

Pathways to profit in goat businesses



*Written by Tanisha Shields
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Last month, consultant Tanisha Shields attending the Going Ahead with Goats Roadshow, hosted by Western Local Land Services. The Going Ahead with Goats project is being delivered by Western Local Land Services with support from the NSW Department of Primary Industries, through funding from the NSW Government. As part of this presentation, Tanisha took a deep dive into pathways to profit for goat businesses in Western NSW.

The presentation used a combination of data from the [Situation analysis of productivity and profitability goat meat production systems 2020](#) and the Agrista Benchmarking data pool to present 7 years of production and profit data for goat enterprises. Over the past 7 years, land values for goat enterprises have increased at a 12% compounding rate. Whilst this is largely out of the control of the producer, land value directly impacts one of the key ratios used to measure business performance, operating return.

Despite the increase in land values, goat enterprises have seen very solid operating returns over the period analysed from 2016 to 2023. The average operating return for a goat enterprise is 5.2%, compared to 3.4% for all other enterprises in the Agrista dataset.

One of the key levers a producer has to improve business performance is to understand and optimise cost of production. Cost of production is calculated by dividing the total operating costs of a particular enterprise, by the total amount of kilograms that are produced by that enterprise in the period analysed. This then tells you the cost of producing a kilogram of product, be that beef, lamb, wool or goat. Figure 1: The process for calculating operating return.

This definition of cost of production alludes to two possible pathways to lowering cost of production – reducing costs or increasing production.

When focussing on rangeland goat producers it was found that the best producers generate double the profits. Interestingly, this is not achieved by earning more at the gross profit level, but a halving of overhead costs.

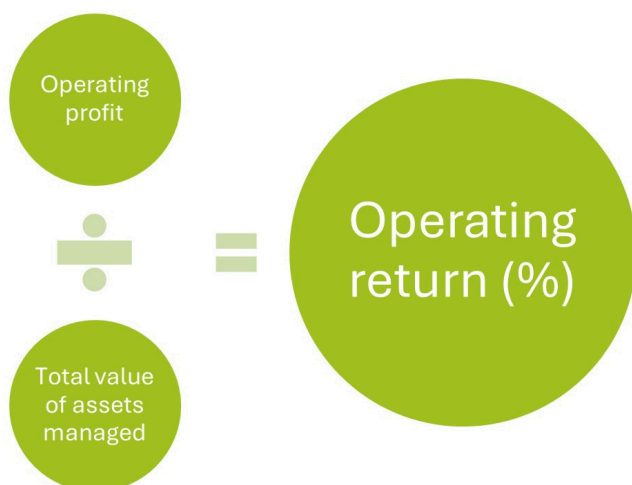


Figure 1: The process for calculating operating return.

