Factors limiting decision making for improved drought preparedness and management in Queensland grazing enterprises

Rural specialists' perspectives and suggestions

Final Report

Social Sciences

June 2017
© The State of Queensland (Department of Science, Information Technology and Innovation) 2017

The Queensland Government supports and encourages the dissemination and exchange of its information. The copyright in this publication is licensed under a Creative Commons Attribution 3.0 Australia (CC BY) licence

Under this licence you are free, without having to seek permission from DSITI, to use this publication in accordance with the licence terms.

You must keep intact the copyright notice and attribute the State of Queensland, Department of Science, Information Technology and Innovation as the source of the publication.

For more information on this licence visit http://creativecommons.org/licenses/by/3.0/au/deed.en

Disclaimer

This document has been prepared with all due diligence and care, based on the best available information at the time of publication. The department holds no responsibility for any errors or omissions within this document. Any decisions made by other parties based on this document are solely the responsibility of those parties. Information contained in this document is from a number of sources and, as such, does not necessarily represent government or departmental policy.

If you need to access this document in a language other than English, please call the Translating and Interpreting Service (TIS National) on 131 450 and ask them to telephone Library Services on +61 7 3170 5725

Citation

McCartney, F. 2017, Factors limiting decision making for improved drought preparedness and management in Queensland grazing enterprises: rural specialists’ perspectives and suggestions, Department of Science, Information Technology and Innovation (DSITI): Brisbane
Executive summary

Effectively managing for climate variability, including periodic cycles of drought, continues to be a challenge for Australian primary producers. Despite programs and resources such as the Grazing Best Management Practices (BMP) guidelines, it is believed that many graziers in Queensland fail to effectively manage for climate variability and improve their ability to prepare for future drought conditions.

This report examined those factors that limit decision making for improved drought preparedness and management in Queensland grazing enterprises, through interviews with grazing specialists and a small group of leading graziers. Concurrent to these interviews, a non-representative survey was conducted, to gain a broader understanding of the specialists’ and leading graziers’ use and experiences of eight specifically selected decision-support tools.

Correspondingly, the specific objectives of this study were:

- to identify and understand the broader factors (limitations) to decision making for improved drought preparedness and management in Queensland grazing enterprises;
- to identify and understand the specific factors (limitations) to Queensland graziers’ use of the specifically selected decision-support tools, to effectively manage for climate variability and improve drought preparedness; and
- to collate a set of practical recommendations to support Queensland graziers’ decision making for improved drought preparedness and management, including the use of specifically selected decision-support tools.

Semi-structured, open-ended interviews were conducted as face-to-face (the preference) and telephone conversations (rarely, but where necessary), between October 2016 – February 2017.

The interviewees, comprising specialists and ‘leading’ graziers, were selected from three case study areas of Queensland: the Mulga Lands; Central Queensland; and the Gulf Country. In total, 46 specialists and 9 graziers took part in the interview part of the research. The specialists were chosen based on their degree of involvement with graziers in planning, preparing and managing for drought from either a productivity (e.g. agronomists, BMP officers, grazing supply chain processors and retailers) or profitability (e.g. bank managers, accountants, farm financial counsellors) perspective.

Concurrent to the interviews, a non-representative survey was conducted, to gain a broader understanding of the specialists’ and leading graziers’ use and experiences of eight specifically selected decision-support tools. Namely: Rainman/Climate ARM; Southern Oscillation Index Phase; SPOTA-1 Index; AussieGRASS; FORAGE reports; VegMachine; Stocktake/Stocktake Plus and BOM climate outlook forecasts. The results from this survey are discussed in supplementary research report 2 (Durante and McCartney, 2017).

Perceptions of drought preparedness and management in the Queensland grazing industry

There are many practices and approaches for drought preparedness. The interviewees (specialists and leading graziers) had a mixed view of whether Queensland grazing enterprises prepare or manage for drought. There was also a distinction made between single and multi-year droughts. In general, it was thought that many graziers were doing some preparation and management for single years, but that it was extremely difficult, if not “impossible” to prepare for droughts lasting longer than two years.

This study primarily sought to identify the factors that limit decision making for drought preparedness and management. Although, several of the interviewees acknowledged that many
graziers are preparing and managing for drought, particularly those droughts that were less than two years in duration, the interviews primarily focussed on the policy question of the barriers to drought preparedness and management in the grazing industry. Nevertheless, during these interviews many interviewees also spoke of the characteristics and practices employed by those graziers who recover well from drought. These have been collated and summarised in Appendix 4.

Decision-making is complex. It is rarely a single factor, or group of factors, that will determine a decision; rather, it is a multitude of interconnected factors that cumulatively act to directly or indirectly influence an outcome. Correspondingly, it is usually the influence of a number of factors, rather than a single motivation or barrier, which results in decision making for improved drought preparedness and management, in grazing enterprises. Furthermore, for a single factor (e.g. resilience of grazing ecosystems, cash flow, intention to sell, physical capacity), there will be a range of individual circumstances. Additionally, an individual's circumstance will change over time, which means these factors, and their relative importance in decision making, will also change over time.

Nonetheless, for ease of reporting, this study has identified and categorized six areas as limiting decision making for improved drought preparedness and management in Queensland grazing enterprises. They are: a grazier’s financial and economic situation; the nature of grazing production systems; the management focus of a grazier such as record keeping, planning and decision making systems; their knowledge, willingness and capacity to learn and change; their personal attitudes and circumstances; and the role of government.

Factors limiting decision making for drought preparedness and management

**Financial and economic situation**
A graziers’ individual financial, as well as broader economic, situation, was considered a major factor limiting improved decision making for drought preparedness and management. Financial pressure caused by: too much debt; declining terms of trade; small enterprises with insufficient economies of scale; a lack of off-farm income and a reliance on cattle for cash flow; and international market restrictions (namely the live export ban), was discussed. In addition, poor financial literacy was identified as a widespread issue in the industry. It was demonstrated through the perception that many graziers: appeared not to know or understand their financial figures; had a focus on cattle prices and keeping stock without considering the total costs of production; and used potentially biased sources of financial advice. The consequences of financial pressure for drought preparedness and management were also discussed by the interviewees and included: limited cash for “drought proofing” infrastructure and practices; and overgrazing and not destocking enough during drought, to meet existing financial commitments.

**The nature of grazing production systems**
The inherently complex nature of grazing production systems was thought to adversely affect decision making for drought preparedness and management. For example, the subtlety of landscape change by degradation creates the perception of a resilient grazing ecosystem. In addition, the long cattle production cycle, often spanning several years, makes it difficult to see the cause and effect of poor management decisions, such as overgrazing. Finally, the relatively flexible decision windows of cattle production facilitate delayed decision making, such as delayed destocking decisions, which can ultimately reduce an enterprise’s ability to withstand drought, in the long term.

**Management focus, record keeping, planning and decision-making systems**
It was thought that having a day-to-day operational, as opposed to a risk management focus, was an issue for drought preparedness, and to a lesser extent, drought management. Similarly, possessing a cattle (but not pasture) management focus was also thought to hinder strategic decision making. In addition, many interviewees spoke about how a considerable portion of the industry have low levels of record keeping and undertake minimal formal planning. Finally, it was
conceded that there are many complex and varied decisions to be made in grazing enterprises, so in times of stress, such as impending or prolonged drought, this can lead to compromised decision making for drought preparedness and management.

**Knowledge, willingness and capacity to learn and change**
Knowledge factors thought to adversely influence decision making for drought preparedness and management, included: limited herd and land management knowledge and skills; many graziers still thinking “more cattle means more money”; and not calculating, or overestimating, stocking rates and carrying capacities. In addition, many interviewees spoke about their perceptions of some graziers’ limited willingness or capacity to learn and change, with respect to drought preparedness and management.

**Personal attitudes and circumstances**
A number of disempowering drought attitudes were recognised. These comprised sentiments such as: How can you prepare for drought? We’ll get through; I’ll just keep going; and it’s going to rain soon. Furthermore, it was thought that having a lower risk aversion (or a higher tolerance to risk), enabled some graziers to take the risk of overgrazing their enterprises and to hold on to stock for longer during drought periods. In addition to attitudes and risk aversion, several other personal factors were raised by the interviewee, as directly or indirectly negatively influencing decision making for drought preparedness and management. These included: intentions to sell and retire in the near future; complex family or relationship arrangements and decision-making dynamics; intentions to sell and retire in the near future; finite physical capacity, exhaustion and health issues; limited social interactions; and self-identity and the rural lifestyle.

**Government involvement**
The role of government was identified as a significant factor influencing grazier decision making for drought preparedness and management, with the discussion primarily focused on drought assistance.

A distinction was made between Federal and Queensland drought assistance, with many interviewees supporting the Commonwealth’s Farm Household Allowance. However, a number of criticisms were raised with the Queensland Drought Relief Assistance Scheme (with the exception of the Emergency Water Infrastructure Rebate), namely: it encourages a welfare mentality or culture of expectation; it rewards poor practices and discourages drought preparedness and management; it prolongs the existence of financially unviable farming enterprises; and it’s unfair to other rural small businesses who are also adversely affected by drought.

**Future Opportunities**
A number of future opportunities were identified for addressing these limitations to decision making for improved drought preparedness and management in Queensland grazing enterprises. Some are direct contributions from the research participants themselves (i.e. the interviewees). Others were devised by the project research staff, or identified in the relevant literature as being appropriate responses to the limitations that were identified in this study. These recommendations are broadly grouped into the following categories: increase extension services and other independent service providers; develop decision support services, tools and aids; reform drought assistance arrangements; support drought-related research and development; challenge industry and community attitudes to drought; and promote industry diversification and off farm investment.

Although conducted in Queensland, it is anticipated that the findings from this study will contribute to the broader body of research and knowledge about drought preparedness and management in grazing enterprises.
## Contents

Executive summary ........................................................................................................................................... i

1 Introduction .................................................................................................................................................. 1

2 Method ....................................................................................................................................................... 2
  2.1 Literature Review .................................................................................................................................. 2
  2.2 Qualitative Interviews ......................................................................................................................... 2
  2.3 Quantitative Survey .............................................................................................................................. 4

3 Perceptions of drought preparedness and management in the Queensland grazing industry .......................................................... 5

4 Factors limiting decision making for drought preparedness and management .................................. 14
  4.1 Financial and economic situation ....................................................................................................... 16
    4.1.1 Financial pressure ......................................................................................................................... 16
    4.1.2 Poor financial literacy .................................................................................................................. 30
    4.1.3 Consequences of financial pressure for drought preparedness and management .................. 44
  4.2 The nature of grazing production systems ......................................................................................... 52
  4.3 Management focus, record keeping, planning and decision making systems ............................... 57
    4.3.1 Day-to-day, operational management focus ............................................................................... 57
    4.3.2 Cattle management focus .......................................................................................................... 60
    4.3.3 Low levels of record keeping ...................................................................................................... 62
    4.3.4 Minimal planning .......................................................................................................................... 68
    4.3.5 Stress and compromised decision making .................................................................................. 71
  4.4 Knowledge, willingness and capacity to learn and change ............................................................... 74
    4.4.1 Limited land and herd management knowledge and skills ......................................................... 74
    4.4.2 Limited willingness to learn and change ..................................................................................... 80
    4.4.3 Limited capacity to learn and change ......................................................................................... 83
  4.5 Personal attitudes and circumstances ................................................................................................. 87
    4.5.1 Disempowering attitudes about drought ...................................................................................... 87
    4.5.2 Low risk aversion (or high risk tolerance) ................................................................................... 91
    4.5.3 Intention to sell .............................................................................................................................. 92
    4.5.4 Complex family or relationship arrangements and decision-making dynamics ....................... 94
    4.5.5 Finite physical capacity, increasing exhaustion and health issues .............................................. 97
    4.5.6 Limited social interactions ......................................................................................................... 99
    4.5.7 Self-identity and a rural lifestyle .................................................................................................. 101

5 Government involvement ....................................................................................................................... 103
  5.1 Drought assistance .............................................................................................................................. 103
    5.1.1 Distinction made between Commonwealth and Queensland drought assistance ................. 103
5.1.2 Criticisms with Queensland drought subsidies 103
5.2 Seasonal climate forecasting (SCF) tools 114

6 Conclusion and Future Opportunities ................................................................. 116

References .............................................................................................................. 118

Appendices ............................................................................................................ 119
  Appendix 1 Project Information Sheet 119
  Appendix 2 Specialist Interview Questions 120
  Appendix 3 Grazier Interview and Survey Questions 121
  Appendix 4 Characteristics and practices of graziers who prepare for drought 122
1 Introduction

Effectively managing for climate variability, including periodic cycles of drought, continues to be a challenge for Australian primary producers. Despite programs and resources such as the Grazing Best Management Practices (BMP) guidelines, it is believed that many graziers in Queensland fail to effectively manage for climate variability and improve their ability to prepare for future drought conditions.

This report examined those factors that limited decision making for improved drought preparedness and management in Queensland grazing enterprises, through interviews with grazing specialists and a small group of leading graziers. Concurrent to these interviews, a non-representative survey was conducted, to gain a broader understanding of the specialists’ and leading graziers’ use and experiences of eight specifically selected decision-support tools.

Correspondingly, the specific objectives of this study were:

- to identify and understand the broader factors (limitations) to decision making for improved drought preparedness and management in Queensland grazing enterprises;
- to identify and understand the specific factors (limitations) to Queensland graziers’ use of the specifically selected decision-support tools, to effectively manage for climate variability and improve drought preparedness; and
- to collate a set of practical recommendations to support Queensland graziers’ decision making for improved drought preparedness and management, including the use of specifically selected decision-support tools.

In addition, it is anticipated that the findings from this study will contribute to the existing body of research and knowledge about drought preparedness and management in grazing enterprises, as well as the use of decision support tools in agriculture.
2 Method

This study used a mixed methodology research approach, comprising a literature review, qualitative, semi-structured open-ended interviews, and a survey which was completed by the interview participants.

2.1 Literature Review

A research review was conducted focused on the literature investigating issues associated with the design of decision support tools. The problems identified in this literature fall into four broad categories: the first two categories include problems associated with the design of the DSTs, in particular: problems that arise from a failure to understand the needs of the target audience; and a failure to design and develop the tool in response to these needs. The third category highlights non-adoption as a problem related to the delivery and marketing of the tool; and the final category identified issues relating to the on-going evaluation and improvement of the tool.

While not formally written up until later in the project, the review was conducted in the early stages of the research to inform the design of the questions asked in the interviews and survey, around the adoption and useability of eight decision support tools, all designed to assist land managers with various aspects of property planning, and specifically planning for drought.


2.2 Qualitative Interviews

A total of 46 specialists and 9 ‘leading’ graziers took part in the interview phase of the research. The specialists (46) were chosen based on their degree of involvement with graziers in planning preparing and managing for drought from either a productivity (e.g. agronomists, BMP officers, grazing supply chain processors and retailers) or profitability (e.g. bank managers, accountants, farm financial counsellors) perspective.

The ‘leading graziers’ (9) were suggested by the specialists as graziers, who were likely to prepare and manage well for drought, and hence are not necessarily representative of the industry, but would nonetheless be able to provide an insight from a grazier perspective.

The interviewees were primarily selected from three case study areas of Queensland, namely: the Mulga Lands; Central Queensland; and the Gulf Country. They were conducted as face-to-face (the preference) and telephone conversations (rarely, but where necessary), between October 2016 – February 2017. Interviewees were sourced from a combination of departmental contact lists and a ‘snowballing’ technique, where interviewees recommended people for involvement based on their ability to provide further insights (Miles and Huberman, 1994). Where possible a random, but representative approach was used; that is, while there were attempts made to select interviewees randomly, they were also selected to represent spatial distribution throughout the case study areas.

Interviewees were contacted via telephone by the researcher and asked if they wanted to voluntarily participate. The participants who agreed to be interviewed were assured confidentiality with respect to their participation and any comments they provided.
A semi-structured, open-ended question format was selected to allow for follow-up prompts to encourage a deeper exploration of topics raised by the participants. Using this format, interviews lasted between 30mins – 2.5 hours and were recorded by Dictaphone, with additional notes and memos being hand written by the interviewer, throughout the exchange.

The interviews specifically sought to identify and discuss those factors (in particular the limitations) that influence decision making for improved drought preparedness and management in Queensland grazing enterprises.

Appendix 1 is a copy of the project information sheet and Appendices 2 and 3 are copies of the initial list of interview and survey questions for the specialists and graziers, respectively. However it should be noted that when the early interviews went considerably longer than anticipated (and which could be sustained), a decision was made in the field to discontinue those questions that were not effective (i.e. created confusion, took too long to answer, were not providing anything meaningful), to enable the researcher to focus on the primary research question.

Data analysis employed both deductive and inductive methods, with the initial data coding based on the themes arising from the preliminary review (deductive), but also allowing for any alterations, or additions to these themes, using the grounded theory approach (inductive). Grounded theory uses constant comparison and analysis of themes and patterns in data (Babbie 2011) to generate theory, allowing locally important issues and concerns to emerge.

Data analysis and coding was conducted using NVivo and Microsoft Excel.

The use of specialists as interviewees

Given the high levels of psychological, economic and biophysical stress experienced by many graziers and their enterprises, due to the severity of ongoing drought conditions, the methodology deliberately excluded direct interviews with drought affected graziers. As a consequence, the majority of the interviewees were a selection of specialists who worked directly with graziers.

Previous studies, including those undertaken by the research team (McCartney and Durante, 2014), have found that specialists can provide valuable and trustworthy insight into the views of the general community, particularly in situations where there are limited resources or sensitive issues (in this case, ongoing or severe drought).

A specialist (or expert) is “a person who has a high degree of skill and knowledge in a certain domain, field or industry due to long-time experience and has status, power-to-act and decision-making opportunities based on these skills and knowledge” (Belting, 2008), or “has privileged access to information about groups of persons or decision processes” (Meuser & Nagel, 2009).

Interviewing specialists (or experts) is a legitimate empirical research method that has been used in qualitative social science research for several decades, particularly in English and German-speaking countries (Dexter, 2006; Meuser & Nagel, 1991; Bogner et al, 2009; Litting, 2012).

Nonetheless, excluding drought-affected graziers is a significant limitation to this project that will be addressed in future research.

This report provides the findings of the qualitative interviews.
2.3 Quantitative Survey

Concurrent to the interviews, a non-representative survey was conducted, to gain a broader understanding of the specialists' and leading graziers' use and experiences of eight specifically selected decision-support tools. Namely: Rainman/Climate ARM; Southern Oscillation Index Phase; SPOTA-1 Index; AussieGRASS; FORAGE reports; VegMachine; Stocktake/Stocktake Plus and BOM climate outlook forecasts. The survey questions were informed by the literature review mentioned above, which identified the characteristics and considerations that are important to designing user friendly, and useful decision support tools (see Comerford et al. 2017).

The results from this survey are discussed in the following supplementary research report:

Durante, J. and McCartney, F. 2017, Managing for climate variability and improving drought preparedness in Queensland grazing enterprises: Rural specialists' perspectives and suggestions, Supplementary report 2: use of decision support tools, Department of Science, Information Technology and Innovation (DSITI): Brisbane
3 Perceptions of drought preparedness and management in the Queensland grazing industry

The interviewees were asked about their perceptions of drought preparedness and management in the Queensland grazing industry. A discussion was had about what was meant by the terms “drought”, “drought preparedness” and “drought management”. It was acknowledged that there are many practices and approaches for drought preparedness. There was also a mixed view of whether Queensland grazing enterprises prepare or manage for drought, with a distinction made between single and multi-year droughts.

A few interviewees had issues with the use of the term “drought”.

