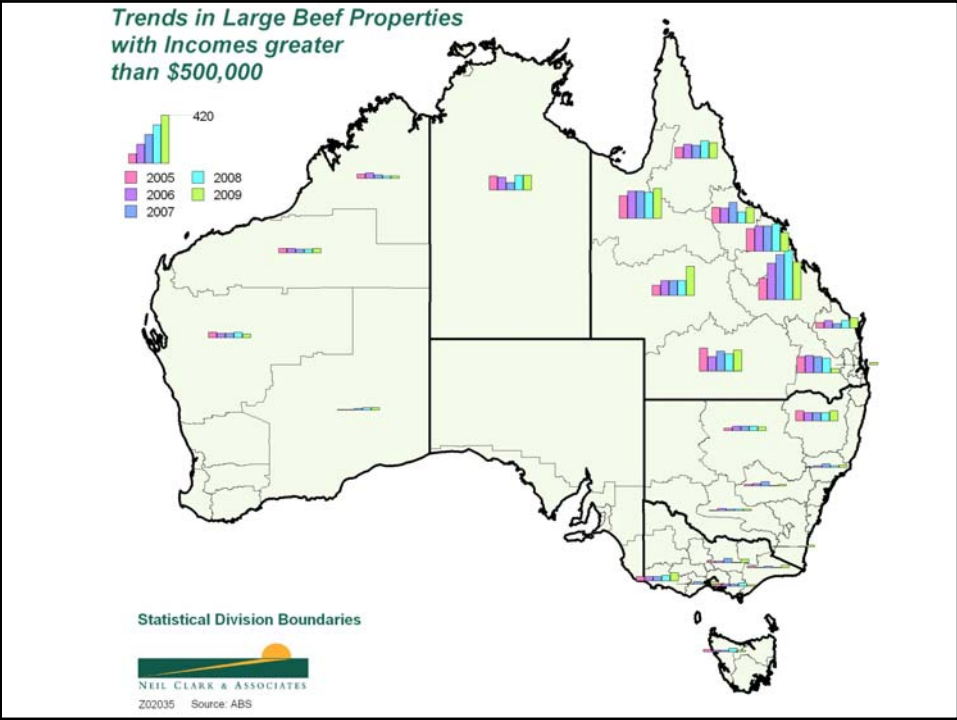


## Demographic Trends

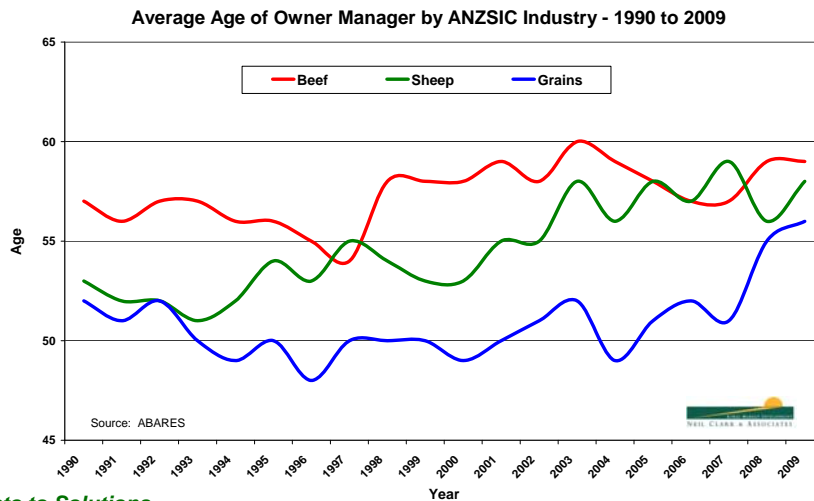
Large commercial producers lead adoption and innovation. Most farming industries have seen an increase in large and specialist producers. This is not the case with the beef and sheep industries. The maps that follow show the trend in large farm numbers by Statistical Division.

- Trends in the Beef Industry
- Trends in the Sheep Industry
- Trends in the age of Owner Manager

