

PRODUCER EXPERIENCE OF PROFIT FROM PASTURES

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"Roslyn"
Roslyn, near Crookwell

INTRODUCTION

The principal motivation behind my investment in a program of pasture improvement is quite simply to make more money by increasing livestock numbers and hence total livestock production. This strategy enables graziers to concentrate on what they already do well.

PLANNING A PASTURE PROGRAM

Where, when and how much pasture is to be sown in one season is a result of careful planning and timely action.

In this regard I must mention the Potter Farmland Plan seen on a recent trip to Western Victoria. This form of farm planning brings into focus a balanced approach to all aspects of farm development. Its main concern is with tree planting and soil erosion control, but their technique of using an aerial photo with clear overlays is a convenient method of planning.

It has also been brought to my attention that a joint NSW Department of Agriculture/Soil Conservation Service Publication titled "Farm Development for Sustainable Land Use, Southern Tablelands and Monaro" has quite independently produced a parallel to the Potter Plan.

FEED BUDGETING

A commonsense first step in estimating the area to be improved in one season is to calculate my present stocking rate and then make a judgement about what land can be taken out of production without any adverse effect. Such an assessment may well include decisions regarding additional fodder crops to assist carrying capacity in the short term. I believe this process is called feed budgeting. It involves calculating the feed demand and making sure there is adequate supply to meet it comfortably.

DEVELOPMENT CRITERIA

After deciding upon what area I can afford to take out of production, I must then ask some very important questions.

a. What to sow down?

An important point that should be made is that many pasture species (both legumes and grasses) now available, are much more productive than those which were available when we sowed our improved pasture. In addition our improved pastures may have become somewhat less productive with the passing of time and the low application rates of phosphate which have occurred in times of financial constraint.

There is no doubt that our pastures are not as good as they could be, and that there are economic techniques for their improvement.

It is worth keeping in mind that trailing type drills are superior to mounted types in several respects. Depth control is harder with a mounted type, and steering is more difficult.

d. What will pasture improvement cost on a per hectare basis?

The establishment of a pasture using the methods outlined may be broken down as follows.

Establishment costs:

Seed

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|-----------------------------------|-----------|-----------------------|--------------|
| White clover | Haifa | 0.5 kg/ha @ \$2.50/kg | 1.25 |
| | N.Z. | 0.5 kg/ha @ \$1.50/kg | 0.75 |
| Sirosa phalaris | | 2.5 kg/ha @ \$7.00/kg | 17.50 |
| Subclover | Karridale | 3.0 kg/ha @ \$3.50/kg | 10.50 |
| Inoculation and lime pelleting | | 3.0 kg @ \$3.50/kg | <u>10.50</u> |
| | | | 40.50 |

Pesticide

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|-----------------------|------------------------|------|
| Red legged earth mite | 0.05 litre @ \$32.00/l | 1.60 |
|-----------------------|------------------------|------|

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| Tractor operating costs | \$10.00/hr for 1.43 hr/ha | 14.30 |
|-------------------------|---------------------------|-------|

Herbicide

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|----------------------|------------|---------|
| Spring - spray top' | \$11.00/ha | |
| Contract application | \$15.00/ha | |
| Autumn spray | \$30.00/ha | |
| Contract application | \$15.00/ha | \$71.00 |

Fertilizer

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|----------|----------------------------|-------|
| Mo Super | 150 kg/ha @ \$190.00/tonne | 28.50 |
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| <u>ESTABLISHMENT COST PER HECTARE</u> | <u>\$155.90</u> |
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e. What period of time is 'lost' due to pasture establishment?

Under the direct drilling system outlined here, the area of ground set aside for pasture would not be stocked over the period between autumn and spring. Once the spring growth had firmly established a good pasture, stocking would be commenced. This period out of use may be regarded as part of a grazing management cycle with minimal loss of grazing opportunity.

A Hamilton grazier in western Victoria manages to utilise direct drilled pasture from sowing onwards. This situation is possibly unique but does show the potential of grazing management as his sheep produce 80 kg of wool/ha. The Crookwell/Goulburn district average would be closer to 20 kg/ha.

ADDITIONAL FARM IMPROVEMENTS

Any pasture improvement to lift carrying capacity may create need for additional improvements and investment including:

- * handling facilities;
- * larger yards;
- * bigger shearing shed;
- * increased fodder reserves;
- * extra watering points.

THE ROLE OF BUDGETS

A physical plan will require a corresponding financial plan or budget. A budget will involve the actual cash effect of development cost and subsequent receipts generated from increased stocking.

The costs will include these:

- * establishment cost;
- * additional farm improvements required;
- * any stock purchased.

Normally I pursue a breeding - up program as pasture renovation is an ongoing process. However, stock retained in such a program reduces cash flow in the short term.

To estimate whether the pasture improvement decision is viable will depend upon two main considerations. Firstly, I calculate the return to my investment by estimating the difference between the extra returns over and above normal returns less the extra cost involved. This difference is then divided by the investment in the pasture improvement program to get a 'ball park' return on the capital invested. Secondly, I calculate my payback period to assess whether the time lag involved between initial cost and its eventual payment is worthwhile.

What if?

A use of budgeting which I highly recommend is calculating (I use a computer) the effect of a range of prices for the production off my pastures. This allows me to compare outcomes for poor, average and good market prices for livestock and wool.

In addition to prices, as I am a person who has to borrow for development, I believe the costing of a range of interest rates on borrowed money is essential. I simply change a series of cash flow runs to see the effect on my bottom line.

CONCLUSION

I would like to conclude by saying that "if you have a financial plan you can change it, but if you have no plan, changes aren't possible".