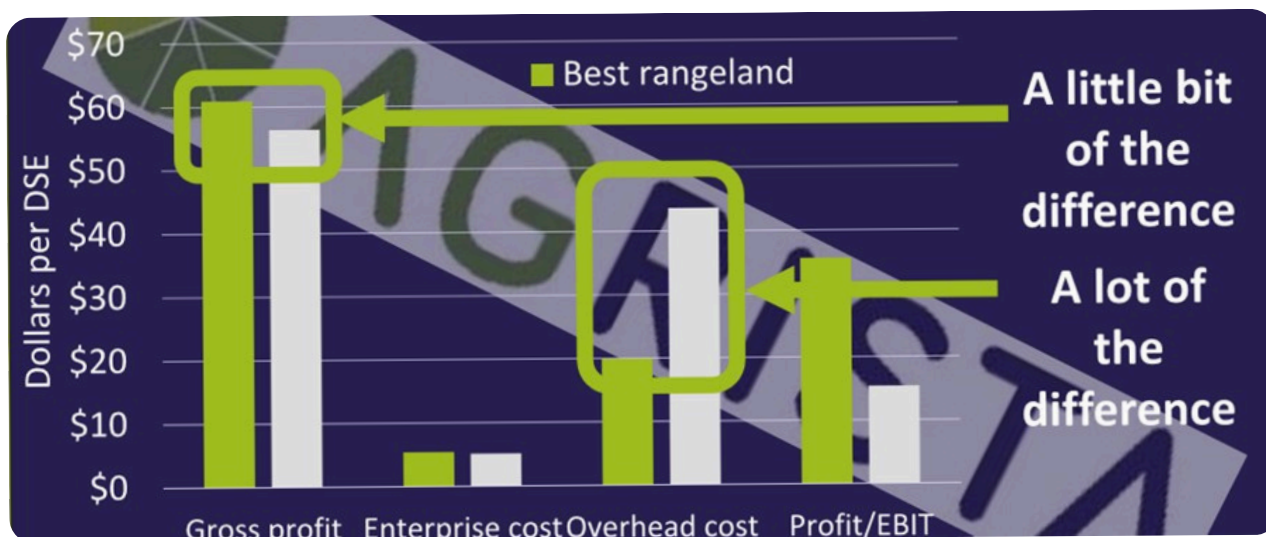


Figure 2: The best goat producers generate double the profits when compared to the rest.

So how do the best achieve this?

The biggest contributor to the cost structure in a rangeland livestock business is labour. The best goat producers are running 3200 more DSE for every labour unit employed in the business – meaning they are more efficient with how much time is spent working on the goat enterprise. It was also found that the best rangeland goat producers are spending less on repairs and maintenance, indicating that they are strategically investing in infrastructure, rather than constantly repairing things. This has a two-fold impact as it also reduces labour costs as less time is spent repairing infrastructure.

There is more than one pathway to becoming a high profit goat producer in the Rangelands. The first is a high production, with higher cost structure pathway. These businesses are often semi-managed or managed herds which are rewarded by generating more gross profit, with around double the costs. The other pathway is a typical harvest style operation, with modest gross profit and half the costs, generating similar levels of operating profit. What is similar between these two types of operation is a low cost of production and high labour efficiency.



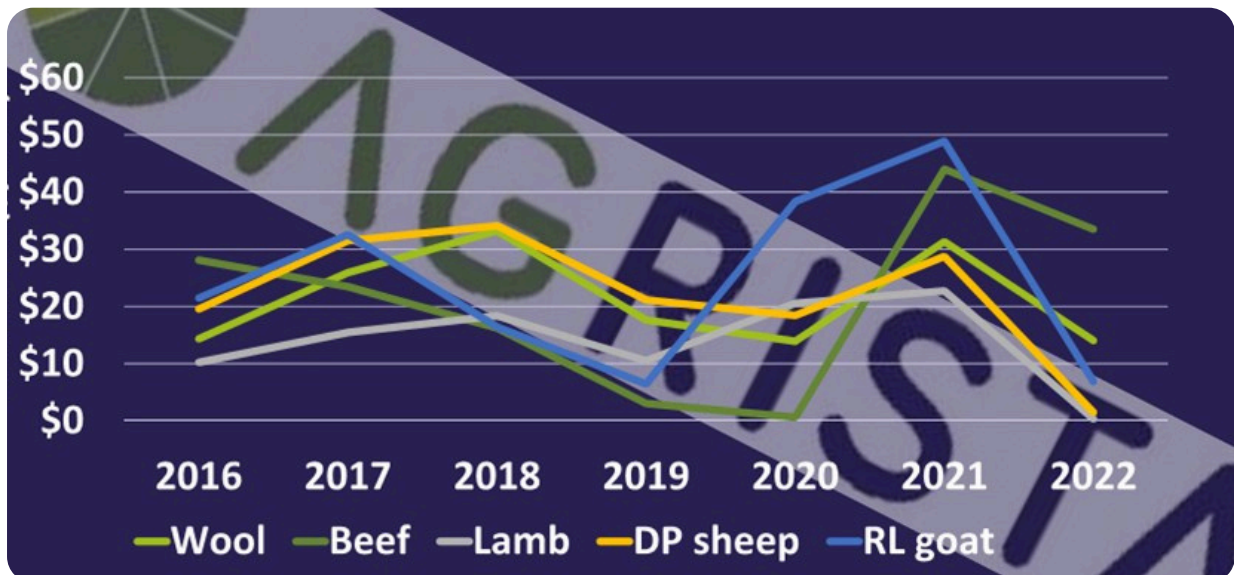


Figure 3: Over the last 7 years, all livestock enterprises have experienced a degree of volatility.