What is a definition of a drought? Is it one really dry year or is it two in a row or is it three in a row? But every year - we have high climate variability so we do have a lot of dry years. Whether they’re droughts or not? DCAP_05

I’m in that camp that’s trying to just be wary about recognising a thing called drought. I think that there’s a huge natural variability in the climate in the Southern Gulf, and over a lot of Australia, that that’s just the environment people farming have. DCAP_42

Well [drought] is an overused term. So we are operating - we are servicing businesses operating in a variable climate. I mean Atherton’s variable, Mount Surprise is a little bit more variable, Julia Creek and Richmond are more and more variable, Boulia’s more and more variable. So, 60 per cent deviation of the mean at Boulia, so incredibly hard to run a grazing business unless you work within that variability. So let’s just accept that drought is an all-encompassing term and in many ways it’s very political. DCAP_34

Defining drought is an interesting question because you look at Australia’s climate and it’s hugely variable. You have a look at the average rainfall for different areas. In 100 or 110 years of records, which most places have, the average probably only occurs - or near average - three or four times in that time. The rest is above or below average. DCAP_44

I don’t want to call it drought all the time because I know people out there who think they’re in drought every second or third year. DCAP_34

[The term drought] has been debated on the Australian landscape for ages hasn’t it? I’m sure your background reading will show the incredible variability. You’ve only got to look at any rainfall to sit here [unclear] as much of Australia through to 2016 from the 1890s, the amount of red and the amount of blue, I mean it’s an incredible variable climate. I’ve been around long enough in the department for when - I think it was 25, 26 years, I think it was in the mid-90s, there was this call for self-reliance and a little blue book that was going to be the end of subsidies, end of freight subsidies, end of drought subsidies, we want more self-reliance. Politically it went out the window. So drought’s a very emotional term. There’s no doubt there’s a sequence of years that become very difficult for anyone to manage and we’ve seen them across Australia in certain regions at certain times. A series of years where you just don’t get any rain at all. That’s a very difficult thing to manage for, but I think it’s an overused term. It’s a political term and not that you want to write about governments but when the LNP Government got in, the emergency water or infrastructure, the whole drought assistance was opened up way beyond freight subsidies. So it was okay let’s fund emergency water. So it’s almost - yeah, there’s no debate about what drought is and that we are operating a business in a variable climate. DCAP_34

At least one interviewee also made a point to distinguish between “drought preparation” and “drought management”. 
I think the preparation and the management are two separate things. So they’re probably linked but not the same, if that makes sense. Preparation would be things like thinking about risk to the business, and putting something in place before we get to a drought… Saying there’s a chance it’s going to get dry again, I’ll build my herd structure so that I can reduce numbers quickly when I get dry. Those sort of things are preparation. I don’t think we do that very well generally. Again, 30 per cent will do it really well, 30 per cent would be okay, and 30 per cent would be terrible. Management is when we get to the drought and we go hang on, it hasn’t rained. In the old days I think a lot of people would say I’ll just wait it out, I’ll let my [animals] die, or maybe I’ll try and feed everything, or those sort of crazy sort of approaches, whereas now most people will go we know feeding doesn’t work. We know we can get on to this level and we can sell…so that’s what I mean in terms of management. DCAP_Grazier_06

It was also acknowledged that managing for drought is not easy and there are lots of unknowns or uncertainty in natural systems, and that ideally you need to be ready all the time.

It’s very easy for us to say do this, do that, but it’s a lot harder when you’ve got to actually go and make it happen on the ground in the real world. It’s never quite as straightforward as it appears when we write about it in a little brochure sort of thing. DCAP_22

Market prices, input costs, [investment] opportunities. There’s a lot of unknowns so it is very hard to manage when there’s so many unknowns that are quite big factors in influencing how things pan out. DCAP_05

It’s not an easy job to have everything running well where you’ve got as much control over your herd as possible in such a way to maximise the productivity of the herd and give you some flexibility to change the numbers. As I said, it requires infrastructure. It requires just ongoing being on top of it all the time. It’s not like there’s a drought coming, I’m going to get ready. You have to be ready all the time. DCAP_05

In addition, many interviewees reflected that it’s not always easy to determine when a drought is coming, as sometimes they are gradual and “you’ve got to be in it”, before you realise that it is a drought.

Droughts are very severe or they can be and we don’t know when they’re coming and we don’t know how long they’re going to last. We often don’t know the conditions that will come together during a drought. DCAP_05

Some droughts are a bit slow, and you’ll sort of - it’s not as - this one was really bang, just cut off like a knife. It was probably obvious to everyone that it was bad. Whereas if it had sort of half rained and half - sometimes those droughts are trickier to manage because you think it could go that way or it could go that way. Whereas some droughts that may be a bit kinder make those decisions harder, because you could go either way. DCAP_Grazier_06

I guess they don’t have much warning as to when these things will happen and how long they’re going to last. That’s the biggest problem. You know when you’re in one but you don’t know when they’re coming and you don’t know how long they’re going to last. DCAP_05

I suppose the difficulty with drought is that you don’t know it’s - you don’t know you’re in a drought until you’re well into it. You can be prepared for a drought, but it’s not until you’re six months into it you go, well, hey, this is not necessarily a dry spell, this is pretty much a drought. You’ve got to be in it before you really know it’s occurred. DCAP_40
Factors limiting decision making for improved drought preparedness and management in Queensland grazing enterprises

What is meant by “drought preparedness” and “drought management”?

No precise definitions were provided as to what constitutes “drought preparedness” or “drought management”, in the context of Queensland grazing enterprises. As a consequence, the specialists and leading graziers were asked to answer these questions according to what they understood these terms to mean.

Interestingly, many of them answered the question from what they understood drought preparedness and management not to be. Of the indicators, strategies or practices that were identified, three in particular, were mentioned, again and again by the interviewees, when discussing those factors that were limiting drought preparedness and management. They were:

- Not having and implementing a (written) drought plan
- Overgrazing paddocks
- Not destocking early enough, in response to drying conditions

As a consequence, it should be noted that the majority of the responses for the rest of this document were given with one or all three of these practices in mind.

Many approaches for drought preparedness and management

There was an acknowledgement that each drought is different, and similarly, every grazier and grazing enterprise is different. Correspondingly, there are many practices and strategies for drought preparedness and management, depending on the circumstances of the graziers, the grazing enterprise and the grazing property, with no “right or wrong answer”.

Well every drought's different. DCAP_02

Each drought begins differently, each drought finishes differently. DCAP_10

You've got to remember that no two farmers are the same. No two farms are the same, not even any two paddocks are the same. DCAP_30

Cattle businesses are totally variable. Some will trade in breeders. Some will trade in steers. Some will buy weaners and sell feeders. Some will buy feeders and sell bullocks. Some will do the whole lot of it. DCAP_16

Somebody who has no grass reserves or money reserve is going to make a substantially different preparation decision to somebody who has a lot of money reserves and a lot of grass reserves or even a lot of money reserves and no grass reserves. There's a matrix of variables, the list of which is probably very, very large, that they say, oh, this, this, this and this, and, this is how I'm going to react in this situation and I'll probably guarantee that if that same producer lands themselves in a different area of that matrix, like I was saying before, one drought they could have lots of grass and lots of money and another one they could have lots of grass and no money and that's a different one to having no money and lots of grass or vice versa. So, horses for courses. DCAP_18

It's not just you know region, it's you know property type, vegetation type, pasture type, who owns the place, whether they've got labour, whether they don't have labour. Like there's so many different things to consider. What they run, how many head they run, what their water's like. There's so many different things to consider. It's sort of really hard. DCAP_39
Basically, it comes down to there’s no right or wrong answer I don’t think. They’re right, drought is always there. Basically, we’re a dry continent and we’re always going to experience dry times so we’ve got to work towards it being dry. When the good seasons are there try and make money out of it. How you do that and the different ways you can do it is endless I guess. DCAP_38

Furthermore, one interviewee pointed out that it would be “presumptuous” to label graziers’ drought strategies as “wrong”, as even though they might be the opposite to what is suggested, as there could be “perfectly rational reasons” for their decisions.

I think it would be presumptuous of anybody to say they’ve got it wrong because you can’t, you’re not in that situation or you don’t have the full gamut of circumstances that they have in making their decision. It's not just around the drought, it might be - obviously, we have cash flows et cetera. As much as we like to think its drought and people should destock and do this and do that, at the end of the day, there is more than one way to skin a cat so they might have supplementary feeding plans. They might prepare for a drought in a completely opposite way to what people might desire them to but they might do it with perfectly rational reasons which are unknown to outsiders of the business. I think too, that a lot of them realise that there's [more than] one way to skin a cat. DCAP_18

Mixed view of whether graziers prepare or manage for drought

Some interviewees had a mixed view of whether Queensland grazing enterprises prepare or manage for drought. Many thought they were, to the best of their ability, managing for drought.

Yes. Well most are. So there’s a bit of a range. But certainly, the better ones are very prepared for drought. DCAP_09

In the short term, I think most landholders do - they’re doing a job to get by. Some do it better than others. DCAP_19

I would say - generally I would say yes, but not for this drought. DCAP_24

Probably as much as they can. DCAP_39

Of the graziers I work with, yes, because the people that engage with me - if you understand my role - the people that engage with me are the people that want to do those things. DCAP_41

Someone said the people that respond to the programs that we run probably do prepare for drought, but they're the sort of people that are organised and interested in change and improvement, and that’s why they respond to our programs too. DCAP_42

I think most of them would be, yes. I think they would be, as much as they could be. Some can do it better than others depending on their country. So yeah, I think so. I'm pretty sure they would be. DCAP_Grazier_08

However there was a mix of opinions amongst the interviewees, as to whether graziers were preparing or managing for drought.

Well I work with a whole spectrum, so I'd say some are and some aren’t. DCAP_27

I think there's a varying degree amongst them who are and there's some who probably aren't. There's certainly those that are forward thinkers and like to plan ahead and to have all their bases covered. I guess they're very in touch with their business. They can pinpoint
I guess any issues that might arise in the near future because of drought or they might implement risk management strategies to overcome drought...Then you've got the other end of the scale where they probably put their head in the sand, don't want to I guess admit maybe that there's a drought about to affect their business or have a detrimental impact on their business. So they'll probably just keep cruising along maybe ignoring the problem, not necessarily putting any measures into practice. Then I guess when things get too severe or the drought worsens to an extent that it's very difficult to recover from, that's when you sort of probably wish they had done something. Yeah but they're in a position where they can't so they're probably quite badly affected then at that stage. DCAP_13

Oh I think there's a fair bit of variability you know? I think they're all aware that it's coming, because it always is and some prepare better than others. DCAP_21

I think you can't blanket say yes or no. I think some prepare well and some don't. It's very hard to put a compartment do they compare or not, because there's so many variables. Skill levels, ability to run it as a business, knowledge, finance, decision making, yeah a range of things. I don't know how you'd put a figure onto it, but maybe 60/40, 60 that do, 40 that don't. That's just a figure off the top of my head, maybe more 70/30, something in that range. If you go in between so it's like two thirds do and a third don't. Something like that, yeah DCAP_02

Well I think that there's a percentage that are very well prepared. There's some that have some level of planning, there's some that have very little planning, and then there's some that really don't have much planning at all. DCAP_22

I think some producers prepare extremely well for drought. I still think, I have a lot of clients who still don't prepare well for drought and they're doing a good job technically as they're going along, but I still believe that some people prolong the tough decisions to the detriment of their business. DCAP_25

There's probably a whole range of different degrees of preparedness, I'd say. We've got some producers that are fairly mindful of drought in that they probably consider it as a natural part of doing business and that's - drought's just a feature of the system they work in. Then there's others that - I don't know. DCAP_35

I would say some are and some aren't. As to what percentage either way, I don't know. I would say for the majority of them, there's probably more that they can do to prepare better for drought. A wide spectrum of people probably doing all they can and other people just going on like they've always done. DCAP_37

Some are. I would say some are, I wouldn't know what the split would be but there's certainly some that do it well and some that do it quite poorly. DCAP_38

Some are preparing for drought better than others...but for other it doesn't seem like they've prepared as well as they could have. DCAP_40

In contrast, other interviewees thought the majority of graziers were not effectively preparing or managing, for drought.

As an industry, I think drought is very poorly managed. DCAP_04

Well, I'd say almost no graziers are adequately preparing for the droughts. DCAP_10

I'd say there are a lot that aren't, that don't really prepare as well as they probably could. DCAP_11
The majority aren't taking proactive steps to reduce their exposure. DCAP_15

My general feeling is the ones that are, are in the minority group to effectively be managing or efficiently be managing or proactively be managing for drought. We see this reoccurring quite often where whenever it gets dry - not necessarily even drought, but an extended dry season, there's often a similar band of people that come out of the woodwork looking for assistance straight up. DCAP_31

I think the evidence and my understanding is - and I see a lot of graziers, I don't know them all - I think the evidence is that they don't on the whole. There's a significant proportion of producers that kind of intellectually know that drought is a constant risk, but for whatever reason or a combination of reasons, I'm sure, don't have the wherewithal to adapt and prepare and adapt. So that's a longwinded answer to on balance probably, no, they're not well set up to deal with drought. DCAP_42

I'd say most of them aren't really [preparing for drought] and they're still overestimating the capacity of their country to carry stock and are very - I think they're very slow, most of them, to respond to the signs that, you know, drought is on its way or that the seasons are likely to change. That's for most of them... No, I don't think they are [preparing for drought] and I think that's borne out by the state of the - the conditions of the paddocks that you just see when you drive around, most of the paddocks. DCAP_43

I doubt whether many producers are aware...or actually deliberately doing those things [to prepare for drought]. I think they probably fail to prepare for [drought] properly and be ready...A lot of them could take some of the steps we're talking about to prepare themselves for drought and make some decisions and take some actions along the way to prevent the drought from hurting them so much and doing so much damage to their finances, to their paddocks and to their herd. DCAP_05

I used to think that the majority of landholders were managing quite well but I think I might have been a little bit over optimistic. The way I could tell they're not managing well is by the condition of their country. It's as simple as that. DCAP_33

Some are but they would be a minority...I'd hesitate to put a percentage on there but I guess it's in the order of 10 to 20-30 per cent of people probably are effective. DCAP_44

They do prepare for drought, it's just the extent to which they prepare or the extent of the drought to which they prepare is probably inadequate in terms of risk management in my humble uneducated opinion...I guess what I think that people, graziers would probably think that they've all prepared adequately. That's not true but that's probably their perception because they've made the decision based on the information that's available to them and their interpretation of that information and then their expectations. DCAP_18

However it was recognised that the drought preparedness and management is improving, within the industry.

Oh, the industry in general's much more aware of it. Oh, definitely, and I think that's pretty much across the industry, including processes and whatever else like that. I do think they're much more aware of it. I think they're much more likely to listen to a message about there's a period of potential drought approaching. There's much more interest in sourcing that information... I think people are much more aware of the impact of drought on their business, so people are much more prepared to actually think about it, to some extent. Some just much more better and in much more detail than others, but in the general sense I do think people recognise drought. I do think they do try and adapt to it. Perhaps they
There are more and more people starting to cater for drier times a lot better. DCAP_44

No, I don't. I probably don't think the industry prepares particularly well for drought. I think we probably have done it better since 2002, when we - look, we had a very dry period here in 2002. I think as a general rule, this district has done a lot better. DCAP_Grazier_09

A couple of interviewees also thought that graziers may be preparing mentally for drought, but that was not necessarily translating into the execution of drought management activities.

If you sat down with a grazier and said is it a surprise that we're going to get another drought in five years, most of them would say no, I know that, I live in [name removed], that's where we are. Climate variability is huge. But often that doesn't translate into if that's true then I'd better do something about it. DCAP_Grazier_06

**Single versus multi-year droughts**

There was also a distinction made between single and multi-year droughts. In general it was thought that many graziers were doing some preparation and management for single years, but that it was extremely difficult, if not “impossible” to prepare for droughts lasting longer than two year. It should also be noted that many of the interviewees thought that beyond two years, it’s difficult to expect any grazier to be able prepare, as by then it becomes about “survival” and “responding to what’s in front of you”.

What we see is that there’s really not enough planning, particularly for multiyear droughts. I think most graziers prepare for and manage through a seasonal or annual drought. I don’t think many graziers actually manage for multiyear droughts terribly well. So that would be beyond the 12 months to the two to four year timeframe. They simply don't have the skills, tools and planning associated to get through something that's more than one year. I think they can manage through a seasonal and annual drought. DCAP_pilot_02

All graziers do some preparation for drought, but whether it's effective once you get into multiyear droughts is probably another question. So everyone sort of does some seasonal adjustments type thing but yeah, will get unstuck once there's a number of bad years in a row where the impacts build up. DCAP_19

All landholders do some preparation for a drought. It's part of the business. So the climate's [variable] through Northern Australia, they’ve got to be doing - have preparations for dry seasons but yeah, whether - again it comes back to when it's multiyear and extreme is when they start getting into trouble. So usually they can survive one - a dry year or two dry years but yeah, once it goes more than that, it becomes a bigger issue. Once you're getting past two years it's going to be very hard. Imagine yourself if you didn't get paid for two - you only got half your income for two years. You'd have to start making some pretty big cutbacks. DCAP_10

Most people can cope with one year… I think some people would get into real trouble if there’s two years of drought. If there’s three years of drought it’s a disaster for them. DCAP_09
There's always going to be - like I don't think any business is going to be able to handle three year, four year droughts. Like some places, doesn't matter what business, you're going to hit a period like that. Just going to get to a stage where you're just not going to be able to cope anymore, so there's going to need to be some support...or let [their enterprises] die, but yeah, it's going to be very hard, those big multi ones. DCAP_10

The vast majority of people that I work with have no significant difficulties in being able to trade through at least one pretty ordinary summer. That seems to be in the general planning and capacity-type discussions in most businesses. When you get two, maybe three, in a row that really puts the pressure on that. DCAP_40

Then there's droughts you can't prepare for. The drought that we've had out in western Queensland over the last three or four years, no smaller operator can be prepared for that. It's an end of business scenario for many of them. DCAP_01

With the drought, I guess, it is the unknown of how long it's going to last for is the biggest kicker that no one can control. You can handle short-term six to twelve month dry periods but you can't handle three year dry periods and no one can, no matter how clever they are. It's the long-term ones when you may have the decision of, well, this is not a short term seasonal fluctuation it's actually looking like a long-term drought. How do you make that distinction and where do you get the data on that happening, that's the hard bit? DCAP_38

I would really wonder how anybody could prepare for four years of drought. It would be impossible to prepare for that period of time. I mean you can understand 12 months or two years but not four years. DCAP_12

When a really bad drought does come - and we've had some of those across Queensland not just recently but - oh well fairly recently. There was like three years for parts of Queensland where three successive failed wet seasons really. I don't know how you cope with those. DCAP_05

I think there's a bit of a mindset, once you get out to those really - the four, five, six-year droughts - the big droughts, I guess, that to a point - they can prepare to a point, but then they get to the stage where there's really not a lot they can do. There was nothing they - really nothing they could do. It was just a survival game, psychologically for themselves. DCAP_35

You can be a very good operator and you handle one dry one not too bad, but when you start to get two and three in a row that's when it becomes really difficult. At that point I think we can't really be lecturing people about what you should or shouldn't do because when it doesn't rain for two or three in a row it goes from being this is how you do things to what can I do today. You've just got to respond to what's in front of you. The grand plan has ended and you're living by your wits. It's a lot harder for us to really - like I don't think we can really tell people how to manage those situations. We can help them, but you're a clown to think you're ever going to map it out for someone how it's going to go. They've just got to change it from year to year and month to month depending on what's going on. DCAP_22

However, a few interviewees thought that rather than be actively preparing for shorter dry periods, graziers were more confident that they were resilient enough to “handle” them.

To what extent they prepare for it, I don't really know. I suspect that there's not a whole lot of preparation occurring. It's more sort of reactive rather than proactive, if you know what I mean? DCAP_pilot_02
They are doing some preparations, yeah or they understand their landscapes enough that they know they’re going to be resilient for one to two years and they’ll get through type thing based on their experience. DCAP_10

I don’t know whether they’re planning well for it but they can handle them a lot easier. Especially in the south west area they can handle those short ones without too much effect to the business. Whether they plan for them or not I don’t know, probably not as well as they should. They can get through them without affecting the business too much and without the wheels all falling off the wagon, whereas the long term ones usually creep up and then everything falls apart quite quickly and it’s all, it’s the follow-on effects from that. Everyone sells at once and the prices all go down and everyone tries to buy lick-and-feed at once and all the prices are up for them. It’s just those simple decisions or planning that people can put in place to sell a bit earlier or store lick or feed when it’s cheap, those sort of things that people probably need to do more. DCAP_38

As mentioned in quotes above, many of the interviewees thought that beyond two years, it’s difficult to expect any grazier to be able prepare for droughts, particularly as decisions become more critical and complex after that.

