



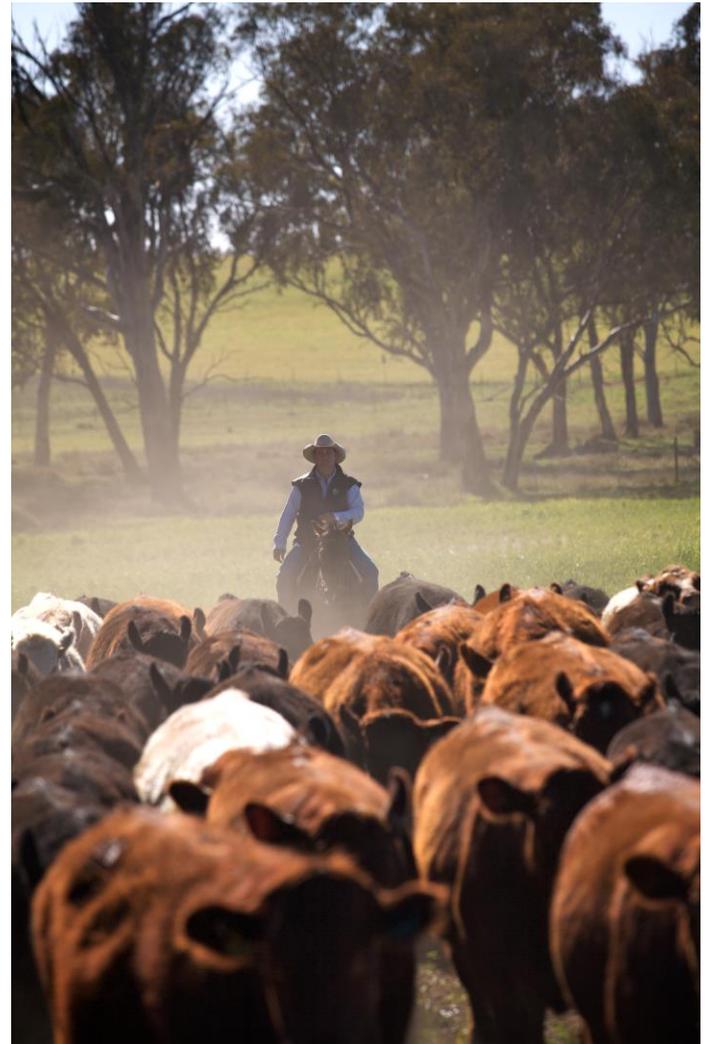
Economic sustainability

Peter Weeks, Consultant to MLA
agri benchmark Global Forum
Saskatoon, Canada 23 June



Address Outline

- Why measure economic sustainability?
- What is economic sustainability?
- How difficult can it be?
- What is Australia doing?
- Australia's chosen indicators
- Issues arising

