How are you performing?

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The FY21-22 benchmark findings from the WA vegetable industry are out: this article reveals how the vegetables industry is responding to changing economic circumstances, and draws some useful lessons for berry growers.

The annual WA *Vegetable Industry Benchmarks* have been published for the Financial Year 2021-22. Produced by the Building Horticulture Business Capacity Program, the WA vegetable industry now has six years of industry data, demonstrating consistent trends to draw on.

FY2021-22 saw the start of a significant rise in input costs together with labour cost and availability issues. Overall, while industry average performances were generally solid across FY2021-22, there has still been a variety of results. There is also a deeper concern relating to the impact of the rising cost environment for those who haven't put in the groundwork to control the costs within their business.

Comparing results of the average producer for FY2021-22 to the previous year, expenses increased about $12,000/ha. However, income increased by about $17,5000/ha to produce a $115,000/ha income, which gave growers an average profit of $29,662/ha.

Focusing on the most profitable growers in FY2021-22, while the top 25% spent about $13,000/ha more on expenses than the average producer ($157,743/ha), they were able to generate 37% ($42,700/ha) more income from that spend, which translated into $30,000/ha more profit ($59,334/ha) than the average producer (Figures 1 & 2).

Looking back, the top 25% profitable vegetable growers managed to control expenses to a similar level to the previous year but returned about $8,500/ha more in income and therefore profit.

The key differentiator between the top 25% profitable growers and the average was saleable yield.

Often the yield across most of the participating growers was relatively similar, however what differentiated the top 25% was greater levels of saleable yield, which transferred into greater levels of income and then profit.

More profitable growers were able to maintain a clear line of sight across all spend, in particular labour and chemicals (Figures 3 and 4), through to saleable yield and therefore income into their business.

There is a growing concern about the results of the bottom 25% of profitable growers. Within this group, profit per hectare for FY2021-22 significantly increased nearly five times from the previous two years ($16,821/ha), yet was still below the industry average (Figure 5).

On the surface, increased profits are always a positive result. However, it was a function of a doubling in expenses ($105,472/ha) that was met by a dramatic rise in income ($122,293/ha). Note: expenditure for the bottom 25% was larger than the average and top 25% producers.

Whether this was a conscious decision or passive consequence of market forces is unclear, however there is concern going into the current FY2022/23 with known continued expenditure rise, whether the general vegetable market will continue to increase prices for produce and whether growers will therefore meet the cost of production. If not, margins will erode impacting equity levels.

The average equity position for FY2021-22 in the vegetable industry was 79%, with the top 25% being significantly higher at 94% (Figure 6). Both are strong positions that can assist businesses to survive shocks such as negative surplus (deficit) caused from production, market influences or pricing catastrophes.