In a short drought I think most people are reasonably well enabled to get through in terms of their management. But once it starts to hit year two, three and beyond, then, yeah, it really is very, very, very tough. Because you’ve got ongoing costs of running a place. The decisions you’ve made and you start to make are now a lot more critical. So what feed have you got left at the end of the first year of drought? How many stock can you handle? What are your other options? Do you send stock away on agistment? Is there agistment available? Can you afford that agistment? If you sell now, your stock are probably in poorer condition, so you get less for them. There’s probably a lot of stock going onto the market at the one time in some way being regarded as drought-affected stock. There’s a discounting of those drought-affected stock, so you really start to suffer those discounts, particularly in year two and three. DCAP_10

Perceptions of drought preparedness and management in the Queensland grazing industry were discussed. It was acknowledged that managing for drought can be hard and it's not always easy to determine when a drought is coming. Furthermore, given the diversity of landscapes, enterprises and graziers in Queensland, there are many different practices and approaches for drought preparedness. Nonetheless, the interviewees had divergent views of whether grazing enterprises are preparing or managing for drought. A distinction was made between single and multi-year droughts, with many interviewees believing that most graziers are preparing or at least able to survive, shorter droughts, but beyond two years, it’s extremely difficult, if even possible to prepare, as by then it is about survival.
4 Factors limiting decision making for drought preparedness and management

This study primarily sought to answer the policy question of identifying the barriers to drought preparedness and management in the grazing industry. However, during these interviews many interviewees also spoke of the characteristics and practices employed by those graziers who recover well from drought. These have been collated and summarised in Appendix 4.

This section describes the main factors limiting graziers’ drought preparedness and management decisions, as perceived by the study interviewees. For ease of reporting, the factors have been separated into discrete parts, with this study identifying and categorizing six areas as limiting decision making for improved drought preparedness and management in Queensland grazing enterprises. They are: a grazier’s financial and economic situation; the nature of grazing production systems; the management focus of a grazier such as record keeping, planning and decision making systems; their knowledge, willingness and capacity to learn and change; their personal attitudes and circumstances; and the role of government.

However, it should be noted that decision-making is complex. It is rarely a single factor, or group of factors, that will determine a decision; rather, it is a multitude of interconnected factors that cumulatively act to directly or indirectly influence an outcome. Furthermore, for a single factor (e.g. resilience of grazing ecosystems, cash flow, intention to sell, physical capacity), there will be a range of individual circumstances. Additionally, an individual's circumstance will change over time, which means these factors, and their relative importance in decision making, will also change over time.

Correspondingly, it was recognised by the interviewees that it is usually the influence of a number of factors, which results in decision making for improved drought preparedness and management, in grazing enterprises, as demonstrated in the following quotes:

*If we’ve got a beef enterprise at the centre they’re the five components to my way of thinking of a beef business. The people, the land, the livestock, the finances and the marketing. You could tick off several things on each one of those five of why people are not managing well during a drought...Some landholders do particular things well and others fall off. As I’ve said there’s a lot of linkages between those things. That's why I put that up. It's hard to divorce bits of a beef enterprise from other bits because they’re all linked. It can because it can be sort of a one plus one equals three type of thing. DCAP_33*

*I think the big [reasons] are sort of what we’ve been covering which is sort of their overall management systems, the managerial skill, the timeliness and whether there's succession family business that prevent good decisions being made or implemented. Then there’s the issue of are you under some sort of financial constraints that affects your ability to make good decisions or implement those decisions. DCAP_22*

*Preparing for drought just isn't about your land and the climate. It's also about your business. DCAP_21*

*It's going to come down to people's personal business decision-making, just because there's so many factors involved such as market prices, how much pasture they've got, what sort of cattle they have. There's just so many factors involved. DCAP_19*

*It's really complex. Well it's simple but it's complex. Everywhere I go I quote [name removed] who, when he talks about pastures and balancing pastures and livestock, says “This stuff is not rocket science, it's more complicated than that”. But there are some*
simplicities in there. In that if cattle eat grass, you need to have grass. Like that's pretty simple. But once you add loans and markets and people and psychology and, oh it might rain and I won't have to sell, or if I do sell now they're going to be so expensive can I buy them back later. So it gets more complicated. DCAP_pilot_01

There's a whole lot of other issues. They're drowning in debt. They can't see how to make succession work. They're not comfortable to get out of this lifestyle that they've done for 40 years and go and do something else, so there's a whole lot of other psychology around it. DCAP_35

It's okay to have an expansion debt but then when you couple that up with three years of bad weather as well and then you couple that up with the live export ban, and then you couple that up on top with the labour shortage as well, you've just got this cataclysmic disaster. DCAP_Grazier_01

Extended drought compounds the problems that already existed - a drought compounds the lack of business skills, compounds the high debt levels, and an ability to service those debt levels. DCAP_02
4.1 Financial and economic situation

Graziers' individual financial, as well as broader economic, situation, was a major factor limiting improved decision making for drought preparedness and management. Financial pressure caused by: too much debt; declining terms of trade; small enterprises with insufficient economies of scale; a lack of off-farm income and a reliance on cattle for cash flow; and international market restrictions (namely the live export ban), was discussed. In addition, poor financial literacy was identified as a widespread issue in the industry. It was demonstrated through the perception that many graziers: appeared not to know or understand their financial figures; had a focus on cattle prices and keeping stock, without considering all the costs of production; and used potentially biased sources of financial advice. The consequences of financial pressure for drought preparedness and management were also described and included: limited cash for “drought proofing” infrastructure and practices; and overgrazing (including not destocking) during drought, to meet financial commitments.

4.1.1 Financial pressure

The interviewees spoke extensively about the role that financial pressure played in decision making for improved drought preparedness and management in Queensland grazing enterprises. Financial pressure was thought to be caused by a number of factors. In particular: too much debt; declining terms of trade; small enterprises with insufficient economies of scale; a lack of off-farm income and a reliance on cattle for cash flow; and international market restrictions (namely the live export ban).

The majority of the industry is not viable

A number of the interviewees mentioned the 2013 Northern Beef Situation Analysis report (McLean et al, 2014), which indicated the vast majority of grazing enterprises in Northern Australia are not financially viable.

The reviews of the industry have shown that maybe 80 per cent of producers have hardly any return on their investment. It's in the order of two per cent or a lot less. It's a negative for a lot of them. DCAP_05

You can definitely say there'd be 80 per cent would be - well the numbers even say like that northern beef situation analysis showed us that 80 per cent of grazing properties in Northern Australia are unviable, unsustainable. Point five per cent of a return. It might even be less than that. That sort of tells you, there's 20 per cent out there who are operating very well. There's 80 per cent that aren't. DCAP_11

I think that's part of it and of course that's driven by some measure of their profitability or lack of profitability. You've probably seen the stats across northern Australia with the MLA economic studies. Most of them haven't made a profit in 11 out of the last 13 years. Return on assets is two per cent. You can imagine if they haven't got a real big property that things are pretty tight. DCAP_14

Our industry out here, it's really cyclical. You can go from going really well, powering ahead, to like last year, for example, where it's just diabolical. I guess often that doesn't - if you look at long-term data, say ABARE data or whatever, the return before interest and tax is about 1.5 to 2 per cent. The figures you do, with average debt levels, most people are break even long-term or slightly under. That's the sort of average, and the low - the bottom two thirds, if you like. The top third is probably going 4 or 5 per cent return and powering
Factors limiting decision making for improved drought preparedness and management in Queensland grazing enterprises

ahead, but I guess - for the average business, there's often not a lot of spare cash. DCAP_Grazier_06

Furthermore, they believed that a considerable number of grazing properties are unwittingly “going broke slowly”.

They can be going out the back door slowly for ages and not even realise it. DCAP_Grazier_02

A lot of farmers think it's going okay, but in fact it's not. They're going from day to day, week to week, month to month. DCAP_02

The people that make good money in grain are very sharp operators. The people in agriculture, in grazing, there's a lot more slack in the system. There's a perception there's a greater deal of slack in the system than there actually is. DCAP_05

It's probably a fair comment that a lot of producers wouldn't be on the land if they did their full business analysis. But better off putting off this $3 million in a bank account and living off the interest. But then what would I do with my time? I'd miss riding on a motorbike or chasing the cows riding a horse. But no, if it was a strictly financial operation, most of them, they wouldn't be in it because they would just see how quickly they'd be going broke. If they were in it and put it up and saw what the gross return was, the present value, whatever the figures are, they'd see I could probably get better money out of a bank interest bearing deposit or something. You know? DCAP_15

People are running overdrafts. That sort of hits a limit because they're not getting much return from their cattle and the costs are going up. That gets parked into term debt. So their debt's steadily increasing. Then in 2008 we saw the property values drop off, so banks start getting a bit itchy. So it's an equity thing, my property was worth this, but now it's worth that, but I've still got this debt or more debt. It takes actually a long time to erode that equity to a point where, [word removed] I'm in crisis. DCAP_34

They'd been there forever. Everyone thinks they're doing alright and in actual fact, there is an appalling mess. What happens is, they'll have an overdraft of a couple of hundred thousand dollars. That will get up to the top and the bank will roll into a loan. Then they'll have the overdraft. Again, they might hit a year or two, good - prices and seasons and they'll make a bit of money, but over generations, the equity level has gone [down]. You might find the equity level is tethering on the dangerous level. This is what we're finding. When we go to these properties - he's doing well. Look, he's flogging his country and he's doing well. But in actual fact, they're on the skin of their arse. Because they've been there for that many generations. They're buying new country. In actual fact, they've got a $20 million debt…They don't have the full picture. DCAP_36

Too much debt

Arguably the biggest factor seen to be limiting decision making for drought preparedness and management was too much debt, as indicated in the quotes below. The subsequent consequences of too much debt for drought preparation and management are discussed later.

There's no doubt there's a lot of financial stress in the bush. DCAP_36

People know what it costs to run their property. They sort of know how many head of cattle they need to pay the bills and at times they're forced to go below that number. They know that they're going to be then increasing their debt. Debt's I think a fairly big thing for quite a
lot of properties. They don’t have the financial reserves that are needed to get through these occasional droughts. DCAP_05

They’re increasing their rural debt to run the same amount of cattle. So, when you know you get politicians talking about the rural debt crisis, I agree, it’s shocking. But for some of it, it’s clear mismanagement. And long-time mismanagement, not - you know, you don’t come into these droughts. They don’t just hit and you’re in this bind. This is a path over a series of years. How you handle it, how long you can stay out of trouble in the times of a drought is highly impacted by what you’ve done to prepare isn’t it. It’s not rocket science to me that if you increase your debt to run the same amount of cattle it’s a false economy. You see it happening on a regular basis. DCAP_26

A producer was saying to me last week, drought’s not a lack of rain, drought’s a lack of money. If they’ve got - if they’re already heavily indebted and already, well, not managing the business aspects of their property well, then they’re not well prepared for drought. They’re starting behind the eight ball. So that would be, I think, the primary reason… It all comes back to money. It comes back to - I’m with those farmers that want to talk about profitability, because it’s about the business and the choices they make which have positive or negative impacts on the sustainability of the [unclear]. Those choices are driven very largely by their financial capability and their skills in managing their finances and the quality of the choices they make about debt and all the rest. DCAP_42

I think finances are one of the biggest things of people getting through droughts in the best possible way. Decision making is taken away from people when they aren’t financially secure. The decision making’s taken away from them when you need to sell X amount of stock to meet your mortgages or your debt. If you don’t have the luxury of a lot of money to deal with an extended drought, yeah, the wheels fall off in a lot of cases. DCAP_02

In a few situations it was believed that this debt crisis was due to graziers spending habits and “not saving enough for a rainy day”.

You’ve got those people who just - as you have with any human - human nature, those people who just spend too much, just can’t control. Probably not good at budgeting, just overspend and probably not necessarily stuff that they need but, yeah, will spend their money anyway. DCAP_13

There’s good debt and bad debt and the thing is, if you haven’t got the capability of running your show in a profitable manner, you’re not going to be able to manage debt. You’ve got to come back to your capability of running a good show first. It took me 30 years to believe that I had the capability of running a big debt and having this other place. Whereas, people just do it whether they - do they put enough effort into assessing it first? I don’t know how they get themselves into a mess. DCAP_Grazier_04

When we went to school, so blokes I went to school with, mum and dad, they lived very, I won’t say, well not meagre lifestyles, but they didn’t want for anything. So there was, they had the family farm. The boys went away to boarding school. There was a new Falcon every couple of years. There was a holiday to Sydney or the Sunshine Coast. Once every five or six years they might have gone overseas, gone to England or something like that. Now, it’s we’ve got to have the - I want the neighbour and I’ve got to go buy two farms. I’ve got to have two or three farms yeah. The kids are still going to be in boarding school. We’ve got to have overseas holidays every couple of years. I need the newest GXL Land Cruiser Sahara. Like no one’s - they’re not putting money away for a rainy day. They’re not putting money away hey. Again, smart operators, they are. But the vast majority I see, they’re not financially prepared. Then they get a few good seasons and they get a run of cattle prices like they are, but they will forget. They’ll forget and they’ll go - and again they’ll
Factors limiting decision making for improved drought preparedness and management in Queensland grazing enterprises

just spend the money. Instead of going gees we need to put hundreds of thousands into FMDs that we can call upon. They’ll just spend it and it will go. DCAP_11

However, the majority of debt was thought to be caused by graziers buying more agriculture land for expansion or to increase their economics of scale. Furthermore, a couple of interviewees thought the timing of the property purchase, relative to the timing of the drought, had an impact on graziers’ ability to financially survive during drought, with those graziers who had purchased property in the years immediately preceding a drought, being particularly vulnerable.

What could be done in the past can’t be done in the future, because years ago, you could live off one property. DCAP_23

Generally, if people have got into trouble, it’s either because they’ve been unlucky - so people get into trouble because say partnerships break up or marriages break up. That’s a couple of the big reasons. Or they’ve been unlucky in that they’ve made a big purchase. You know, they’ve bought a property and then they’ve got a drought the following year or something like that. DCAP_04

It's a big thing, go big or don't farm at all type of thing, but I think I can see in some cases it's too big for them, they can't manage such - in some circumstances these people need to concentrate on one property and use that to increase its productivity and such, rather than go into hock for another property and that's when they're too far in debt, they're trying to increase productivity and decrease their expenses, but bad timing, a number of things. DCAP_23

Often, the ability to be able to handle a significant drought event, or the preparation period is timing of some of the big events, for instance, property acquisition, an expansion phase, or a big development phase. If that just happens to be a couple of years, or immediately preceding a drought period, generally that has really eaten into available working and general reserves available to the business. Timing of those big events really puts a fair bit of pressure on the drought preparedness… It’s a big investment decision like a property purchase or a major development program, those sorts of things. It might be pasture improvement, all those sorts of things, those big cash-hungry, long timeframe-type events. DCAP_40

People who are getting in for the first time, if they have a couple of years of drought when they first buy that property, they’re usually in trouble. If they have good seasons they can get themselves into a position that is financially viable… It could be the case but I think those who are at that point in their career probably want an easier life so they’re probably more inclined to back off stocking rates and they’ve probably got greater equity in their properties. It’s probably more those who recently bought in or have only been there for the last five years or maybe 10 at the most. They’re more inclined to put the pressure on I think. DCAP_44

Financially where they’re at in owning properties or equity, that’s probably another kicker behind the whole thing is if they don’t owe anything on the place and they’ve been handed down the property and it’s quite easy to walk away from it and you’ve got very little cost. If you just bought a property, or just bought a second property and you owe 50 percent or more of the value then you need income regardless of what’s going on. DCAP_38

This has led to a growth in demand for agricultural land and subsequent increase in agricultural land values, further contributing to graziers’ debt levels.

Just the way in the last 10 years it’s been going with costs going up relative returns staying reasonably stagnant, I think the margins are getting tighter and that’s where people are
starting to hurt a bit more because you get these - this has been a fairly nasty drought, but within 12 months of when this drought started - around here it's been three years - within 12 months there were people howling they're going to go broke and the industry is going to come to a crashing grinding halt. We went from a series of probably six or seven really good years. It just rained all the time and then within 12 months of a failed season quite a few people were thinking their throats had been slit. So, it just didn't take much to tip them and there were a number of reasons for that for many people which - particularly those caught up in the land - more land buying sort of scheme - situation that went on. As far as land prices were going up and people thinking, same with residential, holy smoke, we'd better get in or we'll never be able to afford this thing, we'll buy some more land. So, they increase their debt. Seasons were good, they were able to handle it and then all of a sudden, seasons weren't there, cattle prices dropped and so the debt sort of killed them.

But again, it comes back to decision making - this business decision making and knowing your risks. It's not just a matter of we'll just buy another property. The bank will give us the money and we'll worry about repayments later. I'm sure the accountants would have done some sums for them. That bit quite a few people I think getting caught up in that land - extra more land buying. DCAP_31

In some cases, it was thought that these purchases were driven by expectations that graziers put on themselves about acquiring properties for the next generation.

My theory is that there's almost this curse in the grazing industry [laughs] that to be really successful you end up setting your kids up on properties. So people take on a lot of debt and try and expand to sort of get that family operation going and then people can end up in a lot of trouble and I think that tends to feed the whole overstocking thing as well. DCAP_43

I guess the thought that every kid has to have a property. I've got another lot of clients who's got a few children who want to be in the business, and so they purchased a further property last year which was part of a family succession, and then they wanted to do another one this year. They're very big on we need to have properties for the kids. They can see all the positives but can't see the negatives. DCAP_23

Often the other thing driving the decision is often a mindset of we're only 10, 15, 20 years off succession. We made two kids - we need two properties. So the age-old issue of, that's how you do succession. It's a property in each name for the next generation, and that opens up another whole can of worms. It makes it potentially so much more difficult, because the decisions are getting made on, taking on the next block, around succession or around that idea of being equitable. Yeah, we often talk around things like fair and equitable are often two different things. You often just can't do it. There's not potential in the business to look after three - because that's what you're really saying. You've gone from looking after this business looking after one family to suddenly this business looking after two or three families, and maybe mum and dad's retirement as well, just in an industry with [mild] returns of 1 per cent or 2 per cent and tricky margins. You just can't do it. DCAP_33

Further compounding this issue and adding to the existing financial stress, has been the rise in land values which has occurred irrespective of the productive capacity of the land.

The cost of land at the moment is so far above the productive potential, it means that anyone who is buying land, particularly young people, they're going to be entering financial stress for a long time up front. Like on a million dollar property, you're going to be lucky - you won't make interest on that. You'll be - even at our interest rates, you're probably only earning half of interest let alone paying off any capital on it. DCAP_19
How much droughts really bite and rip and tear into your business and into you as a person all depends where you are in life. If you're starting up, it all depends on your finance position and your balance sheet. If you've got high levels of equity just as borrowing, you're fine. But if you've just got in and you've just bought something big and you've bought the wrong - land prices were really high in 2009, now they're back high, they were really low in about 2011, '13, '14, somewhere down there. If you get one of those crops wrong and get a lot of debt on an unproductive asset… So I reckon there was a lot of start-up businesses going into this drought. Young families bought farms, a lot of these guys.

The values of those properties aren't really linked to the land condition. You know what I mean? There's no reality check there. There's no, if you look after your property better it will be worth more money, if you needed to sell it. Or it would be worth more for when you want to use that as collateral to buy your next property. There's no - so it's not really affecting values. So a lot of what goes on, the values of properties really relates to what's going on in the broader industry and it cycles.

Like the property market doesn't reward people for good management. Like land values almost operate on their own with very little relationship to land condition, like I'd almost say virtually no relationship to land condition. The property market is sort of almost driven by external factors like say it could be property values in the city that are going silly that sort of impact, just feed up the chain right out in the country areas so that there are people coming out and buying big properties and paying far more than the agricultural value of those properties. It's sort of almost speculation.