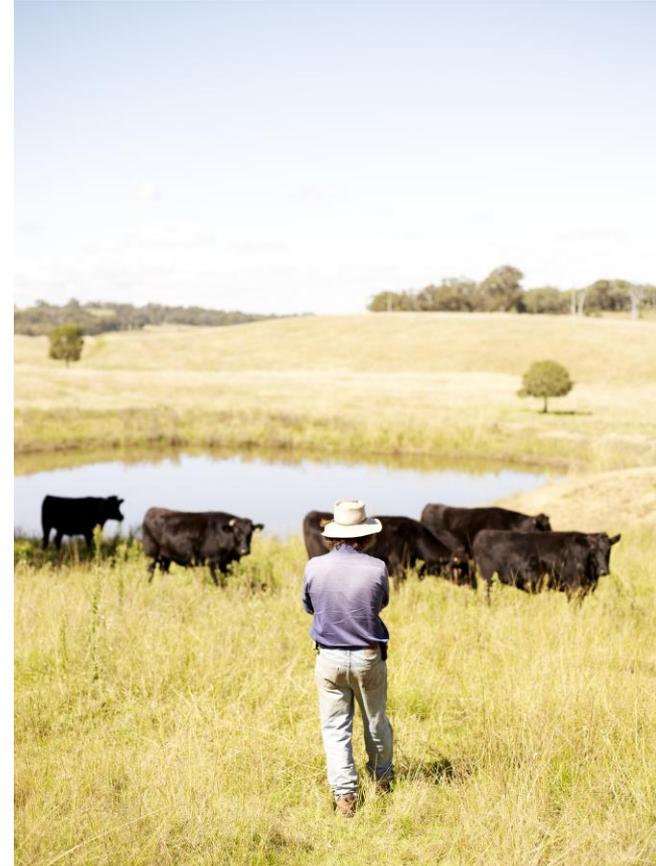


Why measure economic sustainability?

Around the world the three uniform reasons are:

1. To profile the industry's sustainability
2. To improve sustainability
3. To present the industry's sustainability credentials

However, the relative emphasis on these three varies greatly



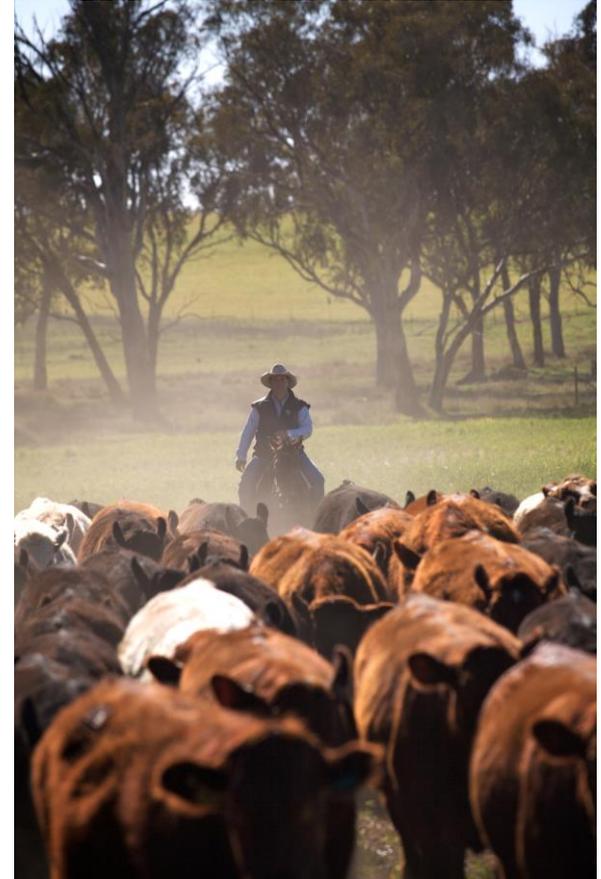
What is economic sustainability?

A range of definitions

– maintaining capital, viability, meeting growing demand sustainably, resilience in face of threats etc

Can be unclear, multi-faceted and/or inherently conflicting

Can be industry based or enterprise based



How difficult can it be?

Main challenges faced

A clear purpose & definition

Simple & easy to understand

Quantifiable & transparent

Sensitive to change

One aggregated indicator or a set - simplicity versus meaningful

Small a set of indicators as possible yet comprehensive, robust & effective

Amenable to industry action

Meaningful timeline: annual vs 5 years vs 10 years

A set & robust review process



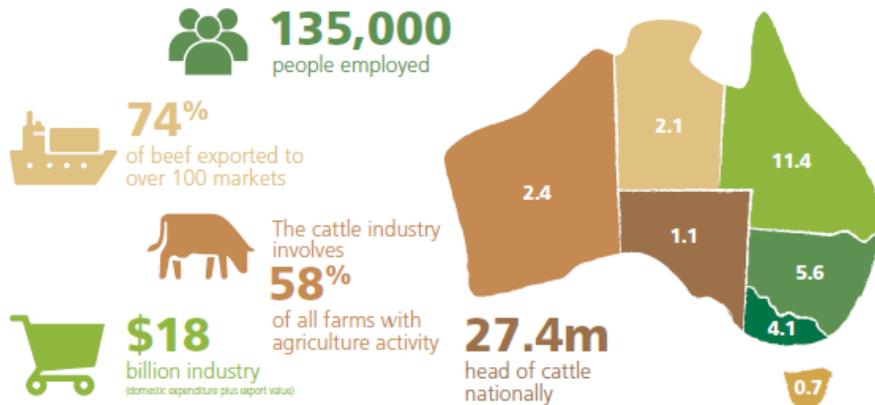
The Australian Beef Industry

BEEF BY THE NUMBERS

The beef industry is one of Australia's largest industries and the highest value agricultural industry. Here's a snapshot.