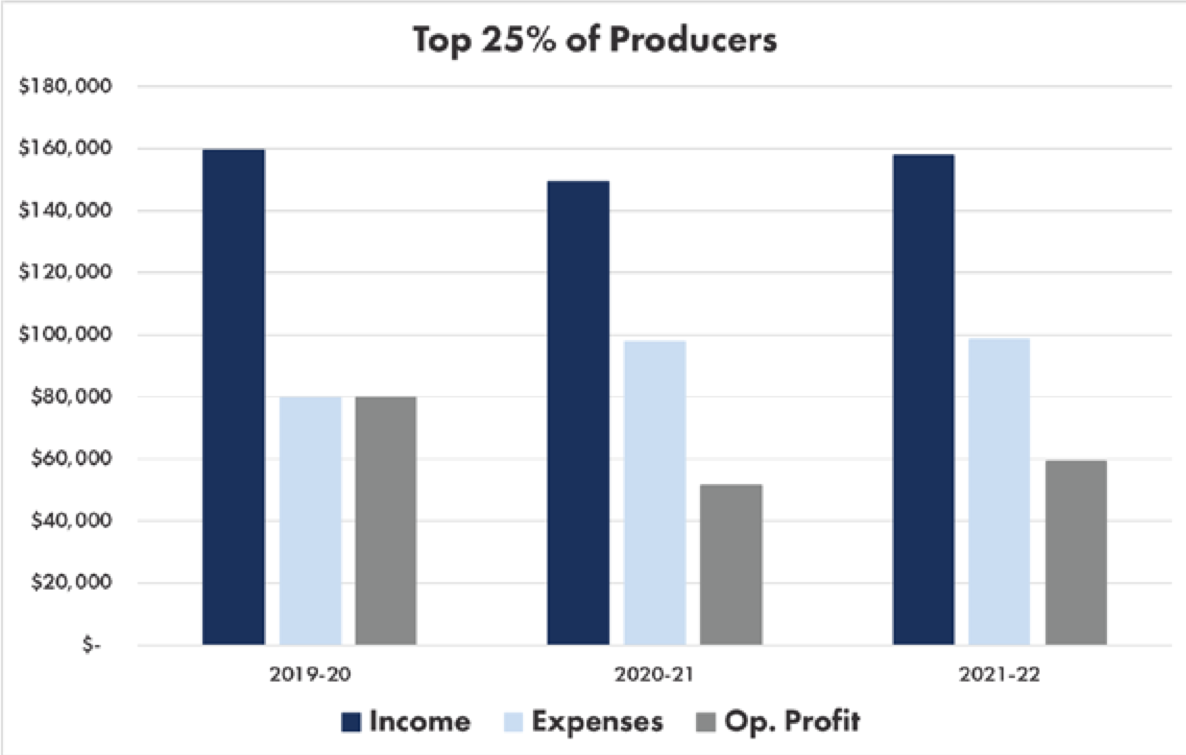

Figure 1. The top 25% of Producers compared across the last 3 years.

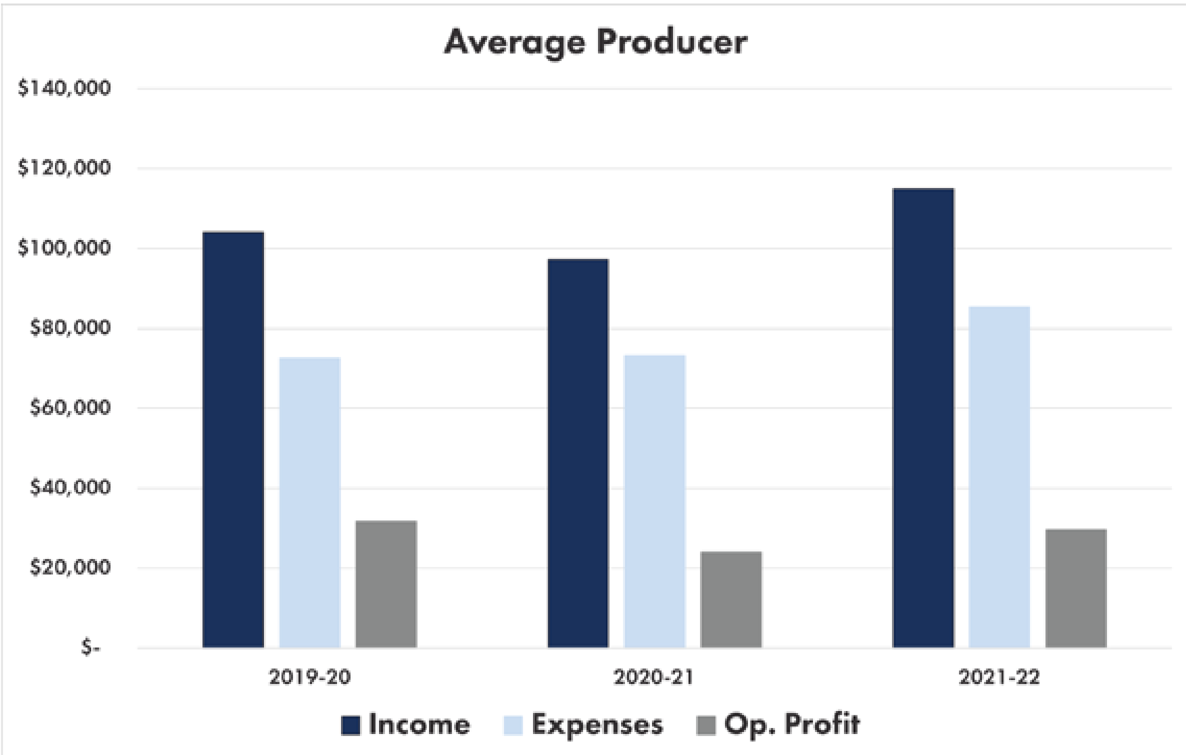

Figure 2. The benchmarking data for the 'Average Producer' over the last 3 years.

	2019-20	2020-21	2021-22
Top 25%	$21,180	$30,306	$34,482
Average	$26,086	$26,436	$30,723
Bottom 25%	$14,793	$21,425	$44,309

Figure 3. Labour Expenses Per Hectare.

	2019-20	2020-21	2021-22
Top 25%	$1,450	$4,004	$9,468
Average	$2,468	$2,298	$5,358
Bottom 25%	$1,030	$2,053	$3,743

Figure 4. Chemicals Expenses Per Hectare.