There's very little grazing land as far as I know in Queensland that's actually worth its grazing value. Like if you actually said like the value of agriculture you could produce off that land, it's actually - the value of the land is way ahead of its potential. It's just that the market is prepared to pay for that land. If there are two properties side by side and they're both for sale, the one with the better land condition will not necessarily get a better price or a significantly better price …(because) people also look at other things like fences and the waters and the accessibility to town, but I'd even say then even if exactly the same property, everything else being equal, one's in good condition, one's not, I don't think there'd be a big price difference. The time it does make a difference is where people buy properties for the grass, where they just need grass to put their cattle in because they're in trouble at home and then they'll pay - they will pay extra for grass but it's not land condition. It's just the amount of grass there.

I mean people are obviously prepared to accept that they might never pay the property off in their lifetime, but so long as they are servicing the debt, they can still - I'm presuming and they think well they can make an income and 20 or 30 years down the track, if we have to sell it, there will be probably a good capital gain on it and that will cover the debt and we'll get out with some money. It's just like you are buying a house in the city.

Land valuations were always too high and they should have always been calculated on the next cash profit margin of the place. But then the flipside of that is a heap of people are borderline viable; we all need more land. We all need it all at the same time, which is what drove the price up. So he with the best bank manager wins the day. You've seen this massive escalation in land prices because we're all desperate to stay in the game and need more land, but in doing so it's created this other problem where it's overvalued country to the point where it's - yeah, if that makes sense. There are place where people have paid double, gone to the receivers, been sold up and got less than half. I know of one place that sold for $5.4 million, the people went broke on it and they sold it for $2.2 million. The bank's lost their money, the people have lost everything, and you're still left with something that's even borderline viable at $2.2 million because it's probably only capable of generating.
$180,000 or $200,000. On a good day you're going to be able to just run it and pay your interest; how do you ever pay the principal back is the problem. DCAP_Grazier_01

My parents have sacrificed all their superannuation for land care, you might say, for which there is no real reward other than yes, it's our place and it's what we use to make our living out of and we want to look after it. But yeah, the flipside of it is if we were to sell it tomorrow then we probably wouldn't get all that much more than someone who's run their place into the ground. DCAP_Grazier_01

They're paying $100 an acre for it and it's only worth $50, really. People forget about income, you know? Like, the banks all run, too, on capital gain and that. Well, that's only alright while they can keep selling it to somebody else [laughs]. DCAP_Grazier_03

The price of the assets of land they were buying in cattle was disconnected from his productivity. So, if we buy this for $10 million, the productivity of the land didn't even meet the interest rate, let alone manage, or repairs or run the property. DCAP_36

In addition, it was speculated that the prices that some graziers have paid for property might have been influenced by what the seller, real estate agent, and the neighbours had indicated was the stocking rate or long term carrying capacity, rather than independently calculated estimates. As a consequence, it was thought that these graziers might be compelled to maintain these high stocking rates, particularly if they have borrowed based on these inflated figures.

Often the unrealistic expectation is caught up in the whole financing and the purchasing thing that if you believe that it can run 4000 but it can only run 3000 and you borrow on that basis you're always going to have a problem. Now the blame lies across a lot of people. It's not buyer solely, it's the vendors, they over do what they say it will run, agents regularly have unrealistic expectations. There's a fundamental problem that the banks, often they have been prepared to loan money on unrealistic carrying capacity expectations. In some cases, they don't know better. I suppose they probably have a lot of clients who are running high stocking rates but are doing very well financially. So you think well if this bloke's doing it this other fellow will be able to do it. DCAP_22

I think that what happens too is they buy a place and the real estate man says it runs 4,000 head so that's just set in their mind and that's what it runs and they'll make it run 4,000 head no matter what or more. They probably feel ripped-off if they don't run 4,000 head. It's like if you buy a car with air conditioning and if it doesn't have air conditioning you're not very happy about it. They probably feel as though to make it worthwhile what they paid that's what it's got to do. DCAP_Grazier_02

I think when there's a sale of a place to somebody quite often it's the real estate suggesting the stocking rate and that's where the drama can begin. Yeah and if you went and talked to the neighbour he might say, 3,000 head, come on now. No, I don't think they've ever had 3,000 head there. [But you've done your figures based on 3,000] so you go in to the bank with saying oh we can run 3,000 head there. Whereas okay you might this year, look at it, there's grass everywhere. Next year when you get the average rain you're not going to have 3,000 head there. Well you will for a little while and then you're going to be in trouble. DCAP_Grazier_07

If they want to sell their place they want to boast good figures. I see it quite a bit because I do carrying capacity assessments for different people who want to buy in to properties. Those people who are buying in will go and ask the neighbours, what's the carrying capacity of this property? The neighbours will say, do this, do this and you'll get all these numbers on there and the conception rates will be right up, because they might want to sell to these guys who are buying as well. So it's a compounding effect. DCAP_44
Factors limiting decision making for improved drought preparedness and management in Queensland grazing enterprises

Similarly, financial commitments influenced by stage in the lifecycle, were thought to affect how much money and energy a grazier had to prepare and manage for drought.

Oh, just depending on what stage of life some of these people are at, whether or not they've got succession issues, they've got debt issues. It's always coming down to probably the most limiting factor and the thing that's concerning them the most at the time. DCAP_35

Their current position at any given time in their life. I say that because what drives you to earn money, what might be very different to your neighbour. So, if you've a young couple with children at boarding school, you're incentive to be drought prepared is probably less of an issue compared to paying your kids boarding school fees, than the neighbour whose kids are all grown up and all moved on, and they've got the money, and the time, and the energy to put more effort into being drought prepared. I think where people are in their individual lives, at which stage in their lives, I think is very much a key component to how much drought preparedness they can do. DCAP_26

The other thing that happens is that when you get hit with the big drought in relation to where you are in your life and the business cycle is a big issue. That if you're well established and you've had a few good years under your belt, you're in a much better position who's only been very new in the business. If you haven't got reserves of money your cattle numbers are down, that sort of thing, your equity mightn't be very good. Whereas if you've got strong equity reserves and you've got numbers on your side, it's a lot easier to handle than someone who's just starting out sort of thing. DCAP_22

Declining terms of trade

In addition to too much debt the financial pressures on grazing enterprises were further exacerbated by declining terms of trade. This in turn, has led to graziers placing increasing pressure on their land including increased stocking rates:

I think the terms of trade are such that the profit margins are pretty low. They just don't have the financial reserves to get through those times. DCAP_05

I think in the past it was more – there was better money for the product, like wool, cattle, and people didn't carry as much debt as well, because when the price hiked people were still buying properties. So people had a certain capacity to deal with the drought and because they had some financial, still had some finances left to deal with it appropriately. DCAP_02

I suppose traditionally if you were only a few cows, you could make enough money to survive, but now things are getting tighter. There's less difference between costs and income. DCAP_19

The cost price squeeze over the last 15 years has meant that losses are far more common than break evens or profit…These breeder operations are inherently expensive to run. If your reproduction rates are low, when you bring down your overhead and direct costs to the number of weaners that you pull off, they're incredibly expensive. We've known that cattle prices aren't keeping up with those expenses for 10 or 15 years. DCAP_34

Everything you use in agriculture - not just cattle grazing - everything goes up - all your inputs, like your fencing and your fuel and your labour and your vehicles and chemicals and - it doesn't ever go down much. It's always just slowly going up. Our productivity of our land hasn't kept up with that and so most places have been in a declining situation financially. DCAP_36
It would be impossible to drought-proof. The main burden being finance. As soon as we make our property more efficient for - to quote one example, we completely solarised almost all of our water pumping on the property and we had to wait for five years for that system to pay for itself off in cost savings, in fuel and running and expenses on the vehicles to check waters. Every time we make a step to make our property more efficient or we make our herd higher-performing, we continually get corroded by the cost-price or the inflation of other items, the stuff we use, the fuel, the cars, the other components. Unfortunately, we're on this never-ending chase to make better efficiencies and make the property better but we're only just level-pegging with the jump in the price for everything else that we consume. DCAP_Grazier_01

Market wise, it’s volatile. So the cattle market has been - until recently with the current record cattle prices, it’s been very challenging to operate in that environment where costs have greatly exceeded the return on what they’re getting. So working within that market environment it’s a volatile environment. When they're in financial trouble or low profitability, debt interest only payments, that's another level of complexity that they don't necessarily feel very comfortable in. DCAP_34

The returns just aren't there. They've really felt that cost price squeeze over the last 10, 15 years. What you've had is a system where the costs are increasing and the prices weren't, and then in the last four or five years the prices were as low as they’ve been in 30 plus years. So that they're doubly squeezed, I guess, so they’ve just really limited options and one of the things they’ve done is run more and more cattle. The idea that they’re somehow magically becoming more productive. They're just running more cattle. The system hasn’t changed, so therefore you shouldn’t be running more cattle, but that's really where they've gone, and the belief that they can do it. DCAP_35

Small enterprises with insufficient economies of scale

Historically small grazing enterprises with increasingly insufficient economies of scale have led to many grazing enterprises running too much stock, just to generate an income to live on. This has a direct consequence for their capacity for drought preparedness and management, as these very properties are often the ones least financially able to reduce their stocking rates, as the dry period progresses.

We have a land settlement system in Australia that over settled the land. If you look at western Queensland and that area that's been in that big drought, those properties are far too small. We have far too many farmers in the west. DCAP_01

Interviewee: The coastal cattle country seems to have paid more attention to drought preparation than further west and stuff like that. Just because of the further west you go, the larger the land. The larger the landholding, the bigger the enterprise.

Facilitator: But why does the size of the block have an impact upon whether or not they might be thinking about drought?

Interviewee: Less leeway. They're probably trying to run it a bit tighter, trying to run it a bit harder - make more - trying to - higher stocking rates, that type of thing. You can run into trouble quicker. I mean, I think you run into trouble at the same rate, in reality, but on the smaller blocks you're probably going to see it and notice it faster. It's going to be more visual. DCAP_03
The scale of management would be another barrier for the majority of properties in Queensland number wise. A lot of properties are just too small to be profitable in today's markets. DCAP_05

Enterprise size has got something to do with it as well. So the smaller the enterprise often the hungrier. That's not just because turnover's lower. It's because if you've got bigger cattle numbers, you can be a little bit more conservative in your stocking. DCAP_09

It's a basic fact of life, the grazing industry probably has 20 or 30 per cent in it who probably shouldn't be there. Either they can't do it or their places are too small to be viable. They're always needing their wife to work or their partner to work or another source of income. We've gone down the path in this state of allowing subdivisions to happen. When someone is going broke, the first thing they do is try to subdivide and sell a bit off. It's sort of death by a thousand cuts, you're just nibbling away all the time. Then the bloke who bought that other little bit, he's not going to make a living out of it either. So there's economies of scale that are going to be part of that. DCAP_15

Everyone's on too small a farm, so they get desperate to make more money... The beef game is - it's a low margin game and it's a big boys' game nowadays. [Many of] the family farms have just got too small. DCAP_Grazier_05

In contrast, it was thought the larger enterprises could cope with drought better, often because they have the ability to stock more conservatively, or they can move cattle between properties.

Scale is independent of managerial ability because you can have people who've got a lot of scale and they don't manage it very well, but with a bit of scale on your side the systems can be a bit more forgiving because you've just got the overhead spread over more livestock. DCAP_22

So then there's this guy [points to property in distance]. Another serious beef guy. He comes down and visits occasionally and, once again, it's a depot place. So does he have a really good drought strategy? He wouldn't even know what the government's doing in terms of drought and [drought assistance]. He's moved way past needing [assistance] - he's done his own operation... he's got large - he's got scale and he's got massive protection against [drought]. DCAP_Grazier_05

It occurred to me that there's almost a bi-modal sort of distribution in the Southern Gulf cattle industry. There's a number of producers that are big and strong and own multiple properties, the McDonald holdings and the corporates, like AACo and NAPCo and Paraway, who have got a capacity to move cattle from property to property, have got sophisticated management, have financial strength behind them. I think they deal with drought and other pressures on the industry better than the small family farms. So if you're highly indebted and all of your resources are invested in one, possibly suboptimal, property in terms of size, then you're always going to struggle with drought. The big producers have got options - when drought comes they can call upon those options. DCAP_42

You don't have to be smart to be rich. So these families that have accumulated properties over the years, they own a lot of land, a lot of cattle, and they have some financial resources that give them options even if their land management practices aren't as good as they could be or should be. Like, you can live off your bank balance for quite a while if you've not - if you don't have to keep making repayments back to the bank. So I guess they get to these big - I think it's probably more the big family companies - they just accumulate enough wealth to just ride out those tough times in ways the smaller properties that are more highly indebted can't. DCAP_42
In addition to farm size, a couple of interviewees also speculated that smaller, “ma and pa” family farm enterprises may also be less likely to prepare for drought, when compared with more corporate farming structures. But it was not just an economies of scale issue, as it was thought that these corporate operations could also afford to employ agriculturally qualified staff to make “sophisticated” management decisions.

This is a bit of a hypothesis again, but there’s three sectors. Big family - big wealthy families that own multiple properties. They might not be big families, but they’re big enterprises. Then there’s smaller, family-owned properties, and then there’s the big corporate properties. I have to say there’s not - it might not be much of a fashionable view, but I think that the corporates are best placed to make sophisticated decisions about herds and pasture in the case of drought. The wealthy families have a capacity to withstand drought, the financial pressures of drought, but are not necessarily particularly skilled at management, or make choices that we would prefer they not make with their pastures. Then the poor old mum and dad, small property, small herd, lots of debt, arse out of the seat of his pants, just runs out of options very quickly when - they can put up with one season or two seasons, but by the time it’s the third or fourth season it’s down below average, they’re in desperate strife. They’ve run out of cash, they’re still in debt; they’ve got no cattle to sell. They're in strife. DCAP_42

Well, if they’re a little ma and pa operation, fly by type operation, yeah, and slowly going broke and everything slowly going broke for the last 30 years, they’re not likely to pay any attention to [drought] whatsoever. But I mean if they’re a family business that’s actually thinking of the future, trying to develop a more resilient business structure or they’re thinking of succession planning and that type of thing. DCAP_03

I’d probably make a little distinction here between the graziers that we call the ma and pas, that’s the family farm. As opposed to say a corporate farm where harder heads can prevail and people sit in Brisbane or Canberra and make a decision on it. But yes, most people here, who have the family farms, there’s lots of reasons why they don’t [plan for drought]. DCAP_15

I go back to the contrasts I make with the corporates, where they employ people. So if you’re the CEO and you have a bunch of shareholders who have gone and bought a cattle property, you’ve got the best person you could possibly find to manage this joint, well, I’ve got to get specialists and consultants in to help me. I know I have to pay for that. So I’ll get people with agricultural science degrees, qualified people. Whereas there’s no rule that says you have to have agricultural scientists to run cattle stations. As I say, I think another branch of the industry have come into positions of responsibility without necessarily having much exposure to that education. But, as I say, I think they understand - they see the problem of managing a herd of cattle and don’t see the pastures quite so clearly, and I think it’s the pastures that make you or break you in good times and bad. DCAP_42

**Lack of an alternative source of income and a reliance on cattle for cash flow**

A further financial problem facing many graziers is that they do not have alternative sources of income to cattle, including employment, investments and superannuation.

It will just probably make it harder for them to sell as well if they think that cattle equals income. DCAP_pilot_01

As soon as the properties are a bit smaller, what potential is there for off farm work. Even in these remote places, where people go, oh, this place is whatever - 60,000 acres. What on earth would you need to work off farm? You do, for cash flow… You just need that extra -
you need that cash flow. You need to have that money that you feel you can live off, week in, week out, and have those extra things in life that we all take for granted, but on a lot of those properties it's pretty basic. DCAP_35

Superannuation is a marvellous thing. We're happy with it because we're in the public service and we're in QSuper and we'll have a bit of a nest egg if we stick in the Department long enough but some people just don't - superannuation's not on their horizon. DCAP_33

A lot of these guys don't have off-farm income. But like around here you've got a lot of people do have off-farm income, but let's just talk about out west for a second, like where they all live 150, 200 kilometres from town, that's their life, they've grown up on the property, or they've taken it over, like that's how they generate their money. DCAP_46

As a consequence, they rely entirely on their cattle as a source of cash flow, which contributes to a general reluctance by graziers to sell their cattle and pressure to hold on to cattle for too long during drought, because of concerns that they won't have enough cash flow to meet their ongoing needs.

I think for some people it's economic and they virtually lost their ability to actually generate a cash flow, because they've sold off their cash generating machine, in effect. DCAP_25

That's just a natural reluctance of wanting to sell [stock]. When you've got no full-time wage and you're selling your only potential chance of income. If you haven't got that off farm income then you've got no security. Once you sell your stock you've got no security of where your income is going to come from and when the next income might be. I think that's why people don't sell ultimately because it's like me giving away a permanent job. DCAP_38

I think some are just in a situation where it's a repetitive cycle and they do what they have to do to stay afloat and get the income. It's very hard. DCAP_26

They're just very reluctant to sell to reduce their numbers because they know what they need to have to pay the bills and they don't have much in reserve and there's not much in the bank… It's an export industry. They pay domestic prices and they get international prices in return with domestic costs. DCAP_05

They're hard decisions to make I think, when somebody knows that, if they've got to sell all of their livestock that they'll no longer have a cash flow. Also, that that means that the timing of selling those livestock is important in terms of what the correct market prices are and it's their last bite of the cherry for an undefined period of time which could be a very long period of time. So, it's important that they get the best market price possible and sometimes people don't weigh it well. They don't weight it up against all of the consequences for land condition and animal condition and all of the benefits of early de-stocking. Sometimes they hang onto those animals a little bit longer than they should in search of a better market price. I also believe it's a tough decision to get rid of animals, because if they have no animals left, then it makes them feel extremely vulnerable and I honestly believe that people worry that all of the income that they receive for those animals will be squandered away in paying overheads and they won't have the funds to buy animals back in. DCAP_25

I had cattle and I sold them for nothing and making that decision then was good and it was a worthwhile decision and was the right one but then you think, wow, if I had of kept them for two years longer I may have made money out of them by keeping them and selling them or keeping them and breeding from. At the time you've got to make the decision on what you've got and what's happening around it. For me it was an easy decision because I've got
a full-time wage that I can fall back on. When you've got no full-time wage and you're selling your only potential chance of income, it would be a completely different decision or thought process. DCAP_38

However for those that do have off farm income (particularly through off-farm employment) this can limit their ability to undertake drought management practices that are more labour intensive, or require them to be permanently living on the property (e.g. rotational grazing system).

My next door neighbour owns a drilling rig and makes a huge amount of money drilling for artesian water. So he works all over Australia. He's home about six months a year and - but he owns what you would call a rather large beef place. He's never home. He just runs it - he's home on the weekends occasionally, musters the whole place and runs a really rudimentary, fairly basic cattle harvesting - wild animal harvesting system. DCAP_Grazier_05

There's many, many properties here now that have at least one of the partners working away from home. DCAP_Grazier_08

**International market restrictions (i.e. live export ban)**

A further financial pressure affecting the grazing industry, as with all agricultural industries, is that they are subject to fluctuations in world markets and trade negotiations.

*In the grazing industry there's a, nothing's for sure I suppose. We've got plenty of people that forecast weather, forecast prices, but they're involved in live export, world markets, it's all this free trade and things that happen around the world now. So you're at the whim of a lot of other things that you don't have a lot of control over.* DCAP_32

*We've mentioned markets - the cycles of markets and the cycles with climate is sort of correlated until you go up the international scale and they're not necessarily. So it is going to be a complicating factor in this whole thing, that's what makes it difficult to predict - apart from the weather being highly variable and unpredictable, the markets are very variable and unpredictable as well.* DCAP_19

International market restrictions, specifically the 2011 Australian live export ban to Indonesia, was thought to be another financial pressure that has limited graziers’ ability to prepare and manage for drought. Essentially by removing the Indonesian market, the ban caused a flood on extra cattle onto the primarily domestic, southern cattle markets, which resulted in a crash in cattle prices and a huge loss of income and equity for many graziers.