Diverse farms

AACo 0.5 million cattle/7 million hectares
 >1,600 cattle / 7% farms / 52% cattle
 <200 cattle / 41% of farms / 7% cattle



THE BEEF VALUE CHAIN

The Australian beef value chain is complex and varies depending on the end market. The full value chain includes transport, retail and the end consumer. However, as discussed in the Framework boundaries on page 19, the Framework is focused on those areas where the industry can exercise some control.



What is Australia doing?

In a collaborative effort



Australian Beef
Sustainability
Framework

2017 Framework Report

Transparency • Inclusivity • Credibility • Practicality • Relevance



Australian Beef Sustainability Framework

OUR VISION

A thriving Australian beef industry that strives to continuously improve the wellbeing of people, animals and the environment.

We believe sustainability is the production of beef in a manner that is socially, environmentally and economically responsible. We do this through the care of natural resources, people and the community, the health and welfare of animals, and the drive for continuous improvement.



The Framework will

A man wearing a wide-brimmed hat, a blue button-down shirt, and blue jeans is walking on a dirt path in a rural landscape. The path is reddish-brown and surrounded by dry grass and scattered trees. The background shows a hilly area with more trees under a clear blue sky.

Define sustainable beef production in an Australian context

Identify the priority areas and indicators to measure over time

Demonstrate a commitment to continual improvement

Where data is available, report current performance.

It will be used to

- Direct industry investment for continual improvement
- Help protect and grow access to investment and finance
- Foster constructive relationships with stakeholders to work together on continual improvement
- Promote our industry to the community and customers
- Guide continuous improvement for industry



Different words but you will recognised these goals in your own sustainability program

The framework does not:

- Establish or endorse measurement systems at an individual business level
- Provide an accreditation or certification system
- Endorse prescriptive management practices
- Create paperwork for individual businesses
 - existing data will be used where available



Boundaries of the Framework

The Framework covers beef production from the paddock to the point of delivery to either processor or end market. The scope of the Framework is limited to those sections of the value chain where the industry has direct or some control. The Framework has also given consideration to those areas outside of direct control that are material to the industry.



An aerial photograph of a vast, green, tree-covered landscape, likely a beef ranch. The terrain is flat and covered in dense, green vegetation, possibly a mix of grass and trees. Several dirt roads, appearing as reddish-brown lines, crisscross the landscape. In the distance, a small cluster of buildings is visible. The sky is a pale blue with some light clouds.

Definition of beef industry economic sustainability

“the maintenance of economic capital within the beef industry”