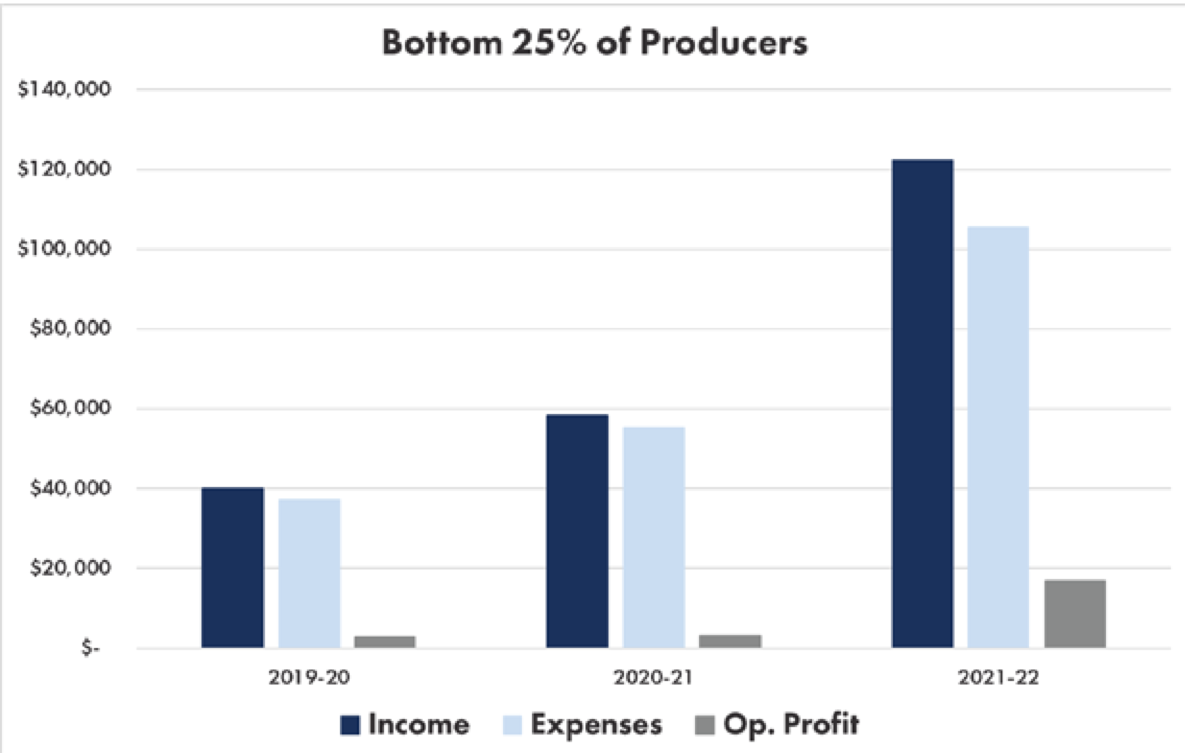

Figure 5. The benchmarking data for the Bottom 25% of Producers over the last 3 years.

