



KLR system teaches breeders how to sell

Cost of production vital to assessing the value of your stock

Cattle breeders sometimes struggle to understand how the KLR livestock marketing system can assist in their business, but the same basic principles apply regardless of enterprise.

BY AMY LAWSON

Quite simply, breeders have many different classes in their livestock inventory and they usually base their selling decisions on time of year, weight/condition of stock, or lack of grass.

KLR Marketing partner/trainer Rod Knight of 'Kooramilla' in Tamworth, NSW said that in the KLR methodology, the most important asset graziers have is GRASS.

"It is how well we sell that grass that determines our profitability," he said.

"Are the animals I am selling this grass to the right ones? Are they overpriced or underpriced?"

"As a breeder, when we keep an animal we are selling the grass we have grown to that animal. "Many breeders are surprised that they have been selling grass to the wrong animals or that indeed they sold the wrong ones at the wrong time."Now we have a way to work it out.

It isn't perfect or 100% accurate but it is the best method we have seen by a country mile."

When it comes time to sell livestock and buy grass, graziers just have to sell the most overpriced animals.

Same KLR principles, regardless of enterprise.

The decision being made is about which animals will provide the best return on the grass that is left.

Contrary to popular belief, the poorer return on that grass will most likely come from those animals that are overpriced.

"As breeders, we tend to hold on to animals that are worth more and this is often the wrong decision completely," Mr Knight said.

More and more breeders are attending KLR Marketing schools across the eastern seaboard, and they go home afterwards with a fresh perspective on how the system can work for them.

The most important step in any business is having an effective method of monitoring costs.

"That's not just about knowing what they are but also how they affect overall performance of the business," Mr Knight said.

The first step for breeders is to do these five calculations: cost of producing a weaner; cost of taking that weaner to pregnancy;

cost of taking the pregnant animal to calving; the cost of taking the animal from calving to second pregnancy when she enters the breeding herd; and finally, the cost of running a steer for 12 months.

"Once we have done the calculations for the replacement females and running the breeders for 12 months, we then have something to work with," Mr Knight said.

"We now have the cost of replacing the breeders and the costs of running them.

"Profitability is then determined by what we have left to sell."

If, for example, the cost of running a breeder for 12 months was \$400 a head and weaners were only worth \$300/head, then the cow/calf operation was running at a loss.

"So, we need to look at the average price for weaners for a five year period or longer," Mr Knight said.

"If your longer term average prices for weaners are not higher than the cost of running the breeder then the breeding business is simply not profitable.

"Some businesses would argue that the progeny beyond weaning can help fund the breeding herd and that the profitability of that operation directly correlates with the quality of the breeders.

"We have no argument with that; however, we are determined to ensure that this is actually the case for you and your operation—not because someone told you so.

"Now we know the cost of the breeding we then have an idea of how much the older progeny may be subsidising this operation and whether that is as successful as first thought."

Mr Knight said the fundamental key for breeders was to remember that they should look to run only 75 per cent—and preferably closer to 50 per cent—of what they think they can run.

"The grass saved gives them more flexibility and advantage when marketing the progeny and culls, which will far outweigh the benefits of having big numbers of breeders on-hand," he said.

KLR Marketing has developed a series of heifer replacement calculation spreadsheets so breeders can really focus on the cost of breeding their replacements and continue running their



breeding enterprises as profitably as possible.

"Conception rate brings out the worst in all of us," Mr Knight said.

"Don't be too ambitious with this figure, because if you are wrong it will cost you big time.

"We can do many things to improve our conception rates such as supplementing to improve growth rates of the heifers, or in some cases running them longer before joining.

"These strategies can increase the costs dramatically so make sure you are totally honest with yourself when doing the figures because it will only hurt you in the long run."

He said what most people forgot when using the KLR trading spreadsheets—traders included—was to look ahead with what they own, as well as back, to determine what was overpriced.

"When we own 300 kg steers, the first thing we look at is selling and replacing them with something lighter or in poorer condition," Mr Knight said.

"Breeders need to remember to do this even if there is no intention of buying in the replacement.

"They then compare this with the costs of holding them longer, using the specially designed spreadsheets.

"By doing this, we can see if what we own is overpriced and thus time to sell."

The logic behind the importance of doing this process helps to take the guess work out of that big SELL decision.

"We sell based on market action, not just because this is when we

usually sell or they are at a certain weight," Mr Knight said.

"This is not marketing—it is just selling—and if we do that, we deserve what we get."

A prominent livestock agent and commission buyer from Young, NSW says there are always underpriced livestock in the market—it's just a matter of selecting the right class.

Tim Thorley operates a stock and station agency, Advanced Livestock Solutions (ALS), and buys for more than 40 clients statewide on commission—so he knows a thing or two about the livestock marketing game.

But he wanted to know more, and so attended a KLR Marketing School two years ago to sharpen skills he had already acquired.

He now recommends the school to his clients, and more than 30 per cent were already operating under the system thanks to the advocating agent.

"I believe there's always underpriced stock in the market in most classes," he said.

"The key to making a profit from those opportunities is knowing your cost of gain, not getting attached to a certain type of stock, and then buying the underpriced and selling the overpriced—no matter what class of animal it is.

"The KLR system takes the guesswork out of trading and breeding and allows people to create cash-flow in their business—which all businesses need—and it opens up opportunities."

For more information about the KLR Marketing School and to order a free information pack, including a one-hour interview on CD about the School, visit www.klrmktg.com.au. ■