*Data to Solutions*



# Demographic Trends in age of Owner Manager



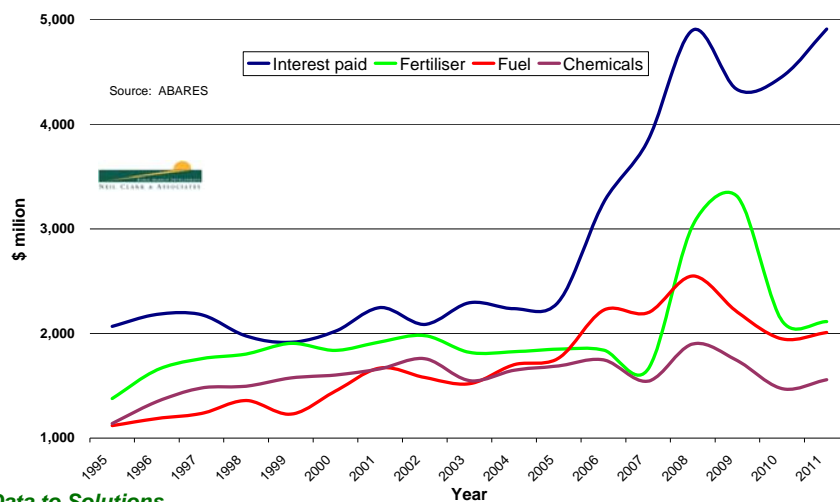
## Business Performance

1. The farm debt challenge
  - Lending to the beef industry at September 2010 was \$10.2 billion (20% of the total)
  - Lending to the sheep industry at September 2010 was \$2.3 billion (2.3% of the total)
2. Beef Industry Business Performance
  - Large enterprises are performing well with an average rate of return (including capital appreciation) of 9.0%
3. Sheep Industry Business Performance
  - Large enterprises are performing well with an average rate of return (including capital appreciation) of 7.4%

**Data to Solutions**

# Farm Business Performance: The Debt Challenge

Key Farm Input Trends 1995 to 2011



# Beef Industry Business Performance

Source: ABARES Farm Surveys 2004 to 2008

Average Business Income - 5 years	Unit	Enterprise Scale		
		Large	Medium	Small
		\$1.4 million	\$350,000	\$150,000

## Costs & Receipts

Farm Cash Income	\$	179,860	75,230	22,543
Operating Costs to Income	%	86	77	86
Farm Business Profit	\$	125,931	-10,114	-39,055

Non Farm Income	\$	23,969	30,175	44,325
Non Farm Income to Total Cash Receipts	%	1.8	10.0	31.9

## Performance to Land Values

Operating Surplus to Land Value	%	2.3	2.1	1.0
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## Interest Paid

Interest Paid to Total Cash Receipts	%	6.5	7.9	9.0
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## Debt & Liquid Assets

Farm Debt to Total Cash Receipts	%	93	108	101
Liquid Assets to Total Cash Receipts	%	16	38	70

## Equity & Rate of Return

Rate of return including capital appreciation	%	9.0	8.0	6.6
Rate of return excluding capital appreciation	%	2.0	0.4	-0.8

Data to Solutions

# Sheep Industry Business Performance

Source: ABARES Farm Surveys 2004 to 2008

Average Business Income - 5 years	Unit	Enterprise Scale		
		Large	Medium	Small
		\$750,000	\$300,000	\$150,000

## Costs & Receipts

Farm Cash Income	\$	117,542	52,840	25,518
Operating Costs to Income	%	84	82	84
Farm Business Profit	\$	44,649	-30,241	-43,488
Non Farm Income	\$	26,054	20,639	29,504
Non Farm Income to Total Cash Receipts	%	3.5	7.1	18.2

## Performance to Land Values

Operating Surplus to Land Value	%	2.7	1.9	1.5
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## Interest Paid

Interest Paid to Total Cash Receipts	%	8.8	9.5	10.0
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## Debt & Liquid Assets

Farm Debt to Total Cash Receipts	%	122	114	116
Liquid Assets to Total Cash Receipts	%	22	35	50

## Equity & Rate of Return

Rate of return including capital appreciation	%	7.4	5.4	2.6
Rate of return excluding capital appreciation	%	2.2	0.2	-1.2

## Data to Solutions

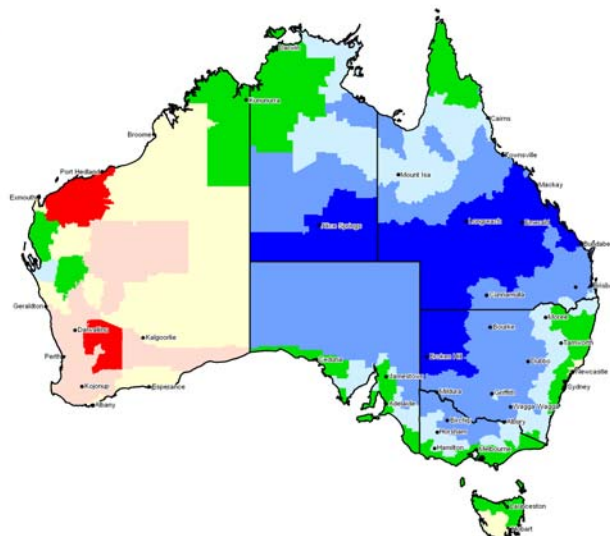
# Climate

Good rains have fallen on most of the pastoral zones, this will lead to greater production and prosperity for the beef and sheep industries.

Total rainfall 2010  
as a percentage of  
average rainfall  
1990 - 2009

Percentage of Average  
Rainfall

- > 200
- 150 to 200
- 125 to 150
- 100 to 125
- 75 to 100
- 50 to 75
- < 50



State Boundaries

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