\$ ECONOMIC RESILIENCE INDICATORS

Enhance profitability & productivity

Farm profits



Farm productivity



Feedlot profits



Farm cost of production



Processor profits



Cost of processing



Optimise market access

Market access index



Cost of technical barriers to trade



Take-up of integrity programs



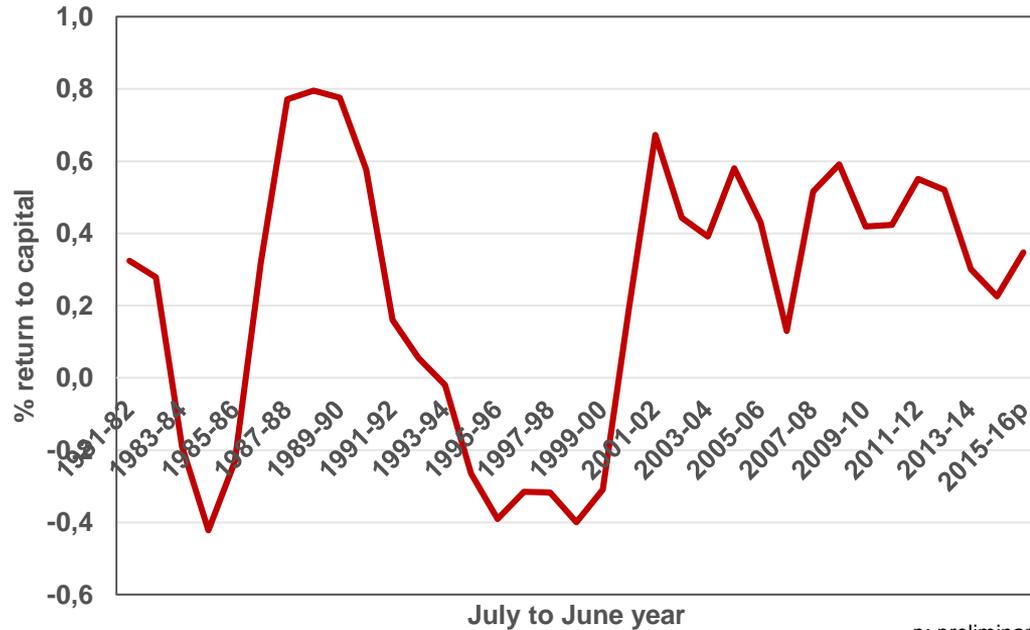