*We can't (entirely) blame the live export ban, but what it did was removed 50 per cent of our market, and there was no alternative to turn to quickly. It was just one incident but it had a massive impact, far greater than the general public would ever realise. On an animal welfare level as well, the people that were saying that live export was bad had no idea that that just made everyone unviable from the Queensland Northern Territory border out to the centre at WA, so those people couldn't afford lick, they couldn't look after their cattle. They had nowhere to go. They couldn't afford the cost of freighting them to agistment. The drought came and there was no agistment anyway. So on an animal welfare level, thousands of cattle died because of that ban and yet the animal liberationists were screaming blue murder that live exporting is cruel. Well, the fallout from it was far worse. A lot of the northern people have no other market. The ones that had no other market then tried to put their stock on the domestic market, which then flooded it, which then drove the price down, which then put us personally right on the borderline of viability, because the cost of production was almost identical to what we getting so we were working for.*
nothing... We're still recovering from that, yeah... Because those years we just treaded water. DCAP_Grazier_01

Oh, well, the biggest factor this time in 2013 was government interference. What they did with the cancellation of the live export market in Indonesia was that it was the reason that basically brought that cattle market crashing, and that is what put so many people - and not just in Queensland, all over, put them into a downward spiral. Because that decision, that north Queensland market is built up to go export, so when that got stopped, then a drought... They had to send those cattle off somewhere and they flooded the southern markets, and that caused a complete crash of the cattle market, which no one had the capital to prepare, like they didn't have the money to feed and get them through. DCAP_Grazier_08

So, we were caught with too many cattle and then the fallout from the live export ban meant there was a six month waiting list at the Townsville Meatworks. So, you couldn't get rid of cattle very easily. Well, you could but you were going to sacrifice. It took a long time then, to get our numbers down to a more sustainable rate. DCAP_Grazier_04

This drought was really unusual. We gutted them with live export and then we did the - as a consequence we got massively low beef prices for the next three years. So if that didn't get you on the carpet and put a foot on your neck, nothing will. All the beef guys got really hammered by the fact that live export and low prices when they were destocking. So that - they lost capital. They lost - on a $5 million farm they lost $1 million in cattle, and so if you're $15 million you lost $3 million. You lost - whatever the number, you'd be able to work it out. They just [lost] heaps of equity just bang like that... Please explain. Your equity levels are now this. We're concerned. We're raising interest rate. It just spirals. It just keeps going. DCAP_Grazier_05

In order to minimise their potential loss, and contrary to their usual drought management practices, some graziers decided to keep cattle, to the detriment to their financial reserves.

Generally at that time probably people would have made a decision to sell stock if they knew that wasn't looking good through winter, keeping stock would be expensive. (But they) decided to keep them because of the cattle market and the live export ban. The cattle market was severely depressed at the time. So it usually is but it was more so this time than it had been in the past. So the cattle market had crashed and so sending cattle to market, putting the money in the bank and then going and resting the place and getting a job off farm would have been what people would have done but... I won't say it wasn't an option. It was still an option but it wasn't - it was a harder decision to make this time, hence people kept stock and probably shouldn't have but it was a financial decision really. DCAP_39

Furthermore, as a consequence of the live export ban it is believed that many graziers were not completely back on their feet, when the next drought occurred.

The depressed cattle market during the three good years that they had between the Millennium drought and the current drought. That was primarily due to the live export ban and particularly the - how quickly that ban was imposed and unfortunately without the Federal Government actually listening to industry members who had said quite clearly that one of the ramifications of the ban will be reduced prices and that the true effects will be seen in the next drought... So, yes, so a lot of people - a lot of graziers really hadn't been able to really get back on their feet properly from the Millennium drought let alone save and put away the cash reserves that they normally would ready for the next drought. DCAP_24
Despite causing financial hardship for many graziers, at least one interviewee thought the most significant impact of the live export ban was the effect it had on the psychology of the industry, rather than actual impact on the markets, in particular, a sense of isolation from the government and the general Australian population.

I would say that the actual financial implications of that 2011 shutdown were far smaller than the actual psychological implications of (the live export ban)…It made a massive impact on the psychology. Because it was suddenly like, at any point the government can shut our market down. Like, we’d been in a mindset for 20 plus years of free trade, globalisation, all these things. We’d moved away from government supporting industries and things. Now we’ve actually got a government shutting down, overnight, something. I really think it's the psychology of what happened in 2011 that had a big impact. I think there would be a few businesses that were completely dependent on it and were caught, for a shortish period of time - six to 12 months, with groups of cattle that they couldn’t sell. Then they had to - instead of putting on a truck and going to wherever the nearest boat was, they had to send them south, or to Charters Towers, or somewhere, and there might have been some sort of small price differential in there, what they received for those cattle. It fuels that disconnect between them and the general population. So over time, they’re becoming more and more isolated - or they’re feeling that, as it’s like, well, gee, people - our own government, because of political pressure, through really our city-dwelling cousins - can just suddenly decide that they can shut our business down. That's a - that was a new risk. Suddenly there's a new risk in those businesses. DCAP_35

4.1.2 Poor financial literacy

Poor financial literacy was identified as a widespread issue in the industry, and a critical issue limiting decision making for improved drought preparedness and management.

There’s a huge amount of financial illiteracy in the bush. DCAP_12

**Facilitator:** When you say financial literacy, what do you mean by that?

**Interviewee:** Better budgeting, better planning, being able to reasonably rapidly work through the costs of the different options that they want to undertake and the benefits of the options they want to undertake so that they can put a dollar figure against the decision reasonably easily. DCAP_10

I think if you haven't got a good handle on your finances and you haven't asked the right questions, there's a fair chance you’re not really aware of your position before you even start entering into a drought. DCAP_26

Obviously preparing for drought’s going to cost you money somehow. Whatever strategies you put in place it’ll no doubt have a cost. So if they’re not aware of what’s going on in their business from a financial perspective, how can they budget for it or how can they know what they need to spend or what they can afford to spend? DCAP_12

A lack of financial literacy was demonstrated through the perception that many graziers: appeared not to know or understand their financial figures; had a focus on cattle prices and keeping stock, without considering the total costs of production; and used potentially biased sources of financial advice.

**Not knowing or understanding their financial figures or situation**
According to the interviewees, the most obvious indicator of a lack of financial literacy was their observations that many graziers appeared not to know or understand their financial figures or situation.

The top 20 per cent do get it. But I'd say the rest of the 80 per cent don't get it. They don't really understand their financial statement, a lot of them. So yeah, financially I don't think they're prepared for it. DCAP_11

I think a lot of them don't understand what's actually going on in their business and what's actually driving the profit in their business. They don't understand or they haven't got a good handle on their costs of production and how much - what their gross margins are per hectare or per animal. We've had workshops with the producers here just talking about the whole problems with lack of adoption and the producers themselves were saying that a big problem they see in the industry is people don't understand or haven't got a good grasp of their actual business performance and it's all - they haven't got the records and they haven't got the ways of analysing their business performance and basically are probably not good business managers. DCAP_43

People are just looking at do I have money in the bank, and do I have to pay tax? That's kind of as far as it goes. Can I afford to feed myself and send my kids to school, and pay my interest bill? It's getting them to understand - make sure they've got an understanding of - they might be $17,000 ahead of where they should be in their overdraft, but that's only because the bill hasn't come in. DCAP_27

The whole numbers and finance side of things is one of those things that you either like it or you hate it. Probably for the majority of people - hate it, don't understand it, don't - even though they know it would be good for their business, just finding that time and energy to dedicate to that when there's more fun and interesting things to be doing like driving around and looking at your stock on a motorbike. DCAP_37

I would say there's not a good understanding of money. There's not, generally, in the community. Those who are smart with money probably get ahead a lot quicker than the rest of us. DCAP_34

The majority wouldn't have the faintest idea of what their cash flow is, profit and loss. All the majority would do would be whatever they need to take to their accountant to do their tax. You don't know your starting point and you don't know the potential for your business. So you don't really know whether you've got the current funding or future funding to be able to fund some of the potential changes you may need to make. I think the other thing that becomes difficult is working out which thing to do first, and which thing will have the biggest impact on my business. Once again, that's quite an individual thing. I've got all these things so I could - even just the three things that I said; controlled mating, internal fences, an exclusion fence. How do you decide which one of those do I do first? Which one will give me the biggest benefit? DCAP_37

There is a need for more financial literacy amongst graziers. Most of them understand oh look I've got 1000 head of cattle out there. I'm going to run the weaners off and I'm going to get $300 a head for them. Or whatever, just making numbers up here. What that means to them and what it would cost them to keep them. But beyond that they do struggle to understand a bit. DCAP_41

They couldn't tell you how much they spend on fuel or any of their expenses or fodder for their stock or anything. They just send everything to their accountant; they have no idea really what's going on in their business. They'd much rather be outside working in their business as opposed to working on it. Yeah, and so very removed from what's occurring
from a financial perspective in their business. So I guess maybe then they've got no responsibility either about what's going on financially, because they're unaware of it. DCAP_13

In addition to limited financial literacy, it was thought that graziers need more business analysis skills.

If you go into business and learn how to - learn to do business, you learn all these tools which help you to make decisions. A lot of people on the land, they don't have the business skills. They've got all these other wonderful skills but they miss some of those business skills. DCAP_09

I think one of the main factors that I can see that they don't appear to be well prepared is their business analysis side of their management system in general terms is quite poor. As in not knowing what your current productivity or performance levels are. If you don't have that base to work from and to make decisions - good decisions from - it makes it very difficult, particularly for us if we were to go on and try to assist people where they're not really 100 per cent sure what numbers - cattle numbers they've got for a start. I think in preparing for drought a lot of it is going to be this pre-drought preparation or anticipation that this dry can be going - this dry spell is due to come soon or whatever and to have your business nailed down enough or tight enough to be able to see where some efficiencies can be made. So, it was a long-winded answer in basically saying, I think business skills - business analysis skills are in my opinion one of the key factors hindering decision making. DCAP_31

They can look at their bank statement and can look at the income they've got and the price of their cattle. They can do all that sort of stuff, but there's always room for a more sophisticated analysis of the enterprise. . DCAP_42

It was speculated that part of the reason financial literacy might be so low, compared with the operational skills required to run a grazing property, was due to graziers not receiving any active mentoring in financial record keeping or business management prior to acquiring their enterprises

The young ones always get taught how to muster and ride bikes and fix fences but they never get taught how to run the business or involved in the business side of things at an earlier age so it becomes the norm. From 15 to 25 it's all about learning the hands-on skills of in the business. Probably not 25, probably 35 or 40, it's all about the physical management and jobs like that you get taught and then suddenly the generation above you is retiring and you've actually never been involved in how to do a cash flow or a budget or talk to the bank manager or what the solicitor actually does for you, those side of things. Even down to the logistics of simple things like booking the trucks and some of that stuff. That would be great if as part of people learn how to do a cash flow before they learn how to shear a sheep, or work out the cost of production instead of going and learning how to do whatever else. DCAP_38

With the day to day work, with the fencing or running the cattle, there's a lot of mentoring happens. They would learn off dad, or they'd go and work for someone, and they'd learn all those skills in a pretty natural mentored way. But no one talks about finance. There's no mentoring in that part of the [business] he gets a lot of mentoring in the hands-on stuff often sort of from this guy's [unclear] they'll be out fencing or whatever, so they learn all those skills quite well, and they're generally pretty good at most of those skills. But there's no mentoring in the finance. Often if they're in a family business, Dad will be the only one that talks to the bank, or often Mum. So they've got no sort of mentoring on that part of the business. I think that's partly why we get a lot of this sort of - where they've got a really low skill level there, even though they're quite highly skilled in other parts. Grazier_06
Despite this deficiency, there was a perception among the interviewees that there still seemed to be a lack of interest in undertaking business mentoring or coaching.

Some of the biggest businesses in the world, all have a business coach. I have a business coach. How many people - why do I ask when I come to farmers and graziers, who here has a business coach? I might get one or two people in the room who stick their hand up. They don't have - they just don't see it as relevant. They can't give you an answer as to why they don't have it. ...I think they have this - they do have a mentality that no one knows - outsiders don't know the business. You don't know my business. Outsiders don't know. What would a business coach know? It's quite startling when I bring that question up and they all just sit there and look at you and go oh, I don't need a business coach. What are you going to bring to me? You don't know [word removed]. I don't need your help.

DCAP_11

Focus on cattle prices and keeping stock, without considering the total costs of production

Another example where the financial literacy of graziers has been questioned was the perceived excessive focus on cattle prices, and retaining stock during drought conditions, without considering the total costs of production.

Many interviewees spoke about the fluctuating nature of the cattle market, which is highly sensitive to supply and demand and also linked to weather patterns. Essentially, as it gets drier more and more graziers seek to sell their cattle onto the market, and the price for cattle goes down. Conversely, after the drought breaks, many graziers are looking to expand their herds, and as a consequence, cattle prices go up.

In response to falling cattle prices during drying periods, many graziers take the risk and decide to hold onto their cattle, in the hope that they will be able to survive the dry period. They can then either sell their cattle at elevated prices; or avoid having to pay these elevated prices to buy cattle back, when the drought ends.

There's definitely an interaction between cattle prices and drought. So when there's a severe drought in, the cattle prices are generally low because everyone's trying to destock and then now the climate cycle has turned around, so it's linked a bit to international markets but it's also pretty much linked to drought. So now there's a better season, people are trying to build up their numbers again so cattle price is very high.

DCAP_19

The typical thing of overgrazing, which leads you into the spiral when it doesn't rain; you've got too many cattle, everybody's selling at once, all of sudden the market drops so people hang onto their cattle and then they start running out of feed. Again, it's all just business preparation that's failed them all the way back to stock numbers - knowing what stock they've got on hand or coming the next year, versus what the capacity of their country is.

DCAP_31

They have a great reluctance to sell their cattle to reduce their numbers when they are running out of feed because they think that it'll be too expensive to buy them back later on so they tend to hang onto them.

DCAP_05

People will say I can't sell my stock - there's the mindset again - I can't sell my stock through a drought because I've got to keep my breeders and all that because at the end of it when it rains like now the price will be high. But that's not always the case. DCAP_02
They see that their place is perfectly fine although there are animals that are very, very skinny and they’ve no grass but they don’t see that as an issue. Because it's going to rain next week and they’ll be fine and we can't afford to sell them because we’ll never be able to buy them back in and blah, blah, blah. So, they wait too long and then there’s a massive influx of animals onto the market and their prices are so bad. DCAP_11

It's hard to buy animals back in under the current prices because everyone knows that once it does rain animal prices will go through the roof and the ability to buy animals in is a big factor. DCAP_11

A lot of landholders really feel if they miss out - if they sell early and then if it comes around that they would have made more money by hanging onto them, they really feel that loss big time. DCAP_19

For example we're going into drought. I should sell my stock, but the price is already down so I know I'm going to sell at a loss. I know that I'm going to want to buy after it's rained. So will everybody else. Guess what happens to the price? So maybe I take a punt and hope it rains and I hang on to what I've got. DCAP_21

Normally when you are in a drought, prices are pretty ordinary. So they’re selling at the lowest point. Then when it rains and they want to buy back in, they've got to pay a lot more for those stock. So it's that whole issue about how do I afford to get back in? I think that's probably one of the main reasons why, round here, is that they've got the mulga so they can hold them, and then they think about how much it's going to cost them to get back in. DCAP_37

There will be external market conditions, so their willingness to offload stock into a depressed market would be a big influence on the choice they make. It's an adaptation choice, isn't it, destocking into the market, the prices are really low. They might be a bit reluctant to move quickly and therefore they keep too many stock on the property for too long and damage their resource base. DCAP_42

They don't want to sell when the money’s low, so they just hold and hold. They might have bought animals for $500 and then the market goes down and they don't want to sell them for any less than that. DCAP_46

Well you can see what's happened out west there now, like guys have got rid of stuff and now maybe like $300 for weaners or $400 for weaners and now being under a plate, they've had a couple of good showers out there et cetera and got a bit more hope. So yeah, buying back into the market, like the prices now have kind of tripled from what they sold them at. So they're worried about they won't be able to replace them at an effective price, cost effective price, yeah. DCAP_46

Because there's still always that fear that if you're destocking, then when you have to buy back in - and you'll hear people say, you just can't afford to buy back, they always sky rocket in price. Then other people say, well they don't always sky rocket in price and there will be an opportunity. Whereas this last round, they've just sky rocketed in price and that's the way it's stayed. DCAP_pilot_01

You get to the end of the drought to make the most of that good season which may not last any longer than 12 months, you need to have stock on the ground right now. Exactly right, you’ve either got to have cows in calf, because it’s a nine-month gestation, or young stock on the ground or whatever it might be. Whatever the stock’s class is, regardless, you need to have stock on your property at that point. Predominantly at the end of a drought
everyone wants to buy stock, prices are going up. Then you’re buying back in at the most expensive time. DCAP_39

Nonetheless, it was thought that despite the focus on cattle prices many graziers had failed to consider their costs of production associated with holding on to cattle (e.g. supplementary feeding, maintenance, time, effort), potentially creating a false economy for themselves. This means that they could end up spending more money on keeping cattle alive during drought, than they are able to recoup when they sell the cattle after the drought breaks.

Furthermore, it’s a big risk, because they could eventually run out of cash flow to feed cattle, and have to sell at a low price, or in a worst case scenario, lose their animals altogether, while simultaneously degrading their land resource through overgrazing.