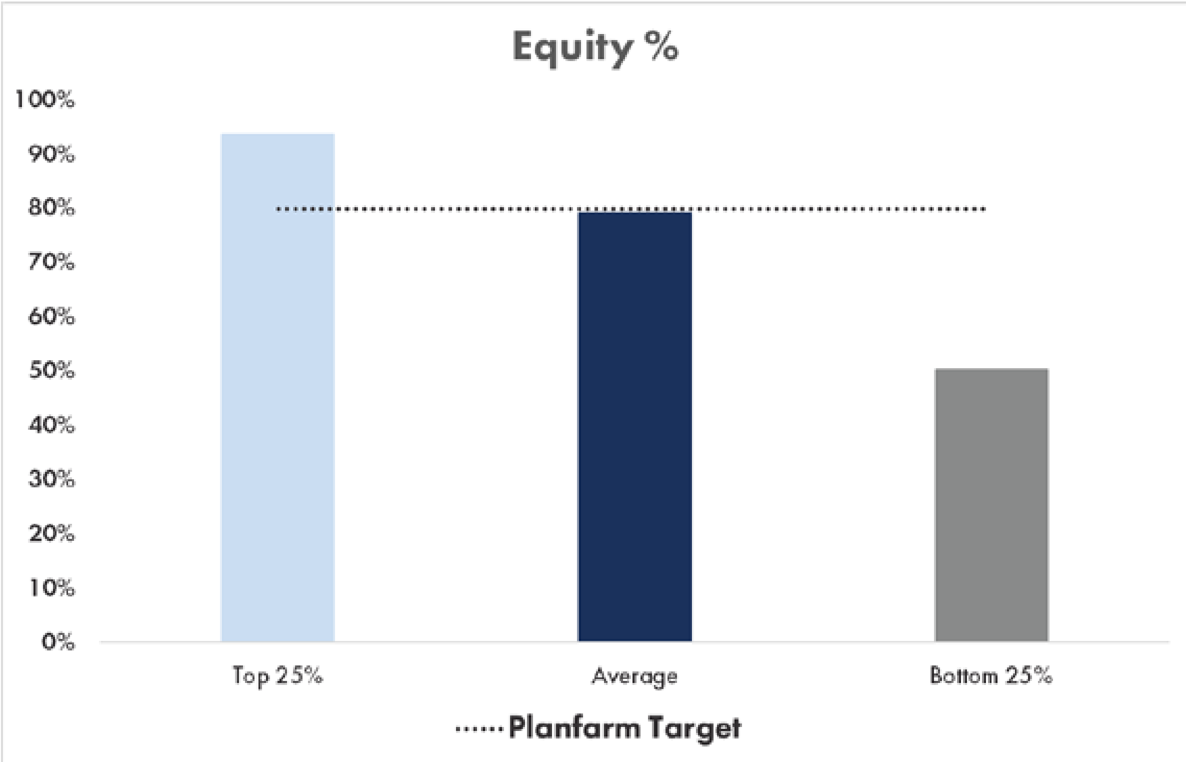

Figure 6. The average equity position across the last 3 years

The bottom 25%, however, is at a worrying 50%, which is a more vulnerable position. If in the current FY2022-23 this cohort does struggle to secure income to meet the known rising input costs, there could be significant impact to the underlying stability within these businesses.

There is also an additional wider concern in the findings. The data collected to produce the benchmark results is gathered from the participants of the Building Horticulture Business Capacity Program.

As part of participation, all growers have worked closely with farm management consultants Planfarm for some time to analyse the performance of their businesses and take the necessary action to maintain or improve margins and profitability.

With this context in mind, it is a possibility the findings of both the top 25% and the average producers point to a 'leading group' within the industry and the findings of the bottom 25% are a truer reflection of the wider industry beyond the participating growers.

Between these general findings and what is already known about economic conditions in the current financial year, now more than ever there is a need for all vegetable business owners to be clear and up-to-date on the details of the cost structure, cost of production and required margins of their vegetable businesses in order to remain profitable and resilient.

Cost cutting is less of an option given the input rise environment that faces the industry. As mentioned above, all spend needs to have a 'clear line of sight' of contribution to saleable yield and therefore income for the business.

Similar to the previous year, other key areas that separate the top 25% from the rest and can be easily adopted are:

- **Market access and relationships with buyers/ customers** – assessing markets and determining which best suits your product, location and timing of sales. Producers who have good relationships with their customers or buyers often have greater scope for negotiating pricing, which is vital in the current environment of rising costs.

- **Focus on a limited range of products** – less is often more. Results showed that keeping the business simple and consistent correlated with higher profitability.
- **Business focus** – a persistent inclination to look more deeply into the business, rather than being in the business, and challenge everything.

It is strongly recommended to all vegetable business owners to spend some time comparing the performance, spend and income of their own business against the available data to identify in which cohort your own business is performing.

Alternatively, if you wish to undertake a detailed analysis into your own business and access professional support, then please contact Bryn Edwards at vegetableswa or Paul Omodei at Planfarm, or click on to www.buildingwahorticulture.com.au to check out the program.

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Whilst we fully acknowledge that this data is vegetable focussed, all of these metrics apply to any business in any sector of horticulture.

We would recommend every berry grower starts by looking at their own metrics to see how they compare with these benchmarks.

You can access a series of guides that will help you to calculate your own results for each measure in your business at

vegetableswa.com.au/drive-profitability

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National Farmers' Federation (NFF) Horticulture Council new Chair named as Jolyon Burnett

Jolyon Burnett brings a wealth of experience to the role, having held a range of executive and governance positions in a horticultural career spanning four decades. Jolyon is currently a director of the NSW North Coast Local Land Services and Santos Organic, a small organic retailer in northern NSW. His previous role was as CEO of the Australian Macadamia Society until 2022.

The NFF Horticulture Council is the preeminent forum for deliberating and forming policy concerning our national horticulture industry. It was established in 2019 and is now comprised of 21 national community and state peak horticulture bodies – including Berries Australia – who together represent the full breadth of an incredibly diverse industry.

The Council develops policy positions on common issues of national importance to the horticulture sector such as trade, workforce, biosecurity, sustainability, markets and competition, R&D, telecommunications and infrastructure.

Jolyon will officially assume the position of chair on 1 July 2023 for an initial term of three years.