% consumers satisfied



Indicators: issues arising

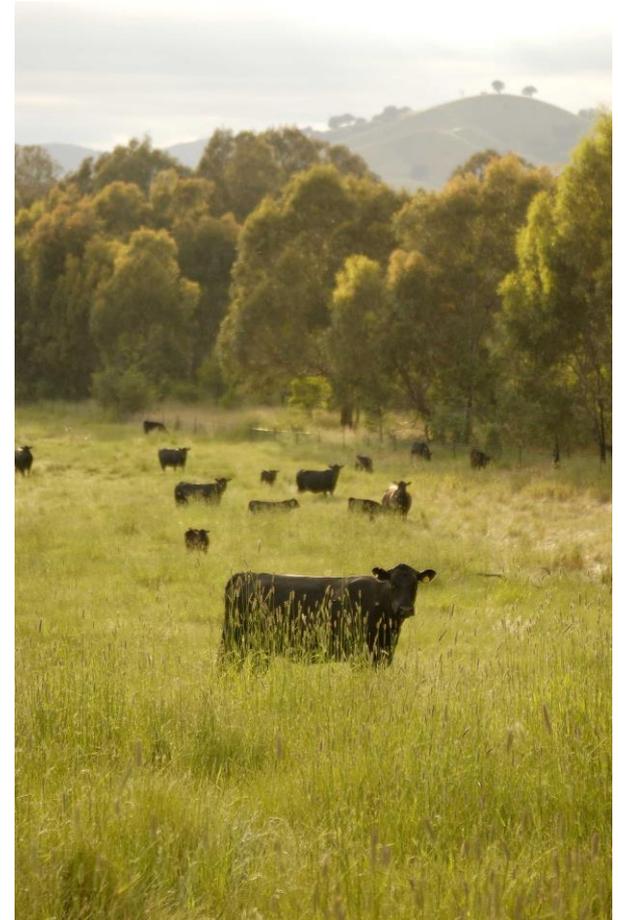
Rate of return to capital

Rolling 5-year average



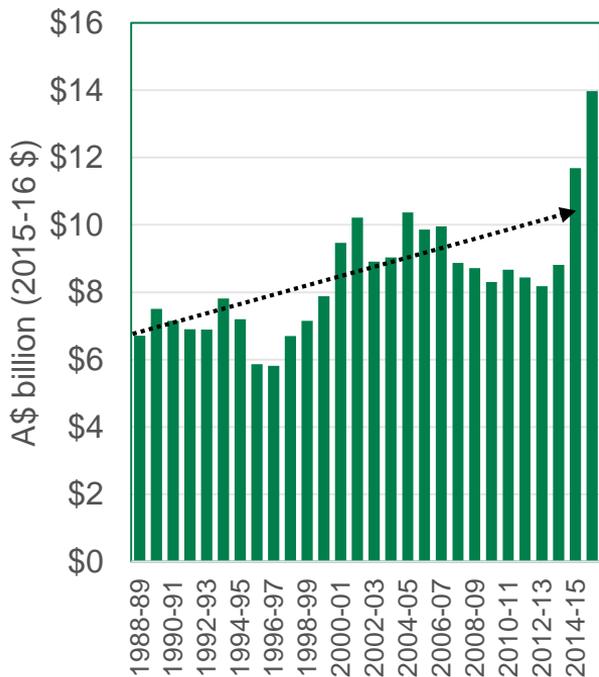
Source: ABARES

p: preliminary

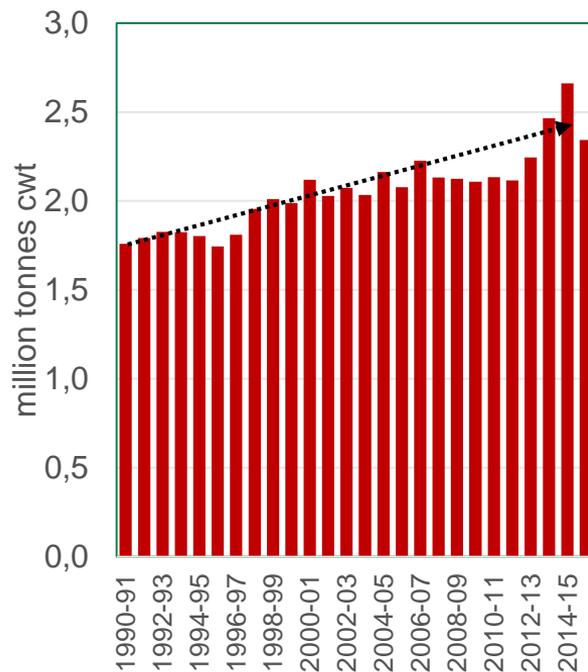


The Australian beef industry has been expanding

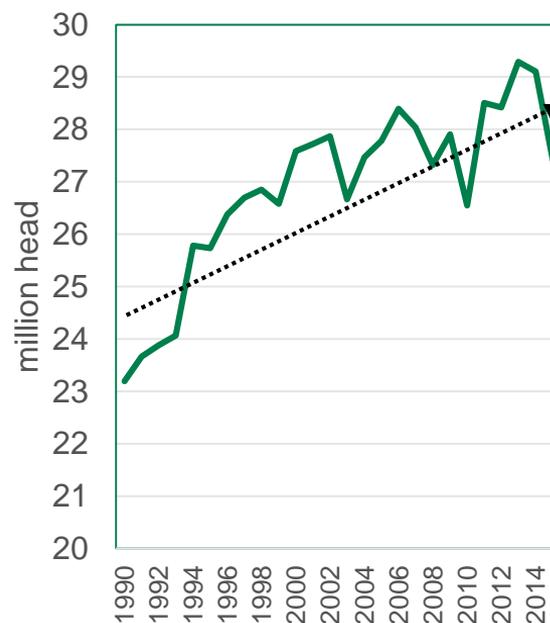
Beef Farm Gate GVP (real)