They couldn't tell you what their costs of production are. They really don't know what their cost of production are… A lot of people don't budget on the feeding costs involved with drought and how much it costs. It's a great way of haemorrhaging money during drought. DCAP_11

I don't think people would know if you asked them what their cost of production was, I don't think people would know. Sorry, there is obviously a percentage of producers that would know and they're often the top end of producers as far as returns. I think the average producer in this area wouldn't know what the cost of production is for a 12-month period, let alone if it's dry and they've got to start feeding. Basically, if they can know what their margins are in an average year if there was such a thing, let alone if they start the dozers up, or if they start feeding and knowing what that feed and those dozers cost them per animal. It would definitely be helpful, I would think, in making those decisions. DCAP_38

Most of them wouldn't know their cost of production at all, which is another downside, because if you don't know how much it's costing you to produce then how do you know when you go to sell whether the price is covering what it cost you? DCAP_37

Your costs all go up because if you're feeding anything bar what they're normally eating, generally you've got to supplement their diet with a loose lick or a nutrient mix. So you've got that extra cost which you wouldn't normally have during normal seasons. You've got, if you are pushing for mulga you've got a diesel and maintenance expense because you're utilising a bulldozer. You've - and just the general - the lack of income during that period too. So you're not turning off fat animals or you're growing less wool. You've got stock losses, some animals don't - just won't do. DCAP_Grazier_07

We do not want our people to be drought feeding. We want them to offload early. The other thing that's happening all the way they're coming down here is not only are they not looking after their country these guys, they've got money just dripping out their pockets every day because they're feeding. Unless they're production feeding they're losing money every day. Why are people doing it? Because it's what you do. DCAP_08

It’s expensive to keep stock it comes at a cost, it requires either a lot more work or a lot of cost to buy in feed. So there is a lot of work to feed cattle. A lot of cost to buy in feed and the risk of bigger losses from forced sales or even deaths. DCAP_09

It could be that they're keeping them on property and feeding, which is not necessarily the most effective or efficient for them. Like, there were people pretty much at their wit's end about what options to look at. There were people that were making the decision that prices were too low, therefore they’d carry them over, but without actually looking at the costs of doing that. So if you're holding on to stock for - yeah, if you're at the end of May and you've got to hold on to them for six months, it's a long time to be holding on to stock at a - I don't
know what it would have been costing them in cents per head per day, but you start to rapidly lose relative value. Plus you’ve got a lot of ongoing inputs that you physically need to make and you not only start to get stressed, but you’re also actually very tired in that same process. DCAP_10

You always hear people say the price has gone down. It’s interesting if you understand the maths. The price for beef doesn’t - it’s the costs of production that determines profitability. I suppose that’s something they can do something about. Yeah, those top 20 per cent of producers usually have lower costs of production. DCAP_14

Most of them don’t value the cost to carry [the cattle] as much, or all the money they save by keeping the grass instead. Essentially putting grass in the bank, so you can either feed other animals and get them to a better condition so you make more money on them or you can - so the land’s in better condition, which is - doesn’t have a dollar value so much directly on it, but if you sell them also you’re not having to give them their annual vaccination, you’re not having to pay the supplements and things like that. So there’s those direct costs for selling them early as well. A lot of them probably aren’t [necessarily] clear on those costs. We do work with - that’s one thing we do with producers actually, try and work out those costs and help them with that but yeah, they probably downplay that a little bit in their mind. If the cattle are still making money, the cost comes of later type thing. So it comes down to a lot of financial understanding and financial literacy in some ways and that is lacking a lot in the beef industry. DCAP_19

When people do a budget, they often won’t double or triple the price of hay that they’re going to feed as the drought goes on and yet that’s quite often what happens. But they’ll absolutely decide that if they sell [unclear] and they’re right, if they sell their cattle now, like, as for sales and they’re in poor condition, they will get rock bottom prices, but when they need to buy back in, they’ll have to buy back in at extravagant prices. It must have been 2013 when some people were still destocking, they were probably only getting - they might have only been getting $250, $300 for a cow. To buy back in now, you’re looking at $1800, $2000 for a cow. That’s what really terrifies people in their drought management… Just absolutely terrified of how much it might cost to buy back in. I don’t think we have really done enough modelling, for instance, around - it’s almost a sensitivity analysis of how long the drought - how long a drought could go on for, what the impact on the cost of feed and the cost of restocking at the end might actually be. DCAP_24

I think what happens also is people look at some of the direct costs of having those animals. But some of the other costs such as reduced productivity, increased mortality rates and reduced forage and land condition, aren’t taken into account. DCAP_25

Everyone remembers what price they paid for these cattle and they get hung up on it and then they just hold, hold, hold, oh the market will come up, the market will come up and it just keeps sliding down. So they keep putting these dollars into these animals and a lot of the time I find that, you know, contrary to this, there are some producers that are doing an absolutely phenomenal job, don’t get me wrong. There’s a lot of the industry that are really kicking goals and doing great practises. But yeah, there’s a lot of fellows that are getting themselves - they’re their own worst enemy with just continually holding, putting costs into them and not really tracking those costs. They’ll remember what they got for them when they sold them to the yards, but they probably don’t take into account the $200 feed that went down their throat to hold onto them. DCAP_46

It’s like gambling. If you go and spend AUD100 a cow keeping them alive, all of a sudden you’ve got AUD100 invested in that cow, and the drought still hasn’t broken. You go well, I don’t want to sell it now, because I’ve invested AUD100 on it, you know? So then you invest another AUD100 in a drought feeding. Meanwhile, this cow’s gone from being worth
AUD600 to AUD500 to AUD400, and then by the time you’ve spent a third - because you cannot possibly sell it after you’ve spent AUD200 keeping it alive, no way. So after that, you have to go well, it’s double or nothing. We’ll spend another AUD100 on her to make sure we get through that, and if it just hasn’t rained by the time you’ve spent AUD300 on that cow, the drought’s really biting hard - cow’s only worth AUD300. So then as a last resort, the price of feed goes up. The price of cows goes down. So you’re in this - if you do the maths it’s a - oh, it’s called a parabolic curve or something like that, where the value of the item that you’re feeding is going down. The value of the feed that you’re feeding to it is going up, and the whole time you’re worried about when that cross-over is going to happen, when you actually spend more money on the cow that what she’s worth. I’m not saying it can’t be effectively used, every now again I’m sure, maybe, but just out and out drought feeding is risky because you can get stuck in that trap where you’ve spent more money on the cow than what she’s actually worth. DCAP_Grazier_04

Yes, we all know that the cost of cattle will be exorbitant when you go to buy back in. But here is the - here's the information. Here's the - like, the risk matrix. If you sell it - if you sell at 70 cows at $200 and they have to buy back in at $2000 if it's - even if it's only 18 months later, you've actually saved yourself X amount of dollars of the cost of feed, plus all that time and effort. They’ll continue to not cost their time and effort. Whilst they have drawings, rather than paying themselves a salary, they will never put on paper, they might even - they might have figures against their own time, but I don't think they'll ever truly believe it unless they're locked into a salary the same way that we are. DCAP_24

However, adding to the complexity of this decision was the common observation that some graziers have been financially rewarded for holding on to cattle and overgrazing their properties. For example, if they were able to keep their cattle during the drought, it enabled them to sell their stock, when the season changed, for elevated prices.

Those ones that have worked harder during the drought and have fed their stock and have busted their backside to get it all through there, they may be well in front. DCAP_38

There are many wealthy people out there that I work with every day that have accumulated a lot of money while mining the resources...So a lot of people have made a lot of money and there is, in good years, people can run big numbers. DCAP_34

There's a select few that I know of that managed to probably carry too many cattle through the drought, they’ve come out this side to boom prices, record prices we’ve never seen for a long time. They’re, financially all the losses they’ve made they've more than recouped. Now they might go and buy another property that's got grass, because they've eaten all theirs. So their business - so someone’s sitting back. We often, I had a bloke say to me the other day. He said, do you know old X and X, they managed their place terribly, they've got no grass, heaps of cattle but. Now he's went and bought another place. He said, I'd like to buy another place but I can't afford to, but they've managed their property better. They destocked early, they've got the grass. So now they're at a point where they've had rain, the grass is coming back. They’re not running any soil off into the Reef, so 10 points to them for that, but they're not making the kind of money that you might be making by badly managing your land and keeping extra cattle. So you look at that and you go oh. DCAP_32

You can decimate your land a fair bit and if you've still got enough to get through well then sometimes they’ve been rewarded at the other end, through market forces. DCAP_32

You can potentially have a point in time here where you might go oh, I've got X number of cattle, if I can get them through this next six months, you might be pretty sure it's going to be a wet season, you'll be right. But at the end of six months I'm going to have eaten all my grass, this land's going to be pretty bare, it's going to be fragile, it's not going to be in the
ideal condition where you'd like it to be. But if you get through there, it rains, you manage it well, it recovers and, yeah, you can be back to square one again and all hunky dory.

DCAP_32

The difficulty at the moment, is that we've got this season where - in most of Queensland it's a really good season and it's also incredibly expensive to restock. So all of those people who've been over - having running too many cattle, they're getting a pay-off this year because they got grass and you couldn't afford to restock.... Over the longer term they should be better off. DCAP_09

There's one landholder I'm working with at the moment. He usually has to feed his [lease steers] through winter, spring, but because the prices were good six months ago, he sold them all and that saved him having to spend money feeding them over the winter and it's probably been good for his land condition and everything like that. So because it said it was a good decision, but if he had have held onto them and put the work in and fed them like he would have anyway, there's a chance he would have made 50 per cent more than what he sold them for six months ago. I talked to him. Oh, that time I said oh it was a good - I encouraged him to make it in some ways, saying oh that's a good risk management decision essentially but he's really feeling that now and he's really kicking himself he sold so many of them back early. So because the season has turned out not so bad and the prices have ended up being good. DCAP_19

The main issues I saw going into the last drought was basically, and this is where the job gets hard, because we're not psychologists. But essentially people looking at the price of stock, and I totally understand why they're fixating on the price of stock, and it was very, very low. But at that point in time it probably did make sense to feed. Because when you did the sums on feed versus sell, because of the price, it probably made sense, possibly, to feed. [But] people don't put a stop date on how long they're going to feed for. So I think the people that are preparing well say okay, I will feed for a year, and then if it's still dry next year, I will sell. But I think the people that have really got themselves into trouble have just fed, and are like oh well I've fed now so I've spent all that money, and I can't sell them because I've spent all that money, so I'll feed again. But then you don't have any cash coming in, you've got cash going out, and you've still got a skinny, unsaleable product. I mean this is unprecedented, so they probably thought it would be two years' worth of dry, if you go by those maps on the wall there. But then it went into three years kind of thing. DCAP_27

When you buy cottonseed, you buy the dry nutrient lick plus putting diesel and repairs on a bulldozer, altogether. I don't know where the break-even point would be or when it would become ineffective but at some point you're going to be putting more money into the animals than what they're actually worth. Then in saying that, it's also like having unknown costs. It's something unknown, take this drought for example. The prices coming out of the drought are obviously so high that that break-even point of where it swaps over to being ineffective would be a lot longer. If you had of sold the stock in 2014 when prices were nothing and you're now selling it and buying them back in for extraordinary money, then yes, it probably was worthwhile feeding them the whole time. That's the hindsight decisions. DCAP_38

We drove past this paddock that had recently had grass, only a week ago had had good grass, and there was this beautiful herd of red heifers and he remarked on how beautiful these heifers were. He said my god, look at them, and look at the condition of those. I said yep - because I knew the property. I said I heard - I know those people and I heard only two weeks ago those people were in dire straits and they didn't know what to do because they had no grass left, they were looking that they were going to have to sell all of those heifers off. Within two weeks, they've had - they [unclear] they got under rain, I said, and they're
the heifers. They would have had to sacrifice in the decision and you're commenting on how beautiful those heifers are. Because two weeks ago they had no rain; within a week they got rain and that's the difference. DCAP_Grazier_08

I think everyone knows [about conservative stocking rates] that message has been around for probably 20 years or something. It's really that thing about … where you think if you go early it might rain, and then it's cost you a lot of money, whereas if you hold on and it rains, you're laughing. DCAP_Grazier_06

A lot of those fellows that push their country hard have got away with it and so they don't, yeah, they've just - like they've been right to the tipping point where they could have gone really pear shaped, but more often than not they've just got out of it because they've gone and got 7500ml or something like that and it's just turned around and then they've got cattle to keep going forward with. DCAP_46

The ones that basically flog their country all the time and drive their system to the wall, they're going to be in a crisis much quicker and they're going to be feeding a lot of molasses. They're going to be degrading the condition of their country. They'll do that anyway, but in a drought they're straight into it and they're doing even harder and even more. Economically are they any worse off than the conservative stocker? I'm not sure they are. I think they probably are but I'm not an economist and I think a lot of it depends on the length of the drought, the dry period or whatever and so many other factors…It would appear that generally they're worse off in the long run. In the short term, who knows? DCAP_Grazier_02

Well there's those who make it work by running more. Yeah, they run more, they save money, they do - it's human nature, we all make it work in some way or another. How well you make it work's another question. DCAP_22

Although, as one interviewee indicated, even when it does pay off, you're still paying the price, in terms of degraded land condition.

It's not an easy decision because there are times when it does - that punt pays off, but there are times that punt I think seemingly pays off but the land condition has dropped down a few notches and there are times the punt doesn't pay off and it's a huge train smash. DCAP_43

Furthermore, while the risky strategy has worked for some graziers, for others, the results have been devastating.

If you've got to a point where your cattle are not in very good shape - they're in poor condition - then they're going to be worth very little so they're going to be quite reluctant to sell them because it'll be a time - they've waited too long and there's too many cattle on the market. The supply and demand equation means that prices will be very low. They're very reluctant to sell then because they're not going to get a lot for them. They've waited too long. They're in a trap then. DCAP_05

The unfortunate thing is, sometimes it gets to the point where the pain of hanging on to those animals is much greater, but the animals aren't in a body condition score that's going to make those animals worth much money on the market. So they then have to hang on to those animals, virtually paint themselves into a corner where they're stuck with the animals. DCAP_25

It's often the way of - when it's not raining everyone's sending cattle to the yards, so if people go oh, I might just see if I can hold them another month it might rain and then I'll
catch a rise in the market. Whereas maybe the more logical people go yeah, I might, but I don't like the feel of it, I'm going to sell some now. I've dealt with other clients in my work where they've done that, they've gone no, I'm going to hold it, no the market's not good enough to sell, I'm holding it. At the same time their cattle are losing condition, the market's falling, the cattle are losing condition. Then they get to a point where they sort of run out of feed or water and they go I've got to act, I've got to do something. But then they've got no options left. Their cattle are poor, they've got no feed, they've got no fodder and they can't shift them because the welfare issues. DCAP32

In addition to cattle prices, some graziers are reluctant to sell their herd during drought, particularly their breeders, as they believe it will take years to replace the quality of their existing herd, particularly the genetic composition, which they think is very high, and which has been developed over generations to be well adapted to their specific environment.

They get mostly attached to the animals that they have and they just don't believe that they can replace them. DCAP_12

If people are buying cattle back in, [half of them] are buying back poorer quality cattle than they sold to start with, so it impacts the long term production and other ones have their breeding line they're very proud of so if they sell it, now, it's lost forever and you've got to take another generation to build that back up again. Good quality cattle are worth five times more than what they were three years ago type thing and poorer quality cattle are only worth two times more type thing. So it comes down to a numbers game. You can buy more poor quality ones versus a couple of good ones type thing. DCAP_19

The second reason is that they might believe, rightly or wrongly, that they have a certain nucleus of herd that is more valuable than the market might suggest. Nevertheless, that's what they want to keep so that's what they do and they're prepared to pay for that at a loss. Well, not at a loss, it could pay off for them. DCAP_18

What people need to get over is that they don't actually own the best stock in the world, that their genetics can be replaced, and that there is a capacity to pick up - when your situation changes someone else is always on the downfall. It's cyclical around the country. You can pick up stock. DCAP_08

One aspect to selling off the genetics that they've worked hard at. They may not necessarily believe they have the absolute best cattle in the world, but they probably do very strongly believe they're suited well to their own property and plus they've invested a lot of time and effort in the genetics of the breeders, for instance. So people are always reluctant to sell breeders. But the other aspect of it, I reckon, is that they're - yeah, just absolutely terrified of how much it might cost to buy back in. DCAP_24

There's the old “I'll never get my genetics back”. But unless you're a stud, I can't kind of see where people come from. If they've really been selecting for reproductive performance. I could see that argument. But generally, I think you will be able to get your genetics back. Except a stud. That's a totally different thing. DCAP_27

A good example is, “Dad's bred this herd of cattle for 30 years, so I'm not going to get rid of my [breeders] - my breeders aren't going, because it's taken me so long to get them to how I want them, and whatever, so I'm not selling them. Whereas the younger generation are, no, I'm actually going to get rid of those cows, so they're on the truck two years ago. They're not going to put $200,000 or $300,000 or $400,000 worth of hay into those cows. DCAP_35
They’ve spent many years breeding up this stock and then for them to have to sell those genetics, it’s a difficult decision. DCAP_37

So with people with their breeding herds, for example, cattle breeding herds, if they’ve built it up over, you know, might have been over generations to say they love a particular breed, it be Santa or Charolais or crossbreeding and with genetics, it’s a long term thing. So they’ve built around this core, they’ve selected heifers, of good mothers, et cetera, et cetera and they don’t want to - they don’t believe that they can go and buy those genetics anywhere else, so they do whatever they can to hold on to those particular animals. So that’s kind of an emotional attachment, yeah. Probably finance comes into it as well, but there’s a pride thing as well that my herd’s better than your herd and so there’s no way that others have got as good a quality looking cattle, like yeah, like I do a lot of genetics stuff and people love pretty looking cows. Some of them might not be very functional or make any much money, but they look good in the paddock and when the neighbour looks over the fence, well they’re proud - well they’re proud of what they breed up. They tend to hold on to cattle, yeah, than to selling, because they’ve spent the time, they’ve invested the money in genetics, they perceive their animals to be the best thing around, they’ve spent a lot of time to get their temperament right or whatever it may be and yeah, they’ll do all that they can to hold them to that kind of core breeder herd really. DCAP_46

You might have built up a herd that you really - a line of cattle that you really like. You might have taken quite a few years to get a really solid group of breeders that you like - that are really fertile, that are low birth weight. You might have just these certain things that you breed for or whatever. So you’ve taken a few years to build up this nice little mob of breeders, and if you have to say goodbye and start again with some crummy wild thing… you’re probably not going to be able to ply back what you’ve said goodbye to. Then it’s going to take a number of years again. DCAP_Grazier_06

The use of potentially biased sources of financial advice

Another indicator of limited financial literacy was the observation that many graziers rely on their accountants, bank managers and stock agents for financial advice. There were concerns that as each of these advisers have their own particular bias through their area of expertise (e.g. tax accountants), or vested interests (e.g. stocking agents, bank managers), they are not necessarily best placed to provide independent advice focusing on the profitability and financial viability of an enterprise.

The reliance on accountants and the willingness to make decisions based on tax minimisation alone was seen as evidence of a fundamental lack of understanding of the differences between tax and management accounting.

Familiar faces. It’s all based on familiar faces. The accountant they’ve used for the last 10 years. The bank manager for 15 years. The agent that’s come out since he was an apprenticed agent. It's familiar faces. DCAP_16

They’re keeping enough records for the tax side of it, but not for the management side. So most of the record keeping is aimed at tax rather than at management…Just as you have a tax accountant, should you also have a business accountant? The tax accountant is the people that they lean on to give them business advice, but it’s not necessarily a business advice accountant, it’s a tax accountant. DCAP_10

The graziers and farmers have a disease. They’re allergic to money in the bank. They’re allergic to having money in the bank. Their accountants have told them so long that they can’t pay tax. You can’t pay tax. You can’t be making money, because you’ve got to pay
tax. So they make management decisions based on tax. Worst thing they could ever do. Instead of making management decisions on sound financial [evidence]. DCAP_11

There’s a huge amount of financial illiteracy in the bush and a lot of people are just dependent on the accountant to make all their financial decisions. I mean I’ve had firsthand experience with my own family operation where my parents, you know, everything was what the accountant said. They don’t understand the difference between accounts and tax accounting and management accounting, that there’s a difference between the two. DCAP_12

Well look, the biggest concern that most prime producers have is paying tax. That’s what their sole focus is to alleviate the amount of tax they’re paying. People live in fear of paying tax. I’m the same. I hate paying tax [laughs]. Like I mean the accountant says you’ve got to spend $20,000 here, do it before the financial year and people go panicking and just do it. DCAP_12

They just send everything to their accountant; they have no idea really what’s going on in their business…You get that a lot actually. [They’d] much rather pay an accountant to do their work. DCAP_13

Those people to whom most graziers have to go are [their] bank manager, [their] account. Because they’ve all got overdrafts. The third one is your stock and station agents. Because they’ve got to sell their produce. DCAP_15

They use their accountant as their advisor. They tend to use their accountant or their bank manager. An accountant is an expert in tax. Much as a lot of accountants would hate to hear or violently oppose that, basically they spend a lot of time dealing with tax law and looking at what’s happened in the past. Because everyone comes at the end of the financial year and says what’s our tax position… The accountant will have very limited knowledge of, in a lot of cases, they’ve never been with the property. If they have been to the property it would be very, very, very rudimentary [unclear]. Then as far as understanding the cattle even those who talk about it their knowledge is scary. Their area of expertise is doing tax…I tell people over and over and over again, you know, no one wants to pay tax. Therefore if you can spend money in productive places that’s well and good. I say to people over and over and over again, their accountant will tell them what they can spend money on to save tax but you should never make a decision for tax reasons only. DCAP_16

People tend to refer to their bank managers and the absolute fact is that all bank managers have a vested interest in making money for the bank and get paid bonuses accordingly. They’re employed by the bank so they have to do what’s best for the bank which may not be best for the business. DCAP_16

There’s a lot of decisions made around cattle businesses that involve a stock and station agent. Who, one, is getting paid a commission. Two, once he’s made a decision he doesn’t have to deal with it later on… If he’s buying cattle or selling cattle he never has to deal with it again really. The third one is he deals with the then and there and now. If he’s buying some cattle, he wants to buy them then and there and then he will go out to the next lot the next day…So when you look at a cattle business you’ve get a whole heap of resources. There’s grass, there’s water, there’s people, there’s time, there’s the type of cattle, there’s the category of cattle. All these different things. All of those have got a value on them. The stock and station agent will know none of that except what cattle are worth. The first thing he will tell you is what’s worth the most. Just because it’s worth the most doesn’t mean that it’s the least productive in your herd…and for him he wants to know what’s worth the most, because that’s the most commission, what’s the quickest to sell
because that's the easy way of making money. That's not being nasty, it's just factual. DCAP_16

