

Financial considerations of agisting stock in drought

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General points

- In a widespread drought, agistment is an option early in the drought. In a localised drought, agistment may be an option for longer.
- Agistment is often the cheapest option in a drought lasting several months. For shorter droughts, feeding is generally the cheapest option (see Primefact 290 *Financial considerations of feeding cattle in drought*), and for extended droughts, selling is the cheapest option (see Primefact 289 *Financial considerations of selling stock in drought*).
- Consider water availability on the property on offer.
- Attractiveness of agisting stock as an option will depend on the distance to the paddock on offer (and hence transport costs), the quality and quantity of feed available, and the agistment rate. As a general rule, the further away the agistment site is, and hence the greater the cost of transporting the stock, then the greater the quantity of feed that should be available. Transport costs to and from agistment often equate to more than 2 months' feeding costs.

Calculating agistment and transport costs, and the break-even period

Examples

If the desired agistment is 180 km away, the quoted rate for a double-decker-semi load of cattle or a four-decker-semi load of sheep is \$5 per kilometre. (If a freight subsidy applies, the rate to allow should be the cost charged by the transporter less the subsidy.) The semi would be able to carry approximately 450 sheep or 50 head of cattle. Thus the transport cost to the agistment site 180 km

away is \$900 total, or \$2 per head for sheep and \$18 per head for cattle. Allowing for the return trip from the agistment site, the transport cost is \$4 per head for sheep and \$36 per head for cattle.

Allowing for agistment costs of, say, 30 cents per head for sheep and \$3.00 per head for cattle, compared with feeding costs of, say, 50 cents per head for sheep and \$5.00 per head for adult cattle, the number of weeks that it would take for the agistment to break even in terms of costs is calculated by the following formula:

$$\text{Break-even period (weeks)} = \frac{\text{total transport cost per head}}{\text{(feeding costs/week - agistment costs/week)}}$$

Note that feeding costs should include a labour cost and the vehicle costs, and agistment costs should also include labour and vehicle costs involved in stock and paddock inspection; however, for a quick evaluation, they may be ignored because the costs tend to balance one another out. The feeding cost should be based on the value of feed required to provide the same nutrition and animal condition expected on the agistment site.

Calculations

For sheep:

$$\begin{aligned} \text{Break-even period (weeks)} &= \$4 \div \$(0.5 - 0.3) \\ &= \$4 \div \$0.2 \\ &= 20 \text{ weeks} \end{aligned}$$

Therefore, in this example, the agistment period must be at least 20 weeks before agistment is a cheaper option than feeding the sheep



For cattle:

$$\begin{aligned}\text{Break-even period (weeks)} &= \$36 \div \$(5 - 3) \\ &= \$36 \div \$2 \\ &= 18 \text{ weeks}\end{aligned}$$

In this example, the agistment period must be at least 18 weeks before agistment is a cheaper option than feeding the cattle.

For assistance in calculating transport costs, see

- *Sheep transport costs*
www.agric.nsw.gov.au/reader/an-transport/sheep-transport-costs
and;
- *Cattle transport costs*
www.agric.nsw.gov.au/reader/an-transport/cattle-transport-costs

Advantages of agisting stock

- Agistment lightens the load on your property. Pastures will recover more quickly, pasture re-establishment costs can be less, and there will be less damage to soils. See:
Assessing pasture in drought.
www.dpi.nsw.gov.au/reader/assesspasture
- Stock can do well on good quality feed, maintaining their production and continuing to produce a cash flow.
- You have an option to sell the stock from the agistment site rather than bringing them home. An opportunity may arise where it is cheaper to buy in stock from your district rather than bring your stock home.

Disadvantages of agisting stock

- You need to assess whether the drought is likely to extend to the agistment area you are considering. It may be better to go even further afield to avoid a second shift or end up in a position where you have to take the stock back home even though the drought is not over. A longer-term arrangement, where the stock owner has more control, is a lease arrangement (see Primefact 291 *Financial considerations of leasing land for your stock in drought*).
- You will need to inspect your agisted stock at regular intervals, and you need to consider the cost involved in doing this. Running costs of a farm vehicle, including fuel, tyres and allowance for repairs and maintenance, is in excess of 20 cents per kilometre. The NRMA estimates that the running costs for a modern utility, including finance, insurance and depreciation costs as well as those mentioned above, is over 50 cents per kilometre.

- It is necessary to check the credentials of the owner/manager of a prospective agistment property as thoroughly as you can. There are cases of lost stock and stock boxed together with other stock, and many stories of neglect.
- Your stock may be exposed to disease and pests, and they could transport weeds back to your property when they are returned.
- Stock must be in reasonable condition to handle the stresses of being transported long distances. Losses can occur in transit.
- Arrangements need to be made so that you can be contacted if stock unexpectedly require attention.
- Stock handling facilities may be inadequate.
- Payment is usually by monthly instalments in advance.
- A change in feed can cause animal health problems as animals adapt to the new feed.
- EU-accredited stock must go to an EU-accredited agistment property. If they go to a property that is not EU-accredited, they lose their EU eligibility.

Even with transport subsidies, the freight cost to and from the agistment site can be high.

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