KLR doubles enterprise's profits

BY MARTIN BUNYARD

Thinking outside the square in a marketing sense has significantly improved the business performance of a South Burnett District beef producing family.

Queensland cattle farmers Reece Kennedy and wife Penny operate a cattle enterprise at Cloyne, near Booubyjan, west of Gympie. They started changing the nature of their operations some years ago, with a reduced emphasis on breeders, and more focus on growing and backgrounding bought stock. Participation in a KLR Marketing course last year has provided further stimulus to move down the path of their current business model, which is based on trading cattle.

Cloyne is 5200 hectares of mostly ironbark/basalt forest country, which in years gone by comfortably carried 550 to 600 breeders and calves. This year, the property has enough grass for the equivalent of 900 grower cattle, Mr Kennedy estimates.

While the strategy is definitely not for everyone, or all types of country, it provides another way of thinking about the challenges of managing and marketing cattle.

"In our case, it suits us because it can greatly increase our turnover, while also maximising our opportunity to hit that flurry in the market when prices are strongest," Mr Kennedy says. "Every beast on the place is potentially for sale at any given time, which provides further flexibility to maximise opportunities when they arise."

Since adopting the KLR Livestock Marketing strategies the Kennedy's yearly turnover of cattle has increased considerably.

The program also allows the Kennedys to spell country when they needed to.

"It's about utilising the 12 months-worth of grass a lot better. We no longer have a continuous population stocking rate; instead, there is a much greater emphasis on seasonal variance. The stock/days over a year do not change much, but it is how we use those days that has changed."

Mr Kennedy said EDGEnetwork grazing land management courses, together with the KLR work, had helped him develop his current business model. Local saleyards like Biggenden, Murgon and Toogoolawah provide a ready source of younger animals with potential to value-add, although the Kennedys also realise they could apply similar trading principles with other lines such as cows and calves as they can with weaner steers.

"Trying to finish bullocks in this country ties up paddocks for far too long, without any return," Mr Kennedy says. "In his last twelve months, a three-year-old grass fed Jap ox only makes you

about half what he does in the previous two years, so it makes more sense to sell him off earlier, at a lighter weight. It also shortens our cash flow cycle substantially."

Prior to participating in a KLR program last year, Mr Kennedy says that like a lot of others he always thought he pocketed any profit when he sold his cattle.

"But one of the points the program stresses is the opportunity to secure the potential profit when buying cattle, rather than selling. The decision to sell is governed by whether you can replace at a profit; not because it has reached a certain weight, condition or it is just time."

Today the Kennedys trade in a wide variety of stock. They continue to turn off feeder steers and heifers when appropriate, but also buy cows and calves. They often do this coming into winter when these are underpriced relative to both others in the market at the time, and to their potential value at a later date.

"I bought a line of young cattle in September last year that we turned around and sold in January at a considerable profit," Mr Kennedy says. "At times, it's a matter of being counter-cyclical to where the rest of the cattle market is going. I'm not interested in buying young steers in January after six inches of rain, for example.

> "It's about utilising the 12 months-worth of grass a lot better. We no longer have a continuous population stocking rate; instead, there is a much greater emphasis on seasonal variance. The stock/days over a year do not change much, but it is how we use those days that has changed."

"Nobody wants a cow and calf at this time of year, so they become underpriced and thus a buy. They are then sold when they become overpriced relative to what I can replace them with. That may well be grass, which is something we hadn't considered before as a real trade.

With KLR, we understood that we are actually selling grass and it is how well we sell it that determines how profitable we can be. I can buy a cow and calf cheaply now while they are rough and untidy looking. We may look to sell them as a pair in October or November if early rain means they become overpriced, or split them up and fatten the cow for sell-and-replace around March, and sell the calf as a weaner or a feeder steer next year."

This process provides greater marketing flexibility, and increases later sale options, depending on how seasons turn out. Mr Kennedy says annual turnover of stock on Cloyne had increased substantially since the change in business model, more than doubling the property's earning capacity. Breeding has now been abandoned altogether, although the Kennedy's understand that the KLR principles work just as well for those who remain breeding.

"KLR principles can achieve great breakthroughs for all operation breeders or traders. If we want, we can save our grass for August, buy in winter-affected cattle relatively cheaply, and utilise that relatively fresh feed reserve for three or four months before the market kicks," he said.

IMAGE: COURTESY OF RURAL PRESS

Margins key to good cattle marketing

BY MARTIN BUNYARD

Understanding the rules of marketing a commodity is important in the running of a successful livestock business, according to KLR marketing's Rod Knight and Grahame Rees.

Many livestock producers think of marketing as a better way to sell their product to the consumer to receive a higher price. But, some confuse the different arenas of marketing, Mr Rees says.

The philosophy of KLR marketing, a livestock marketing school, is to understand the rules when working in a commodity arena, according to Mr Knight.

"At a farm level most of us think of marketing as either getting a higher price or buying low and selling high."

Quoting senior lecturer in marketing at Charles Sturt University's School of Marketing and Management,

Geoff Watson, Mr Knight said marketing fell into three arenas:

The commodity arena is where a person sells their livestock through a selling system for a price arrived at on sale day.

The contract/alliance arena is where a person agrees to be a supplier under forward contract to physically supply animals to meet volume, quantity, and delivery specifications.

The branded product arena is where traceable products carry the differentiated brand of the producer at either trade or retail level.

"We make it clear that we are working in the first of these, the commodity arena," Mr Knight said.

"It is recognition of the fact that this is the arena in which most of us as livestock producers prefer to work."

Producers in the commodity arena, whilst having no ability to influence price, can have a huge impact on profit by knowing their Cost of Gain on each set of animals they are marketing. At the KLR Marketing school people learn how to determine which animals are overpriced and which animals are underpriced.

Mr Rees, who previously owned and operated a sheep and wool business in Western New South Wales, said that to remain viable producers had to concentrate on their core business.

"We have been fortunate enough to be introduced to a methodology that allows us to remain in the commodity arena profitably, and has really made a difference to our own businesses as well as other producers," he said.

These concepts originated from Bud Williams who operates livestock marketing schools in the United States.

"Having spent time discussing these marketing concepts with Bud, Jim Lindsay (who is the third business partner in KLR marketing), Grahame Rees and myself followed Bud back to the US to attend one of his marketing schools," Mr Knight said.

"What we learnt was simply amazing. We struggled over those few days to get our heads around his ideas because they were so counter-intuitive to the way we have been taught to think."

The key to livestock marketing, according to Mr Rees, was in understanding that as producers, breeders and traders we are just trading a margin.

"This margin expands and contracts throughout the seasons driven by too many factors to name," he said.

"What we need to know is, what is that margin and how do we work with it?"

The KLR program provides a series of simple calculators enabling producers to quickly determine their margin. This process helps a livestock producer identify what animals are best to sell and what animals are best to keep, at any point in time. ■

Farewell Max Bailey

The Cattle Country team notes with great sadness the passing of Max Bailey, a well known auctioneer from Singleton in NSW and a wonderful supporter of Cattle Country.

Max's family have operated a stock and station agency in Singleton since 1896. Together with his son Scott, Max ran the family business - Max Baily First National Pty Ltd - until his passing in December.

During his career Max played a huge role in developing the Young Auctioneers Competitions as we know them today and was quick to embrace change, supporting the formation of the Australian Livestock and Property Agents group among other industry developments.

He will be fondly remembered for his love of a great yarn, his strong sense of family and his passion for the livestock industry.

Our sincere condolences go out to Mrs Avril Bailey and the rest of the Bailey family.