To further illustrate this volatility and understand the differences in performance between livestock enterprises, the average and top 20% for each enterprise was compared over the 7-year period, presented in figure 4. The results show that there is a larger difference between the performance of the average and top 20% within an enterprise than between enterprises.

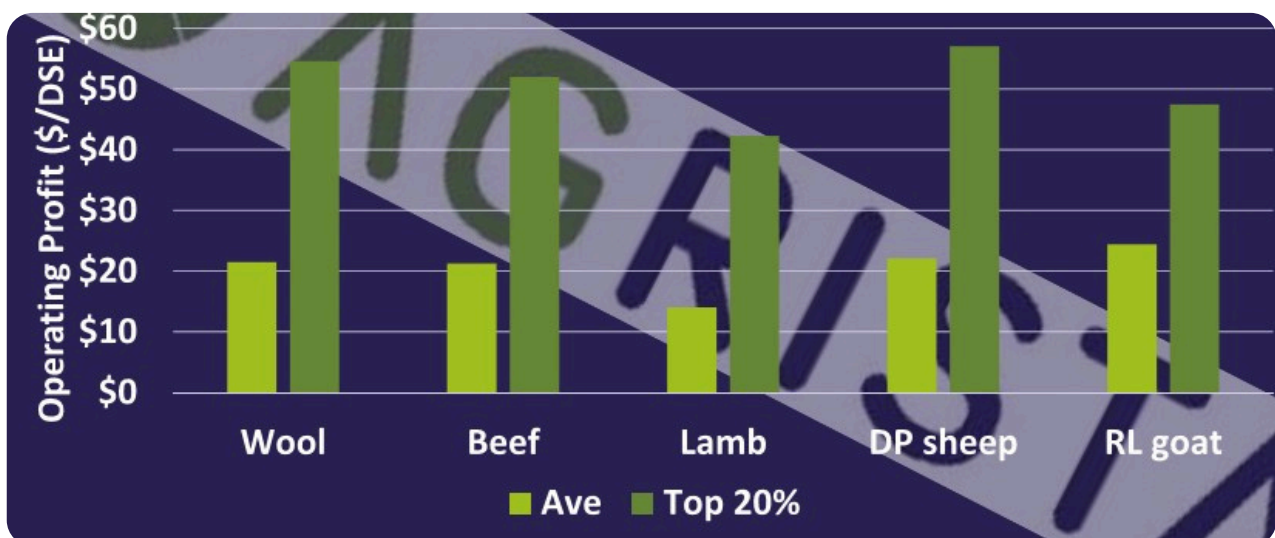


Figure 4: There is more variation within an enterprise than between enterprises.



To focus in on improving profits for rangeland goat producers, there are a few key things to consider.

- Know your livestock numbers where possible. Starting to collect some records and understand what your numbers are by class at opening and closing is a key data collection point for business analysis.
- Record the weight of livestock at sale. This is one of the key elements of the cost of production calculation.
- Invest in labour efficiency. Conduct an audit of the repairs and maintenance cost to your business, how much of this could be avoided by investing in infrastructure? Are there tasks that can be done with less labour units?
- Enterprises are variable. There is more to be gained by improving within an enterprise than shifting between.
- Calculate your cost of production. If you can understand how much it costs you to produce a kilogram of product, you can start to identify ways to lower this and improve your profitability.



ABOUT TANISHA SHIELDS

Tanisha is a local to the Western NSW region, with over 5 years' experience providing advice to rangeland producers.

Tanisha has strong technical skills in farm performance analysis, livestock production systems, carbon accounting, grazing management of extensive pastures, extension, and industry development.

Tanisha works with clients to identify opportunities and implement strategies to make improvements to operational performance and increase financial returns.

Tanisha has knowledge and experience developing and delivering red meat industry training programs in the rangelands, including Profitable Grazing Systems, Producer Demonstration Sites and EDGE packages. She has existing networks with stakeholders across a range of industries, including extensive livestock, grains and cotton.

Tanisha has over 5 years' experience in extension program development and delivery, from small local events to regionally focused programs. Tanisha is passionate about developing and delivering projects that are relevant and specific to different agricultural production systems.

Tanisha has been a consultant with Agrista since 2021.