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## VELVET RETURNS VERSUS OTHER FARMING ENTERPRISES

By Jim Moir

I was discussing the improved velvet returns with another deer farmer and he mentioned that a friend thought that there were better returns in cattle than velvet.

It just so happened that I had come across a report that gave some figures on cattle returns in a high rainfall area, so I thought I would try to compare velvet returns with cattle.

The report gives the sale price and profit per hectare for cattle as follows:

Financial Indicators	High Rainfall		
	Highest 20%	Average	Lowest 20%
Average Sale Price (\$/ha)	696	559	435
Profit (\$/ha)	216	57	-115

To calculate for a velvet herd I have made the following assumptions:

- According to the Vic DPI a 400kg steer is 7DSE and a 500kg steer is 8DSE. It also notes that for other grazing animals – “Where pasture is the sole source of feed, some guide as to the carrying capacity of the pastures could be achieved by stocking at a similar live weight of animals per hectare as one would sheep or cattle”. (*Assuming a 400kg steer @ 7 DSE then a mature red stag @ 200kg = 3.5 DSE*).
- High rainfall equals an average rainfall of 30 inch/year capable of carrying, on average, 8 DSE/acre and there are 2.4 acres to the hectare
- Velvet herd is comprised of 3yr to 12yr old animals
- No allowance for breeding stock but buying in a 10% replacement rate @ \$300 per 2yr old deer
- Velvet weights include both 1<sup>st</sup> cut and regrowth
- Grain and hay cost for an average year (ie: not last year’s prices)

THESE ARE THE ASSUMPTIONS MADE FOR CALCULATIONS:

	High Rainfall		
	Top 20%	Average	Bottom 20%
DSE/hectare	21.6	19.2	16.8
DSE equivalent for red deer	3.5	3.5	3.5
Number mature animals per hectare	6.2	5.5	4.8
Average kg of velvet cut per animal (inc. regrowth)	4.5	3.8	3.0
Average \$/kg for velvet since the 98/99 pools	73	65.5	58
Deer replacement cost 10% @ \$300/head	300	300	300
Kg of grain/feed per animal per day	3	3	3
Total days on grain feed	70	75	80
Cost of grain/tonne	320	320	320
Kg of hay per animal per day	3	3	3
Total days on hay feed	50	55	60
Cost of hay/tonne	100	100	100
Assume that fencing and equipment for deer is higher than cattle, allow 10 year write-off @ \$50/hectare (100 hectare farm is \$50,000 to fence)	50	50	50

USING THE ABOVE FIGURES THE RESULTS PER HECTARE ARE:

<b>Cost – Financial Indicators</b>	<b>High Rainfall</b>		
	<b>Highest 20%</b>	<b>Average</b>	<b>Lowest 20%</b>
Pasture Costs (\$/ha on a rotational basis)	37	38	42
Fodder Conservation Costs (\$/ha)	5	7	4
Grain/hay Purchase Costs (\$/ha)	507	485	455
Deer Replacement Costs (\$/ha)	185	165	144
Animal Husbandry Costs (\$/ha) @ \$15/animal	93	82	72
Selling Cost @ 8% sale price (\$/ha)	162	108	67
Labour Costs (\$/ha)	63	71	118
Levy @ 2% (\$/ha)	41	27	17
Cost infrastructure deer vs cattle/hectare/year	50	50	50
<b>Total cost per hectare</b>	<b>\$1,143</b>	<b>\$1,033</b>	<b>\$969</b>
<b>Average sale price (\$/ha)</b>	<b>\$2,036</b>	<b>\$1,369</b>	<b>\$835</b>
<b>Profit (\$/ha)</b>	<b>\$893</b>	<b>\$336</b>	<b>-\$134</b>

IF THESE NUMBERS ARE CLOSE TO AVERAGE, THEN YOU CAN SEE THAT THE PROFIT FOR THE TOP 20% OF CATTLE IS LESS THAN THE AVERAGE DEER FARMER

<b>Financial Indicators</b>	<b>CATTLE</b>	<b>DEER</b>		
	<b>Highest 20%</b>	Highest 20%	<b>Average</b>	Lowest 20%
<b>Av. Sale Price (\$/ha)</b>	<b>\$696</b>	\$2,036	<b>\$1,369</b>	\$835
<b>Profit</b>	<b>\$216</b>	\$893	<b>\$336</b>	-\$134