Australian beef production



Australian cattle herd



Source: Australian Bureau of Statistics

Lifestyle & legacy

Lifestyle considerations

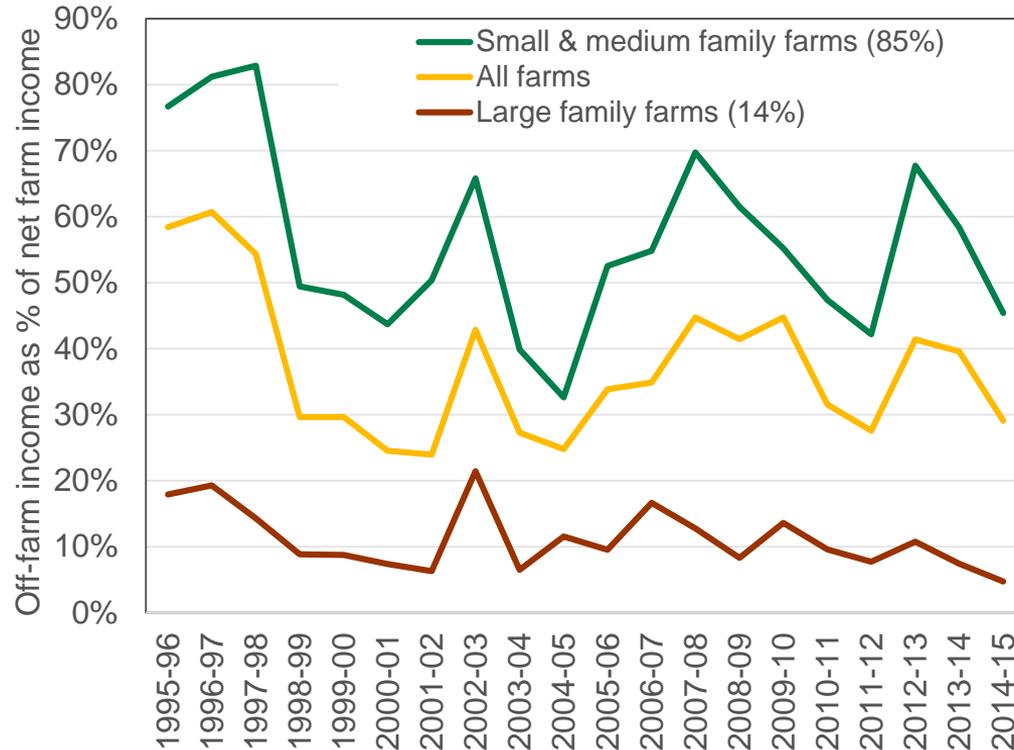
Love of the land & its way of life

Maintaining & passing on the
family legacy

*You do not want to be the one to sell
the family farm*



Off-farm incomes are a major contributor



Many operated on part-time basis

Husband or wife or sons/daughters work off-farm

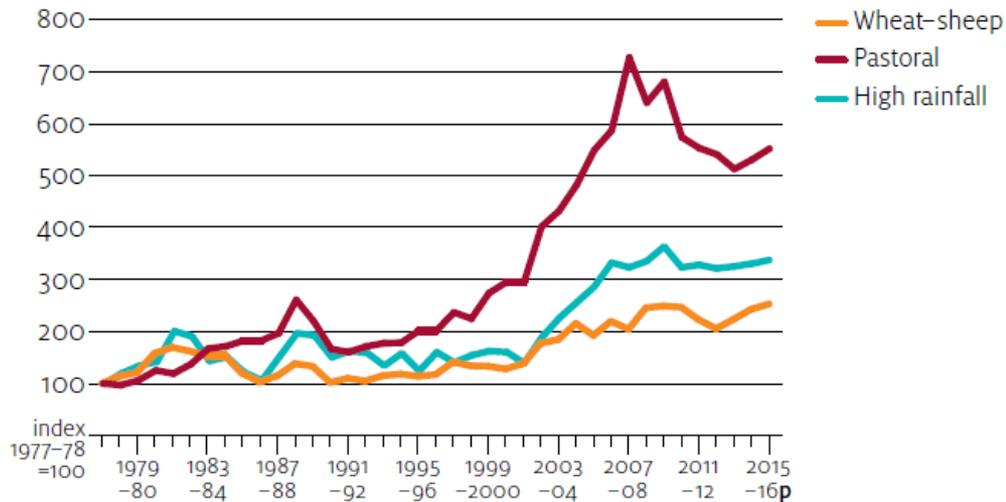
- Contract farm services
- Transport companies
- Stock or land agents
- State government
- Local agribusiness
- Retail stores

Or have off-farm investments

Land prices for broadacre farms, by zone

Pastoral value trebled in last 20 years

Research suggests that land price increases contribute around 80% of the long-term wealth generation of Australian farmers – making them more custodians of the land/real estate investors, than farmers