You know, funny things go on and they're sort of a bit, I suppose, in the business category. Some people won't sell because they're worried about tax and those sort of things. DCAP_22

Like people use their accountant to do their accounting and they focus on depreciation and they focus on tax deductibility. They don't focus on making money. If they pay tax, it's the worst possible thing possible, but it's not...I can just hear my uncle saying I only got those two new cars last year, I'm like oh, that's a lot. He goes oh yeah, but we can write them both off. DCAP_23

They all have accountants, and they leave it in the hands of the accountants. I think it's understanding what's actually on the paper that comes back from your accountant. It is, if you don't have a real interest in the finance and you're going to leave that to your accountant, then yeah. There is a certain level of assurance isn't it. I've given it to the accountant so he'll let me know if I've got a problem. But unless you ask the accountant, there's a difference between accounting and financial advice. There's a real difference there. DCAP_26

All the accountant's trying to do is minimise tax for the business. So, they're not necessarily looking at it as a diagnostic type - understanding why at the end of the year you either made or lost money, they're more of - you've made this much money, you've got this much inventory on hand, we're going to value it at really some stupid low rate anyway, because this is for taxation purposes rather than business purposes. DCAP_31

If the accountant receives little information or advice from the grazier they're going to do taxation accounting. That's all they'll do. They won't do management accounting and what we want is management accounting. They're two separate things. Because they're not communicating with their accountant enough the accountant just goes on and just does the tax every year and that's about all they worry about. DCAP_33

So the people are really not doing much and expecting their accountant to do it, but are paying for it. But remember that's about taxation. Ultimately it's about taxation. How much it's about management and proactive management is debatable. DCAP_34

Decisions are made on selling cattle based on I'll get slugged with a huge tax bill. Not I haven't got any grass, I'm going to lose 10 per cent of them. The good operators say, if I have to sell the cattle, I mean within reason, but if a decision is made to sell cattle, I need to do it now. I need to cop the price I'm going to get now and in some cases cop the tax problem, if it's a tax problem because I'm doing it for other reasons as well. We do want people to have farm business management accounting skills. Not all about taxation, but that's fairly rare. DCAP_34

At the end of the dry season - is all dry grass like this and over here, they're dying like flies. Why don't they change? I've been out there. I've talked to them. Why? The cattle price is up. Why don't we sell the cattle? Oh, we pay tax. Well fix some fences and waters and things like this. DCAP_36

The majority wouldn't have the faintest idea of what their cash flow is, profit and loss. All the majority would do would be whatever they need to take to their accountant to do their tax. DCAP_37
I'd say the other half of people that I work with, they would rely very heavily on their accountant and commercial bank to do their recording and their planning. DCAP_40

It's very hard to go to most producers. Takes hours to get all their work - their cost of productions and all different costs associated with animals and most of the time it's - a lot of it's taking best guesses because they're not recording that stuff in any detail and they're not in management accounts, they're only - they have a tax account, accounting. DCAP_19

I've got a small business consulting background outside of the grazing industry. It’s no different than any business environment. Most business owners don’t understand finances very well at all. Most of them rely on their accountant. The problem is the accountant is talking to them about finances in terms of tax. The bottom line is you can save a lot of tax, but go broke unless you’ve got good cash flow. I used to talk to my clients about cash flow. If at the end of the day you paid a bit of extra tax, who cares? If you're paying tax you're making money. I had a lot of arguments with a lot of accountants. DCAP_41

A lot of industry, I couldn’t give you an exact percentage, but I know of a lot of people that purely just send their stuff into the accountant and they just say, oh well buy a Cruiser or not this year, or go and buy 100 grand's worth of fencing materials or something like that, like people hate paying tax, they really hate paying tax. DCAP_46

They may not know really how to do it that well or they may just rely on accountant to do it. It’s well and good to use accountants. They’ve got a highly valuable role to play but there’s got to be a bit of to and fro between yourself and your accountant and yourself and your accountant and your bank manager. DCAP_27

The main feedback they get is at tax time every year. Of course tax is not always a realistic view of what’s happening anyway, it can be fairly artificial at times. Some of the key performance indicators and things that a big business would use I think would help a lot of people in these situations that. Again, like you say, you still have the financial literacy to go with it because we can spit out all these figures and graphs and whatever but unless you convert it to something that people understand. Grazier_02

4.1.3 Consequences of financial pressure for drought preparedness and management

The consequences of financial pressure for drought preparedness and management were also discussed by the interviewees and included: limited cash for “drought proofing” infrastructure and practices; and overgrazing and not destocking enough during drought, to meet existing financial commitments.

Limited cash for “drought proofing” infrastructure and practices

It can be expensive to effectively prepare and manage for drought, on grazing properties. It was thought by the interviewees that a lack of cash flow prevented many graziers from making the necessary improvements to their property or enabled them to adopt strategies and practices to protect and improve their enterprise’s resilience to drought in the longer term.

I think [a lack of cash flow] limits their options. So it makes preparation for drought difficult and it makes surviving droughts difficult. DCAP_04

You can only prepare so far without a bottomless pit of money. DCAP_10
Yeah, they don't have the management control I suppose and that's partly infrastructure - the number of paddocks and maybe yards and laneways perhaps. Just the things that make it easier to go and get your cattle, get them pretty quickly and process them. They just don't have the infrastructure or the opportunity - they don't really have the opportunity to practise it. In order to do something like that you'd have to spend an awful lot of money on subdividing your paddocks, improving your fences and they'd probably say, well it's not worth it. I'll have to manage some other way. DCAP_05

Well, I'd probably say financial but that's - it costs a lot of money, I think, to prepare for drought, so there's a lot of people that don't have the funds there. DCAP_23

These breeder operations are inherently expensive to run. If your reproduction rates are low, when you bring down your overhead and direct costs to the number of weaners that you pull off, they're incredibly expensive. We've known that cattle prices aren't keeping up with those expenses for 10 or 15 years. We've seen a lot of infrastructure decline, so it hasn't been maintained. Fences aren't being looked after; the water et cetera, so there hasn't been a lot of repairs in maintenance. On top of that there hasn't been any new capital money going in to maybe give us a few more paddocks and a few more grazing management options or breeder management options. So there hasn't been enough money for people to pay principal. DCAP_34

I think it's the whole money thing, because a lot of the stuff that I - you're talking about, if you're talking about exclusion fencing and internal fencing, none of that is cheap. DCAP_37

They do make some drought preparation, as much as they can. Probably not as much as what it should or could be. Because of the costs. So in this area because it is Mulga, Mulga Lands, in times of drought having mulga, there's always some form of fodder for stock if you have the fodder harvest seed permit. So if you have mulga and also if you have good water infrastructure throughout the property where that will allow you to use the mulga on your place for fodder, you're really really in a good position. So water infrastructure or good water infrastructure is important but it is expensive. DCAP_39

People have got to make use of those droughts to go and make their dams bigger, et cetera. like there was a lot of money that got forked out for that...but like you've got to have the money in the bank to be able to do that then. DCAP_46

They're able to just maintain the status quo, but they're not in a position to make investments in the property that would improve its viability and therefore [unclear]. So that's the new water points, the fencing that allows you to do rotational grazing, and [unclear] and spelling, the things that you need to do to maintain your pastures in good condition. If they just can't rustle up the thousands of dollars they need, then they can't, they don't. DCAP_42

It's about investments - you know, how do we drought proof this place? What sort of investments can we implement to try and manage for drought and often what we're seeing I guess is that people usually have to take on more debt to invest in these things and that's a real problem for most people. There's a big risk there so it doesn't always happen. DCAP_pilot_02

Your water infrastructure is something that you should probably look more at during your normal time where the urgency is not there. Yeah poly pipe and artesian water or de-silting dams and that sort of thing. Just in preparing for...probably more something you do during dry times when there's no water in your dam. But that's generally a time where you don't want to be spending on capital expenses where - but it makes more sense to do it when the dam is dry than not. So it's hard to prepare for that, I guess, because in an average season
generally your dams would be full and it's harder to de-silt. Whereas when its drought is generally when that dam would be at a level that you could deal with it. But it's also the time where you wouldn't want that extra cost because you'd be generally feeding and what not. DCAP_Grazier_07

They are probably struggling financially or heading in that direction anyway. So they probably don't have the funds to implement practices to prepare for drought or their time and other priorities. Like if they're stressing about their financial situation they're probably not going to be focusing on measures to put in place to prepare for drought. DCAP_13

Pretty much the majority of preparation options available for people to prepare for drought involve a significant amount of cash, so either working capital or investment-type stuff. General debt positions usually put a reasonable amount of pressure on a business to be able to accumulate those sorts of reserves. Either significant [can] capacity set aside for those drier periods, or fodder reserves, or just straight out cash reserves. DCAP_40

I think they might understand that they can - what you know what needs to be done. Like they might need a lot of water infrastructure. They might need this, they might need that. But the money's not there for one reason or another. Like they could sit down and do a budget and say okay yep well to be - to be able to retain our stock we need to be able to put - you know sink bore or we need this many tanks and this is how much it's going to cost. But they mightn't have the equity or the capacity there to be able to borrow the money to do that. DCAP_39

High levels of debt make it really hard if you're going to do any NRM type activities or land improvement or pasture improvement or water improvement, or set up a soil grazing operation to try and extend your - so you get better land grass growth and ground cover and all that type of stuff all takes money. That's the harsh reality of it. DCAP_03

I've got this belief that if people have money they will look after their place but if they're borderline then they'll look after their families' education first, and you've got to feed yourself, so all of that comes first. If at the end of the day if there's nothing left after all of that, there is no cash for improvement, is there? ...It's hard to stay out of it because you see your property and you see all these things you'd like to do and what you could do, and the potential of it and what you could actually make of it, but you just can't. DCAP_Grazier_01

I actually don’t think the rest of its rocket science. I think it's just money… I think once you get that sustained profitability, people tend to have better infrastructure, better water infrastructure, and they tend to spend more money on their pasture development and those sort of things… Look, I suppose increased profitability in the industry should, by rights, put people in a better position to improve country, improve pasture and improve water infrastructure which should lead to a higher level of drought resilience. DCAP_Grazier_09

In addition to cash flow, labour constraints in particular, having limited access to extra labour to help with implementing “drought proofing” infrastructure and practices was also seen as an issue influencing drought decision making.

Labour is a real issue, yeah. DCAP_Grazier_03

Always the money’s not there to employ people to assist with managing stock or doing anything much. So either Mum or Dad, whoever stays at home, is doing the whole lot. DCAP_39
I see a big lag in the ability to get people to help as well. Because we're pretty much a seasonal thing, we do two rounds of mustering a year, or most of us do, so we all need people all at the same time. It makes it really difficult to find people when you need them, and the flipside of that is you're not going to get someone to come and work for you for eight weeks a year. We can't offer someone a permanent job because we can't afford them, and yet we're all chasing help all at the same time, so that's a huge drag. So you just work your kids and you work your parents...you then tend to work your work around your kids' holidays. DCAP_Grazier_01

I mean, these are that perfect of asset rich and cash poor, is this production system, this extensive beef production system in the far north is - it's an extreme example of that. Because these are people who can't afford - in many cases can't afford to employ casual staff and things. They've got to do all the work themselves and it just seems insane that they could potentially have a net worth of $10 million, $12 million, $15 million, and not be able to afford to pay anybody to help out. Yeah. That doesn't happen in any other business that I'm aware of. DCAP_35

Overgrazing, and not destocking early enough, during drought, to meet existing financial commitments

According to the interviewees, the most prevalent consequence of financial pressure for the industry was overgrazing, and not destocking early enough, during drought conditions.

It was thought that many graziers “manage” during drought by over stocking, thereby risking the longer term sustainability of their properties and enterprise for the short-term cash flow to meet existing financial commitments, despite potentially making themselves more vulnerable to drought, in the long term.

Debt is probably a reason why - well, it is a reason why people are probably running their places harder than they should be and therefore that means drought may hit them more. Debt is a massive problem in the industry. I don't think the industry fully is aware of how big a problem it is... In the post-drought years is when debt becomes more of an issue because people are in what I call the drought recovery juggle where they're juggling cash flow, livestock numbers and land condition. DCAP_04

If the bank's breathing down your neck you're going to try and hang onto cattle you shouldn't hang on to. DCAP_22

If people have got high debt, they might try and keep cattle longer, just to try and get more value in those cattle, rather than say, “Righto, it's turned dry. The outlook's not that good. I haven't had my required amount of rainfall and grass growth”... I just think high levels of debt make people think, not necessarily clearly. They've got something in the background...They may not sit down and actually have a - they may do gut feel type decisions, rather than sit down and think, if I sell these animals rather than this lot, because these animals are worth more now, but in the longer term, it may affect my long-term profitability with regards to that. It - I just think it just provides that extra level of complexity to the decision-making. DCAP_03

Some will admit that they run the country hard and a lot of the time they get away with it. Like something will happen and yeah, no, definitely, some admit that they push country hard, but they keep bringing up, oh well, I just have to pay the bills, et cetera. Definitely a recurring theme, though. DCAP_46
The profit margins are pretty low. They just don't have the financial reserves to get through those times. Yeah so, again, they're just very reluctant to sell to reduce their numbers because they know what they need to have to pay the bills and they don't have much in reserve and there's not much in the bank. DCAP_04

I think that even if they see [the likelihood of drought] as being high. Even if they have got a realistic view of drought occurring, I think most of them think the cost of always being prepared for two or three years of drought is too high. So they're prepared - they prefer to run more cattle. Take the money while they can and then deal with the problem when it occurs type of thing. DCAP_09

I think a lot of it comes down with financial situation there as well and a lot of them are under some financial stress and in that situation I think a lot of people are hoping for the best and probably willing to take the risk, hoping it's going to pay off. So they delay (destocking) decisions which might have some negative impact, but hoping that it won't come to fruition I suppose. DCAP_19

It’s a case of in many cases very flat pay off functions or production functions. So if you increase your cattle numbers by another five or ten per cent, country is very resilient, so you can run more cattle most years and so the extra payoffs look quite attractive. It’s a balancing act between more cattle but the ones that are there then doing a little bit - fattening a little bit slower. So the trade-off’s, the people who run slightly less cattle do better over the long run but not necessarily every year. That's what I mean by this trade-off. The payoff functions are fairly flat. What we've found is that the payoffs depend largely on which lot of 20 years you're in. If you get a wet 20 years you do really well. If you get a bad 20 years you do really - you can do quite badly. So that's where it's - all we can do is say this - looking ahead, the next 20 years and just taking the last 100 years as a guide, this is how much you think - we'll think you'll make out of running with this livestock grazing pressure. But if you get a run of really good years you can do better. So I think over time the more conservative landholders do better. But the challenge is that you want in some ways to be risk averse about your land management but probably risk neutral about business opportunities. So this is where sometimes you see the people who are risk takers, they don't necessarily do the best for the land but they often do - don't do too badly because they get business opportunities along the way. Yeah. So it's a mix of horrible - of different trade-offs. DCAP_09

It's sort of a catch-22. That you've got to be conservative to be profitable, but some people sort of have to be profitable to be conservative. The people that are in between feel like they've got to push the system to make more money. Because I've got to keep paying the loan, I've got to get more out of my paddock. Sometimes that's okay, but you can only get more out of the paddock to a point and then you get less. Then you have to have less to get more. DCAP_pilot_01

They're in a situation where they've got to push things to the limit. Drought preparedness is basically building a buffer into your system and there are some people who don't have the capacity to build a buffer into their financial system. So they can't or won't prepare. DCAP_01

So I think sometimes the ones who are strapped for cash are then the ones who have got this mindset they've got to have more cattle. So they tend to be if you like hungrier, trying to run more cattle, but then they get into trouble faster in a dry year. So it's a bit of a devil's circle and it's not really clear what comes first. It's often very hard for some people to be convinced of changing their stocking rate or their practices because they see this - the debt burden as being the key driver of everything. So they're reluctant to reduce their stock numbers because they're worried that they won't be able to service their debt… Debt for a
lot of people in their minds is their big limitation. It makes it hard for them to do things. Servicing debt is their key - one of the key constraints. So anything that’s going to change their operations and future income is - can be concerning. So that’s one of the difficulties with reducing numbers back is that it’s not quite as - just on the simple cash flow, if you’ve got 10 per cent less bullocks every year, that’s 10 per cent less income. DCAP_09

A lot of people are under financial pressure So, they're going to try and push the country as much as they can to get as much out of it. They'll try and pump as many animals on it as possible to sort of meet the bank payments. DCAP_12

Of course when you're under financial stress that's when you want to take the risk of having more animals, hoping for the best too… If people are allowed to get into financial stress as far as rack up big debt against their properties or whatever, it’s going to add to the problem because they’re always going to be trying to maximise income in any one year which means that they’re going to be stocking higher most likely, which means you can’t prepare for drought if you're stocking, pushing it already. DCAP_19

If you're under a lot of financial pressure, you're more inclined to run it harder, as in probably run more livestock than you should be running, as well as take more risks because the pressure's on to make money. It's very easy to see how if you run more cattle you can potentially make more money. So that’s a very powerful influence on people who have got financial problems. …Of course, if you've got a bank breathing down your neck or you've got to try and expand the business to bring in another generation, you aren't thinking 30 years in time, you're thinking about how am I going to make this thing work this year and the next five years and winding it up in numbers is a - it looks to be a pretty good way to go for a lot of people. DCAP_22

A good percentage of them still continue to over graze. It becomes this vicious round circle, catch 22 situation. They need the money so they over graze, they don't let the pasture recover. DCAP_26

If they’ve got a lot of debt sometimes they need to carry so many cattle to manage that debt and they’re just worried about reducing their numbers too far to build it up. Also, some different loans and different, how your mortgage is set up, they might have your herd valued at a certain amount and if you start selling down below that amount that might cause them to review your loan or something like that. It's different things like that can happen. So one bloke said to me, said oh, my herd's all - I've got to sell everything for an average above, whatever it was, $500, and he said if I sell stuff below $500 it can lead to a review of my loan. See once you've got a review the banks can call you in then, they can say oh, you're a bit shaky, we want you - because they can make you - they can say at any stage of a loan we want to see some more, we want to see you inject some more cash into this loan to reduce your debt. DCAP_32

For a lot of people is there’s a lot more pressure, financially, now, than there ever was, so there's pressure to run more cattle. DCAP_35

Debt's a big deal. I mean, there's other aspects to drought, of course. It's a shortage of pasture, but often the overgrazing, at least the shortage of pasture, can be tracked back to a producer's business. The pressures on them, the financial pressures they have, they keep too many stock for too long because they're reluctant to destock, because they know they won't be able to afford to restock. Well, that's what drives them, what they lie in bed at night worrying about. They worry first about the bank manager before they worry about the condition of their pastures. DCAP_42

If you've got a debt of a certain size, well, to service that debt I have to produce so many say steers a year and to do that I need so many cows to produce that and not sort of
thinking that potentially they could run fewer cows and actually produce the same number of weaners or probably more just with fewer animals and better management. DCAP_43

If they’re carrying that level of debt and they know that they have to have X amount of cattle to service that debt, then it’s a really tough call to sell down below that number, because basically you know you’re screwed. DCAP_Grazier_01

When their debts are the highest and whatever, even if they’re buying a new place or a bigger place or whatever. The temptation to run it harder, not just the temptation but the justification for running it harder appears to be there. It’s very hard to go back to the old regime. Of course, like I said, technology, you’ve got all these licks and mixing trucks and they can build better roads now around their place. Some of the molasses they cart around up in the Basalt country, you couldn’t have done that 30 years ago, your truck would fall apart. Now they’ve got a grader and a loader and they build a road around and they get a bigger truck and they zoom around. The improved genetics, they’re less likely to die on you. DCAP_Grazier_02

Whereas anyone that’s really relying on the income from the livestock, and they’ve got that extra financial pressure with the bigger loan, would feel a lot more pressure that they’ve got to keep making money out of that livestock system. They’re going to be at a higher-risk position. But it also will just probably make it harder for them to sell as well if they think that cattle equals income. Then there’ll be others that maybe they feel that they have to keep pushing the system to make more money. They sort of feel like you’ve got to keep - you know, a bit of a numbers game. DCAP_pilot_01

It was also acknowledged that some of the most financially successful graziers are deliberately overgrazing.

