

The Pegala Pastoral Company – Vertically integrating cropping and beef production systems

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Abstract: *This paper describes the development and operation of a vertically integrated business that operates sheep, cattle and cropping operations across an aggregation of thirteen properties in the central Tablelands and North-West Slopes and Plains of NSW.*

Key words: pasture-based grain assist program, sheep, cattle, cropping, tall fescue

Original Business Model

The Pegala Pastoral Company (PPC) is a partnership that was formed by Garrick Hawkins and Mark Mason in 2001. The main aim of the business was to spread and reduce risk through geographic and enterprise diversity. This saw the company run cattle and sheep in the south, and grow crops on the northern farms. We owned the farms in the south, and leased the cropping country in north. In 2003, we purchased an additional two farms, one near the original southern farm and the other in the north near our leased cropping country.

Our business model was three-fold:

1. Sheep operations – build a flock of superfine merinos that was fertile and productive.
2. Cattle operations – buy in back-grounding steers for feedlot markets.
3. Cropping operations – zero-tilled controlled traffic, growing a wider variety of dryland crops both feed and human consumption.

Where we are today

So from one property, the Pegala Pastoral Group is now an aggregation of thirteen properties spread across the central Tablelands and North-West Slopes and Plains regions of New South Wales (NSW).

Pegala Pastoral Company is a diverse business employing more than 40 people, turning-off over 40,000 head of slaughter cattle, shearing 15,000 sheep, cropping 16,000 hectares, with a state-of-the-art feed mill and a fleet of B-doubles.

How did we get there?

Necessity is the mother of all invention. Eight years of drought, poor commodity prices, high input costs and a growing fixed cost base meant that PPC needed to establish a business that was vertically integrated and producing good reliable cash flows.

Over that same eight-year period, beef prices had declined dramatically (especially the rates paid by Japanese owned feed-yards!), which also impacted feed-grain prices. This meant that PPC was adversely affected in two ways: reduction in prices for feed grains and beef. As a result, we came to the natural conclusion that we should value-add our grain by turning it into beef, without becoming a feedlot. Sounds simple – trust me it was not. After much trial and error we now have a system that works and is profitable. There is still room for improvement, but we are getting there.

Working out the production system was half the battle – we had to align ourselves with end users who were like minded and more importantly valued having a consistent reliable supplier of quality product and were prepared to pay for it.

Evolution of the grass and pastures management system

The major hurdle faced by the southern farms over the past 10 years has been in relation to poor seasons. We have experienced eight dry winters in a row (Table 1). This fact has fundamentally changed our views as to which pasture best suits our system.

Excluding 2010 our average annual rainfall in the past few years was 639 mm (Table 1). Not bad, but when you consider that we did not receive the critical autumn break in the majority of those years we went into the winter with very little leaf

area, and hence a severely reduced capacity to grow feed. This obviously adds weight to the old adage that timing is everything.

We have been working with Ross Yelland for the past 10 years and during that time we have gone the full circle from high performance Italian ryegrasses, and then back to Blackbutt oats to try to fill the winter-feed deficit.

Initially our focus was to maximise carrying capacity without sacrificing animal performance and we thought that we would be able to achieve this with a fescue-based pasture. Quantum, Resolute and Advance tall fescue were the main varieties utilised, as well as a proportion of high performance ryegrasses. The aim of the fescue was to fill the summer feed deficit, with the ryegrasses being used in winter. We supplemented this system with an application of single superphosphate – ~250 kg/ha/year. Our aim was to work towards all of our pastures being based on the newer fescue varieties available at the time (Resolute to fill the winter gap and Quantum to cover summer). We were very pleased with the initial results, although Resolute wasn't as prolific in the winter as we probably would have liked.

Our initial results were fantastic. We managed to double our stocking rate to 15 dry sheep equivalents/ha and also saw healthy weight gains

in the cattle (1–1.3 kg/head/day), and wool cuts were up by half a kg per head. Then it stopped raining, or more importantly it stopped raining in the autumn and winter months. Success with our mix of varieties and species was very dependent on that autumn break.

We have received well below our 700 mm average for a number of years (Table 1) and like everyone else in central and southern NSW moved into survival mode. We have not had a substantial autumn break for several years, meaning we went into winter with very little leaf area on pasture plants giving them little hope of growing any feed through the cold winter months of June, July and August. Our high performance ryegrasses were anything but, providing modest value at best.

So, we went back to the future and started using oats again, firstly Blackbutt and then in the last two years Taipan, which we have been extremely pleased with.

We still had the problem of how we got our stock to the right weights to fit the markets we were attempting to service regardless of whether it rained or not. So, we hit upon the idea of value adding our grain by turning it into beef. Not a new idea and certainly been done by many before us. The problem was not many people have attempted to do it with the large numbers on a pasture-based grain assist program that we were running – so we set about reinventing the wheel.

Initially we thought we could achieve satisfactory gains through limit feeding and utilising the available pasture. This would have been okay had beef prices been stronger, but as you all know 2006–07 things were tough and like most things the profit was in the last couple of kilograms of rations not the first 5 kilograms.

Four years of trial and error later and we are achieving exceptional weight gains and producing a high quality product that is fully contracted to two major end users. We are able to run enough stock numbers to fully utilise our spring and autumn feed surpluses as well as continue to supply throughout the tougher winter and summer months. Animal production

Table 1. Annual and mean rainfall (mm) in 2001–10.

Year	Annual total (mm)
2001	500
2002	592.5
2003	679
2004	860.5
2005	774.5
2006	406.5
2007	580
2008	709
2009	652.5
2010	1247
Mean values:	
10-year rolling	700
Excluding 2010	639

remains consistent throughout the year, but ration intakes vary from 6–12 kg/head/day. Ration cost obviously varies depending on the year and season, but today you are looking at around 25c/kg (we grow about half of our total grain requirements) landed. It is also important to note that we transfer the price of our own grain internally between the enterprises at market values. Average weight gains range from 1.4 kg/day in winter to 1.7–1.8 kg/day in spring and autumn.

Stocking rates are consistent at around 2.5 beasts per hectare. Average time on farm is around 100 days. We have also found that this is the optimum time period required for us to hit the targets in terms of what our customer specify for fat cover, fat colour, saleable meat yields and carcass weights.

In terms of our sheep business, we have developed a very productive flock with adult fleece weights of over 5 kg of 16.8 micron wool. Our lambing percentage in the last couple of years has topped 100% and we have been able to get our wethers to boat weights. Sheep are not supplementary fed, except in drought times.

It is important to note that our system is equally reliant on good pastures as it is the ration that we make and feed out.

Where we are today is testament to the dedication and hard work of the people who work for the company. Our system is very intensive and certainly is not for everyone. It has required significant capital investment, which realistically is not available to the average farmer, but what it does show is that new ground can be broken and success can be achieved through hard work and perseverance no matter what business you are in.



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