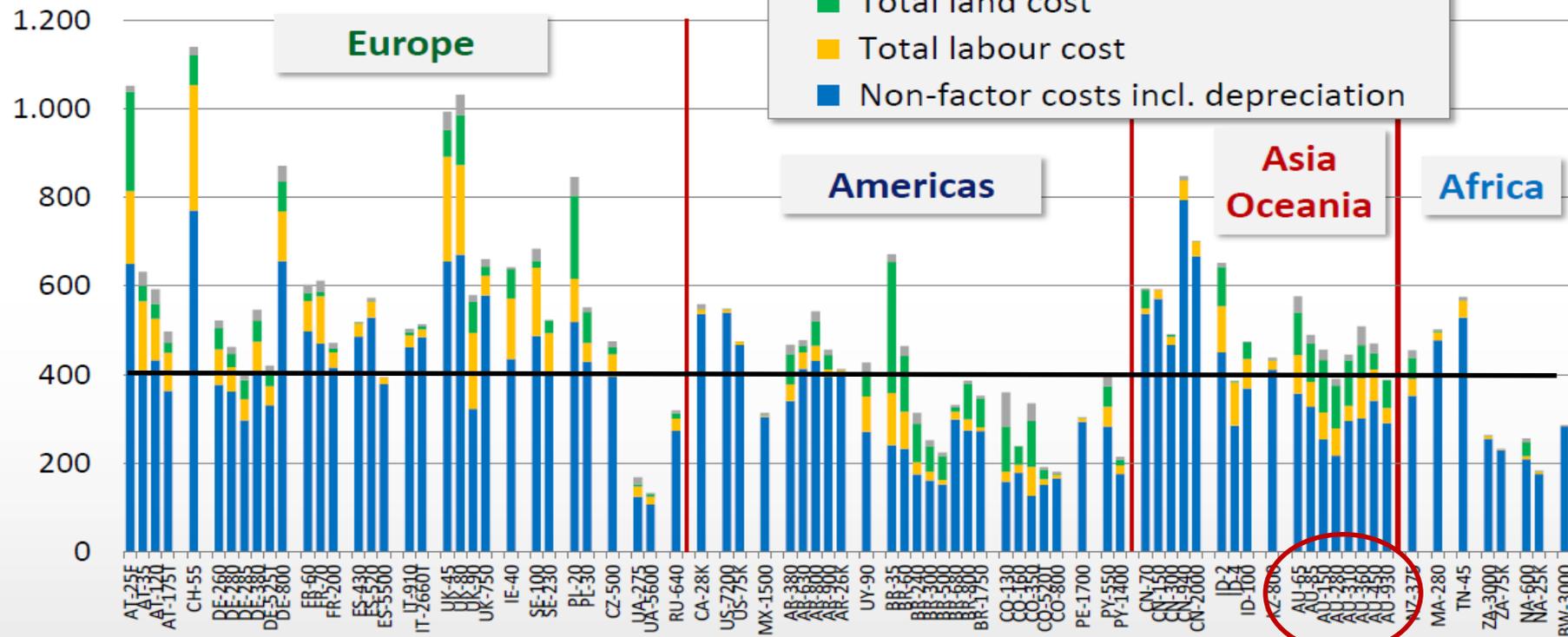
p Preliminary estimates.

