

AM I GETTING A FAIR DEAL?

CALCULATING AN AGISTMENT RATE

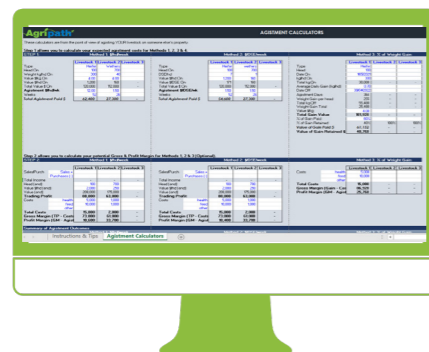
There are several ways to approach and analyse the concept of running some or all of your livestock on someone else's property. This factsheet introduces you to them!

The accompanying [agistment calculator](#) and [explainer videos](#) will help you calculate an agistment budget. These will enable you to enter discussions with the landholder with some options and with a deep understanding of what is viable for you.

Before you start..... ask yourself a few questions!

Consider thinking about the following questions before you get started:

1. What is the quality of the agisted land?
2. What type of livestock do I want to agist?
3. What is the aim or goal of agisting the stock?
4. Is the quality of the agisted land suited to my agistment stock?
5. How much is the agistment fee or payment?
6. Are there any conditions related to the agistment agreement?
7. What kind of running costs (overhead costs) do I expect?
8. What do I expect my gross margins (income & direct costs) to look like?



What do I include in an agistment calculation?

Developing a agistment budget is critical for your internal business processes as well as for agistment negotiations. Without one, you will be unprepared to discuss the agistment rate and other options in the agreement and may end up committed to paying for an amount that results in you incurring a loss.

The agistment calculator helps you to understand what is viable and the options available to you. It helps to work out different ways to put a value on the agistment you are willing to pay depending on the return you would like and considering the costs you incur throughout the agistment period.

Items to consider in your agistment calculation:

- Class of stock
- Weight of stock upon entering agistment block
- Desired weight upon exit of agistment block
- Expected average daily weight gain
- Value \$/kg at beginning and end of agreement
- Expected income generated
- Transport costs to and from property for stock (fuel, tyres, repair, time)
- Other costs including cost of visit, inspection, health costs, feed costs, insurance and legal fees.



- [Agistment Calculator](#)
- [Explainer Video on Agistment Calculations](#)
- [Feed or Agist Calculator \(NSW Department of Primary Industries\)](#)

Methods to calculate an agistment rate

Some of the most common agistment methods are:

- **Dollars per head per week**
- **Dollars per DSE per week**
- **Percentage of weight gain**



1

Method 1 - \$/head/week:

This has been one of the standard methods used to calculate an agistment cost. The agistment rate is influenced by the following parameters:

- The type and weight of livestock being agisted (i.e. cows, steers, ewes, wethers).
- The value of the livestock (i.e. agistment rates tend to rise and fall with the livestock markets over time).
- The seasonal conditions (i.e. agistment rates are affected by supply and demand, so when seasons are dry agistment rates are higher and when seasons are good agistment rates are lower).
- The type of feed the stock will be agisted on (i.e., native pastures will be a lower value than an annual crop).
- The number of weeks the agistment is required for.

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Method 2 - \$/DSE/week:

The \$/DSE method is very similar to the \$/head method. The main difference is that it is considering the type and weight of the livestock to a recognised standard [Dry Sheep Equivalent](#) (DSE). This method removes any ambiguity around the type of livestock and concentrates on the feed requirements of different classes of stock relative to a 50 kg wether at maintenance energy level (which is equal to 1 DSE).

The agistment rate is influenced by the following parameters:

- The DSE of livestock being agisted (i.e. cows, steers, ewes, wethers).
- The parameters under Method 1.

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Method 3 - % of Weight Gain:

This option can be useful for classes of stock for which weight gain is a specific goal. This method ties the cost of agistment to the value (weight) gained by the animals, reflective of the quality and type of feed they are on.

The % of weight gain method is based on the following considerations:

- The class and weight of stock going on agistment, and the weight of stock coming off. This determines the weight gained, and the value of that weight (\$/kg).
- The seasonal conditions (i.e. agistment rates are affected by supply and demand, so when seasons are dry agistment rates are higher and when seasons are good agistment rates are lower).
- The type of feed the stock will be agisted on (as this will influence the weight gain).
- The number of weeks the agistment is required for.
- Determine or negotiate the % of the gain to be paid to the landowner & the % of the gain to be retained by you.

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Method 4 - % Profit Share:

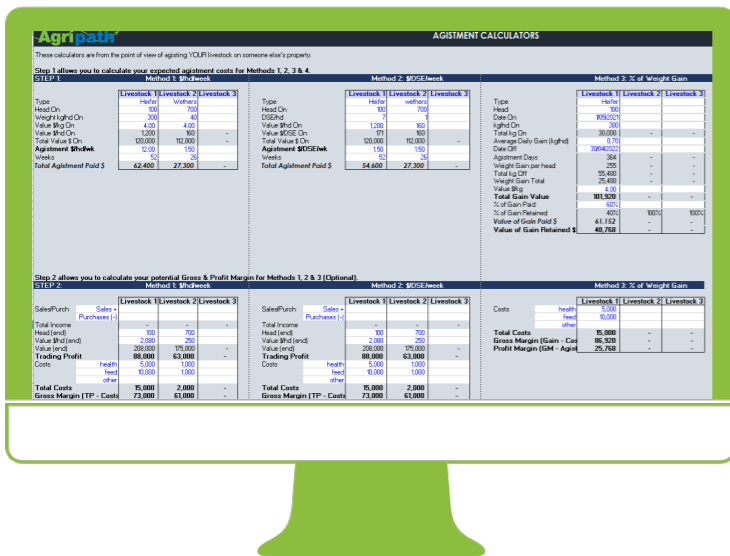
A profit share agreement means both parties share the upside and/or downside of the stock's performance. This can act as risk mitigation if profit is less than expected (lower income or higher costs than expected). But equally, if the profit is better than expected, this needs to be shared with the landholder. The % of Profit Share method is based on the following considerations:

- Trading profit (opening stock value, sales, purchases, closing stock value)
- Depending on the profit share agreement you may need to record any specific costs related to maintaining the livestock on the agisted property. However, in some cases the profit share agreement may not include costs and this is generally reflected in the negotiated share %.
- The Gross Margin will equal the Trading Profit less any negotiated costs.
- The Profit Share % of the gross margin to be paid to the landowner then needs to be negotiated.



The [Agistment Calculator](#) (developed by [Agripath](#) for the Young Farmer Business Program) is designed to help you work out an agistment rate based on the above methods.

It can be used to work out your expected gross margins and returns, or if you already know these figures, you can enter these yourself.



Calculating break-even period

Breakeven period: an economic decision in assessing whether the agistment decision is a good one. It calculates the breakeven period for the cost of agistment compared to the cost of supplementary feeding at home. This approach is only relevant if you own land yourself.

Example:

- Livestock: 200hd heifers @ \$12/hd/week (see [Agistment Calculator](#) for calculation of rate)
- Weekly inspection: round trip of 380kms and a total of 6 hours travel and inspection time.
- Running cost of vehicle: \$0.70/km (fuel, tyres, loan repayments, servicing and repairs)
- Hourly rate: \$40/hr
- Feeding cost: supplementary feed + labour + fuel cost = \$16/hd/wk
- Livestock transport cost return: \$15/hd

Number of weeks for agistment to break even

=

$$\frac{\text{Transport/hd}}{\text{Cost hand feeding/hd/wk} - \left(\frac{\text{Agistment cost/hd/wk} + \text{Inspection cost/hd/wk}}{\right)}$$

Workings

- Inspection cost
 Total trip km x cents/km = 380km X \$0.70/km = \$266
 Travel time (hrs) x hourly rate = 6hrs x \$40/hr = \$240
 Total inspection cost/hd = (\$266+\$240)/200 = \$2.53/hd

Calculation

Number of weeks for agistment to break even

=

$$\frac{15}{16 - \left(12 + 2.53 \right)}$$

- The breakeven period of agistment is 10.2 weeks

[Feed or Agist Calculator](#) (NSW Department of Primary Industries)



This factsheet was prepared by Airlie Landale ([Farm Table](#)) for the Young Farmer Business Program with the assistance of [Agripath](#).