Source: ABARES Australian Agricultural and Grazing Industries Survey



Issues arising: cost of beef production 2016

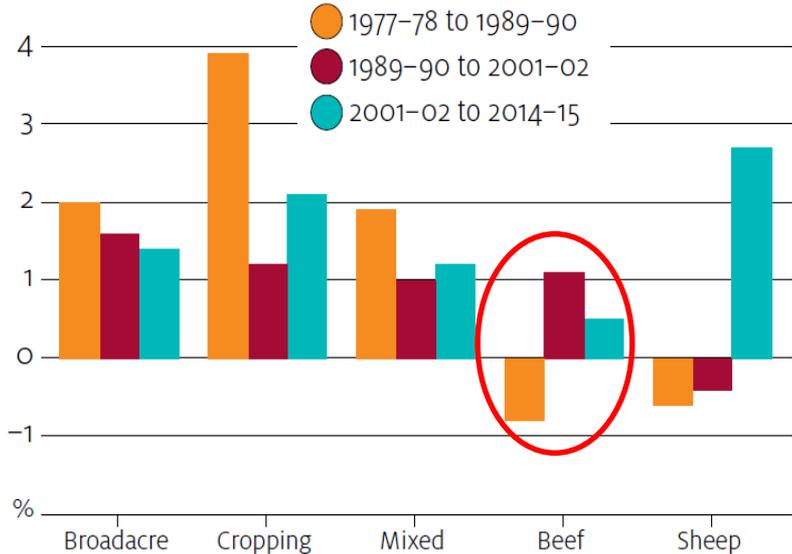
USD per 100 kg carcass weight



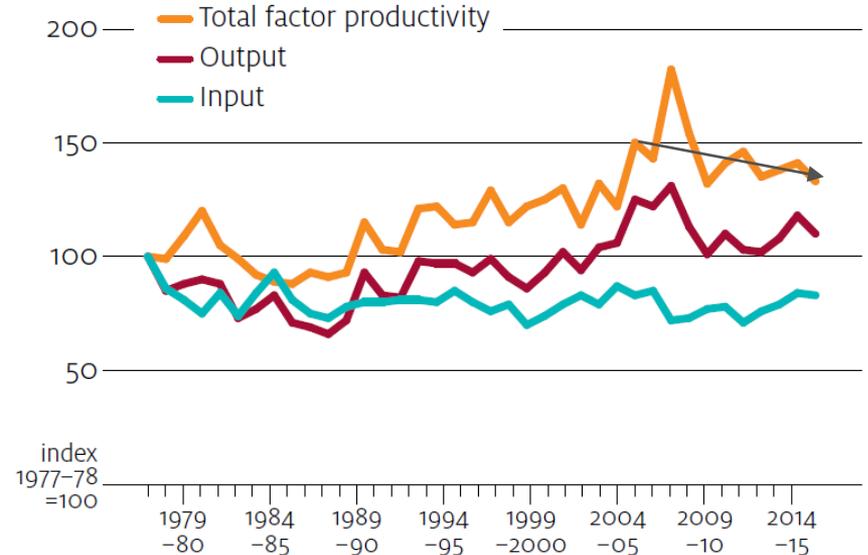
Source: agri benchmark Beef and Sheep Result Data Base 2015

Issues arising: Productivity growth indicator

Total factor productivity growth broadacre



Total factor productivity beef industry



Source: ABARES Australian Agricultural and Grazing Industry Survey

Other issues raised by early assessment of indicators

- How to introduce investment or capital growth measures – lead indicators?
 - Farm investment
 - Debt servicing ratio
 - Farm equity
 - Farms at risk
- Data development issues with demand and feedlot/processor profit & cost measures

Next steps

- Sustainability Steering Group just appointed
- Oversee development & testing of indicators
- Indicators reported on an annual basis commencing May 2018
- Comprehensive report & review every five years
- No targets set, but issue to be revisited in the five year review



Bryce Camm
Wonga Plains Feedlot
Dalby Qld

Chair of Sustainability
Steering Group

Photo
courtesy of



Agri benchmark's potential role

In helping to derive meaningful aggregate & country sustainability measures on farm

In allowing countries to develop & compare standard indicators

- especially for profitability & productivity

Only credible data source for global comparisons



Beef and Sheep



Publications and Projects
Beef and Sheep Report 2015 available! More scientific publications, information on ongoing projects ... →



Farm Information
A standardised, downloadable description of all Beef and Sheep farms in agri benchmark ... →



Our Network
The world of cattle and sheep meat - more than steaks and legs ... →

Conferences

Exchange of ideas and information - the annual Beef and Sheep Conference is an important ... →

Team

Meet the Beef and Sheep Team at Braunschweig ... →



global networks





The competition in Australia is close and fast-moving

Thank you