The other thing is that like some of the most successful people are land floggers. Like there’s a stud that’s down here at Flaglan and they’re the best operators with their cattle. Their animals are just magnificent but they flog the country something chronic. DCAP_12

One of the worst operators up there - there’s a whole family of them and they just - yeah, [overgrazing] is their policy. That’s what they say. They die in their thousands in the drought and breed back in their hundreds. But they’re doing well and they do turn up to field days. DCAP_14

One of the things that I’ve heard in the last few years was from a well-respected bull producer who makes a lot of money from his bulls, why he prefers, I’d say he prefers his country to be a little bit overgrazed, in some people’s opinion, is because hell, if they can survive there, they can survive anywhere. So, that’s a marketing attribute for him. DCAP_18

Adding to the argument for overgrazing was the lack of strong evidence of a link between conservative stocking rates and increased profitability.

It is a very hard thing to get good economic data to demonstrate that you are going to make more money by stocking conservatively. DCAP_22

If your starting land condition is good, reasonable and particularly if you have a run of sort of pretty good years, then the economic and bioeconomic modelling tended to show that if you start with good land condition and you have reasonable seasons, in the short-term, let’s say five to 10 years, you certainly will make more money running the country harder and having bigger cattle numbers… I think [grazers] tend to think that in the longer term, that’s what you should do as well. DCAP_43
I think that we're very fond of saying if you stock conservatively you're going to make more money; it's not quite as simple as that… I don't believe we have a very powerful economic argument of the economic benefits of conservative stocking in the longer term. There's economic stuff done on the basis of the trial, such as at Wambiana [Station]. I think it's probably as good as you could do. But what we're handicapped by is how relevant that is to a real world grazing business, because they could find no clear linkage between stocking rates, grazing pressure and the economic performance of those businesses. DCAP_22
4.2 The nature of grazing production systems

The inherently complex nature of grazing production systems was thought to adversely affect decision making for drought preparedness and management. For example, the subtlety of landscape change by degradation creates the perception of a resilient grazing ecosystem. In addition, the long cattle production cycle, often spanning several years, makes it difficult to see the cause and effect of poor management decisions, such as overgrazing. Finally, the relatively flexible decision windows of cattle production facilitates delayed decision making, such as delayed destocking decisions, which can reduce an enterprise’s ability to withstand drought, in the longer-term.

Perceived resilience of grazing ecosystems

It was recognised that grazing ecosystems can be quite hardy to temporary overgrazing. This hardiness, combined with the subtlety of landscape change, in which it can often take a long time to notice degradation, has resulted in many graziers possibly thinking grazing ecosystems are more resilient than they might be. As a consequence the interviewees believed many graziers are prepared to run higher stocking rates, often to meet the financial commitments discussed in section 4.1.

Most grazing landscapes are very resilient in that if you push them one year, they'll probably recover pretty good and if you push them two years, they'll still probably recover pretty good but if you keep pushing them year after year, you eventually get land degradation of course but they are quite resilient. Just because they're [easing down] this year, yeah it's not going to be catastrophic if you keep pushing it next year. They've still got potential to come back because they're resilient and that's in the pastures and also the cattle too. DCAP_19

In the short term they can make money with bad management and having too high a stocking rate. It's very resilient and takes a long time to change downwards and upwards. The Wambiana grazing trial, they've got nearly 20 years of data there. One treatment there is twice the stocking rate of what's considered sustainable and the cattle are fat there now. [Laughs]. The pasture hasn't really crashed. The perennial grasses are still there. They're still there. They're smaller and there's less of them but they're still there and still producing cattle. It can take a hell of a long time to crash it and to pick up. A lot of those changes you won't see with the naked eye. You really need some data on it. That's part of the problem, these things are incremental. They can sneak up on you. DCAP_14

You can run a lot of stock for a short period of time and not have bad consequences on your land condition. For example, in the winter period when those pastures are dying you can graze them down quite heavily to that sort of height and it won't have a consequence at all. But if you keep doing that, especially in the spring and early summer - the heart of the season, then it'll kill some of the tussocks and some of those plants and they gradually die out over time. What they probably don't know most of all is that land condition does decline slowly but it's an even slower recovery process. DCAP_44

In the beef business you can slowly bleed to death and your land condition can slowly degrade and your carrying capacity decline without you actually realising it and often without you linking it to management. That you tend to attribute it to the climate or the droughts or say it's we've had another dry year, whatever, when in fact your country just isn't responding as well as it used to. DCAP_43
I think it's a very attractive idea that if I throw in a few more cattle I'll make a bit more money. You will, it's just if you keep doing that, then you get longer term decline which is very hard to see. DCAP_21

We start seeing difference in profitability pretty reasonably soon if you hit the dry years, but the impact on land condition is a fairly slow process…you're talking about five or six years type thing. DCAP_19

The problem is that most land is particularly resilient. It takes a long time, except for stuff that's particularly fragile, to really cause serious damage to it. So in the short term, you do make more money running it harder than you should. In the long term you're going to have an impact, but many people, that time is outside their planning, thinking horizon. Of course, if you've got a bank breathing down your neck or you've got to try and expand the business to bring in another generation, you aren't thinking 30 years in time, you're thinking about how am I going to make this thing work this year and the next five years and winding it up in numbers is a - it looks to be a pretty good way to go for a lot of people. DCAP_22

They might think that it might get a [overgrazed] this year but it'll come back; it'll be all right. They don't understand how the resource is going to react in detail and those who have an inkling that it may have bad consequences try and ignore that because the immediate needs are paying the bank manager. DCAP_44

**Long cattle production cycles**

Many of the interviewees spoke about the role that long cattle production cycles played in limiting effective decision making during drought. Specifically, as the average cattle lifecycle spans several years, it's very difficult to make changes to grazing operations, thereby reducing their ability to quickly respond to climate fluctuations or forecasts. In addition, the length of the cattle cycle meant that it can often take a long time to see the consequences of poor management practices, such as overgrazing on productivity outcomes.

You nearly need two or three decent years in a row to really achieve anything in grazing. DCAP_Grazier_06

See the production system in cattle breeding enterprises, it's 12 months probably before they can actually sell - they've decided to breed the cow. It's nine months before she has a calf and then it's a few more months before they could actually sell her or sell the calf. They lock in decisions that they've made 12 months ago really. By the time they get 12 months ahead with this calf on the ground the conditions have likely changed greatly since they made that decision to breed their cattle and to keep those number of cows. Because once the cows are heavily pregnant then you can't really sell them. You can't transport them. People are locked into those - so that reduces the flexibility they have with responding to the droughts, even if they wanted to. DCAP_05

If you go into the breeding game and you're only going to produce a calf and wean a calf then, like it'll be a few years before you actually generate income…Like if you put your bulls out now, well let's just say you put the bull out at end of October, you're going to get a calf on the ground August/September next year and then you'll wean the following year and then yeah, you might hold that animal, if they sell feeders, it might be another 12 months after that, it could be like - what's that, '17, '18, '19, yeah, like it's a few years.. DCAP_46

The production cycles are so long. The cow and the bull go together. Nine months later, we get a calf and six months after that, we take the calf off and then we grow that calf at two and a half years before we sell it. I've been on a dairy farm and you put in legume grass
pasture and you put fertiliser on. You get the feedback straight away on good management or good feed. In the beef game, you don't get that. You sell the cattle maybe two, three, four, five times a year, but what you're doing is not having an immediate impact on what I'm making. DCAP_36

The problem is the time connected between the two. So you can supplement a cow this year and spend a heap of money supplementing that cow so she gets pregnant next year at the end of the year. So nine months time. She then has a - she gets pregnant then. She [doesn't calf] for another nine months. That calf has got to then grow for another two years. So you're already up to three and a half years down the track from you spending the money on that supplement to get that cow in a good enough condition and that's the real difficulty in cattle you're actually selling to the meat works today are the costs you spent two years ago. DCAP_19

Beef production has a long production cycle (39-45 months for a heavy bullock) and cannot be stopped and started. With breeding enterprises you have to own a core herd as it is too hard to get in and out of them. Because mating and the subsequent calving only happen once a year, management and overall planning must be based on the long term climatic pattern for the region e.g. use of green dates to plan mating and calving. Mating and consequently calving cannot be changed in response to forecasts. DCAP_22

If you have high stocking rates with growing cattle it's pretty straight forward, growth rates drop, they're not as heavy when you sell them, they're not as good a quality in terms of carcass traits or whatever. You get less money; it's much more clear cut. With breeders, if you run breeders at higher than required stocking rates, you affect their performance. But it's not as clear cut or as dramatic the impact. The other thing that happens with breeding cattle is the impact of high stocking rates. You see it in terms of body condition, but the impact ultimately in terms of pregnancy rates, weaning rates, takes time to appear. If you make a bad decision about stocking rates this summer gone by, your cattle are calving in light of the normal condition. You will get a poor pregnancy rate in the mating coming up over this summer with you won't detect until you preg test next May, June. So the decision that produced the poor result next May, June, was made last summer. So in May, June next year you've got a low pregnancy rate. Well yeah, that's bad luck. Generally, the world doesn’t collapse because of that. The next consequence of that is the impact on branding. Now you don't see that impact until January 2018 because the cow that's pregnant in May, June next year, she doesn't calve until October, December 2017, you brand the calf in year 18. So again, the decision that was made summer of 15, 16, come the next outcome of it after a pregnancy rate in 17 is a branding in early 18. You don't mean that calf until May, June 18, and the earliest you're probably going to sell that calf is in 2019. If you're a bullet producer, you don't actually and see it until 2020 or 21. So there’s not a real powerful linkage between the decisions getting made today and the ultimate consequence. That's why it's a lot harder to demonstrate the impact of the stocking rate grazing pressure on the economic performance of the herd....If you line any one of us up and ask what was happening the summer of four years ago, we’re going to struggle with a lot of detail. It keeps coming back to the fact that you're running very complex businesses over a long time horizon. There's an awful lot to grasp and keep getting right sort of thing. There's an awful lot of gambling goes on seasons, and if the season runs with you it often works out. It's when the season runs against you then that's the problem.DCAP_22

I don't want to say the beef industry is unique, but in terms of that complexity I think there are many parts of that that are unique. One part of that is the long production cycles. So for a heifer that conceives now to when she in turn weans a heifer calf, in a lot of the northern forest country is five years. So there’s not quick feedback in systems if I’m doing things wrong. In a farming operation, you grow a crop of spuds; something goes wrong you don't get the cash flow that year. Same with the dairy…People - unless they're actively
monitoring it closely, you don't see that change. With those long production cycles it takes such a long time to link what's happening with the reproduction rates or death rates or growth rates and linking it back to a decision I made. So not only have you got seasonal variability and variable feed supplies thrown in, but you've got country inherently producing less. So there's a compounding problem there. So it's almost too subtle for people to see. In many cases not very subtle at all. There's no people going, "I've got to do something. This paddock really only runs half the three quarters what it did when Dad had it", there's not a lot of those light bulbs coming on there. DCAP_34

Flexible decision windows

Due to its low input nature and long production cycles, grazing operations have a relatively flexible decision window, compared with other agricultural industries, which can facilitate delayed decision making (e.g. delayed destocking decisions). As a consequence, it was observed that many graziers didn't have firm decision dates that they adhere to.

My experience of being out west on some of the bigger blocks is if it’s not right in your face, you can let a lot of things slip. That's - I mean that's the biggest decision - I've always argued this - is the difference between beef producers and horticulture or cropping producers, especially in terms of climate risk management, is that the cropping people have to make a decision. Everything's done in windows, or preferred windows, so they can push the margins a bit, and they certainly are, with warmer winters and stuff - planning a bit earlier and everything else like that. A lot of people are pushing the margins a bit. But I mean, they have to make a decision. Whereas, if you're a beef producer on a big block out west and you've got good equity, you can let things run a bit longer. You don't have to make a decision. DCAP_03

There is a little bit of a different mindset to a lot of producers, which is, yeah, they'll get into January, oh, it hasn't rained yet. Are we going to do anything? No, we might let it wait another month or two and just see what happens. Whereas with a cropper, they have to make a decision. I'm not entirely convinced, particularly in extensive grazing you have to make a decision. DCAP_03

They don't have key dates that they want to stop by, and this is what we're trying to get. If they have a key date, they don't stick to it. They say oh well I'll just give it another month. DCAP_27

It's about understanding what we call key decision dates. It's about doing your planning for your next 12 months. Setting key decision dates and understanding what rainfall have you had by that point. If you haven't had X bit of rain or whatever, then the decision is we've got to reduce stock. It's important to understand that matching that date up with markets as well. Because most people make the decision say in - and I'm trying to remember the exact dates here. Most of them make their key decision date in October, for example. But everybody makes the key decision in October. Of course everybody then tries to sell in October and therefore you get a low price. Whereas if you make a key decision in August and you sell, no one else is selling so you get the higher price. Even by de-stocking you're still making good money. It's about understanding how it all connects. DCAP_41

It's about having logical decision points locked in. So, for instance, you should expect rain - we shouldn't expect - shouldn't expect rain before Christmas/New Year here. Yet, a lot of people live in hope of October rain and hence don't have a fixed decision point around September or a lot of people will get to, say, the end of March, which is essentially the end of summer knowing that it is possible to get good rain in April/May, even though it's highly unlikely, and stretching out a decision that they should have made at the end of March until
May or June type thing. So, yes, it's more about people being disciplined and having decision points. By the end of March, if it hasn't rained, I will start destocking. Others say everything is so variable out here that you can't have fixed decision points, that you need to be flexible. But I think in reality they're just justifying not being disciplined, because you can always get to the end of March a decision - being disciplined can still mean that you get to the end of March and make the decision that you - that you're actually going to wait another two months. I mean, that's still a battle of decision, but at least you've been disciplined in making that judgment. DCAP_24

The people who have structured plans, I need this rain by this date or this happens, they're by far, the minority. For the average family owned property out there, it is seat of the pants stuff all the time. They have some general dates in their head like you know, we muster about now, and we sell cows or animals about now. Then obviously, that's balanced up a little bit by the market prices and that sort of thing. But yes, the exact timing of those things, the timing given to fit in with other criteria like weather conditions et cetera, doesn't happen a lot. DCAP_15

A lot of them hold on. It's the uncertainty. It's easier for us to say, this is how your strategy should be when there's always a chance it might rain the following week. People are reluctant to make decisions that are going to affect them long term, such as selling or destocking, when there's a chance it might change. The whole scenario could change so quickly. But people have got to have dates, or whatever it might be when they make decisions and they stick to those decisions regardless of what the future might hold or what the forecast might be. I would say the majority don't do it that well. DCAP_3

People don't put a stop date on how long they're going to feed for. So I think the people that are preparing well say "okay, I will feed for a year, and then if it's still dry next year, I will sell". But I think the people that have really got themselves into trouble have just fed, and are like oh well I've fed now so I've spent all that money, and I can't sell them because I've spent all that money, so I'll feed again. But then you don't have any cash coming in, you've got cash going out, and you've still got a skinny, unsaleable product. They don't have key dates that they want to stop by, and this is what we're trying to get. If they have a key date, they don't stick to it. They say oh well I'll just give it another month. DCAP_27

Graziers don't see the timing as critical. The ones who are a bit more lackadaisical well yeah, she's just, oh you know, it will be right they can wait for another week. I see it all the time. All the time. They don't think timing is critical. A lot of it would be oh we'll just wait and see you know. Let's just wait and see. See what happens. Then it's too late. When you've got to see what happens it's too late then. DCAP_11

People's planning horizons vary a lot. I remember talking to one grazier who, in my mind, is quite successful and seems to plan well and asking him about long term planning and this was probably just at the start of the drought. He said, for me, long term is next month… So I think also people get locked in when it's - probably particularly when it's a drought. The focus is just on survival. The focus is not on the longer term. People make decisions on the fly like that… [rather than] having strict decision points, being disciplined. DCAP_24

[Name removed] he sort of makes that comment as well. He says, in some ways the cropping people can handle drought better because they're more date orientated. They know they've got these certain windows that they have to act by. Whereas the cattle people don't have those hard and fast windows. DCAP_pilot_01
4.3 Management focus, record keeping, planning and decision making systems

A number of different, but related factors that limit good drought decision making have been broadly grouped together as management focus, record keeping, planning and decision-making systems. These comprised: having a day-to-day operational, as opposed to a risk management focus, or having a cattle but not a pasture management focus. In addition, many interviewees spoke about how a considerable proportion of the industry have low levels of record keeping and undertake minimal formal planning activities. It was also acknowledged that there are many complex and varied decisions to be made in grazing enterprises. In times of stress, such as impending or prolonged drought, this can lead to compromised decision making for drought preparedness and management.

4.3.1 Day-to-day, operational management focus

Drought preparedness and management was seen by the interviewees as being largely a risk management issue. It was thought that many producers employ a day-to-day operational management focus to their enterprises, as opposed to a more strategic risk management approach. This focus was seen as negatively contributing to drought preparedness, and to a lesser extent, drought management. Essentially, it was believed that many graziers were so busy focussing on the daily tasks of running their properties they were not considering longer-term or more strategic decisions affecting their enterprises, such as identifying and planning key decision dates for destocking during escalating drought conditions.

"It's all a risk management approach with lots of uncertainty. Again, that's a real skill I think and you have to work at that pretty hard to be able to make that work for you, to be a really good risk manager, because there are lots of uncertainties that are just there with cattle production, with the climate and with the markets. I think a lot of them are not very good at [risk management]. I don't think they have that skill. DCAP_05"

"A lot of people just live day to day I think. I think it's just human nature. DCAP_05"

"They don't understand the relevance or don't see how [thinking strategically] is more important than me going out and fixing up that leaky dam or repairing that leaking pipe or moving those cattle from this paddock to that paddock. So it gets lost in the immediacy of their other jobs. DCAP_15"

"There's a certain proportion that don't [think strategically]. They just live day to day; we'll go and muster some cattle today, we'll sell them tomorrow, we'll go and do some fencing the next day, we might go and kill a few weeds next week. DCAP_33"

"I think they just get caught in the rut of day-to-day activity and they just - maybe their mindset just isn't there for the lightbulb to come on. I guess it's those - some of those ideas have been around for a long time, like working on the business instead of working in the business - those sorts of things. They don't give themselves enough of a break away from that grind of feeding cattle and doing those day-to-day activities under those really tough circumstances, to then - I think to be in a head space where they can see. DCAP_35"

By focussing on the day-to-day operational activities, they were seen as being more reactive, rather than proactive in managing their enterprises.

"I often think people are motivated by problems as they arise, as opposed to being proactive and again that's just human nature. DCAP_25"
Most people, they’re not very proactive. They’re more reactive and they just tend to have fairly poor management skills I think… They just lack the management capacity or skills. I don’t know whether it’s skills but it’s more - people talk about a system of management. DCAP_05

A lot of them deal in that sort of headspace of responding to things as they happen on farm. They’re almost programmed like that to a degree, some of them, when the fence breaks you go and fix it, or when the trough breaks you fix it, or the water breaks you fix it. It seems drought may be similar that a drought has hit so we fix it. Rather than, oh, that trough is starting to bugger up, it may break in the next six months, we probably should put something in place to be ready to fix that…I’d say how they make decisions a lot of the time, is just reactive. Other than the big times throughout the year when things are happening such as calving or that sort of thing, or branding, or whatever it might be that they plan for. A lot of the rest of the year is just reactive sort of, oh, there’s no grass in that paddock, we need to be changed. We need to shift to a more - there’s a lot of reactive decision making. DCAP_36

I look at people I know in properties around here and some people never look busy. Yet you go to their place, you talk to them and they seem organised. They’ve just got their [word removed] together, they’ve got a plan, they seem to be able to organise stuff. They’re the type of people that probably run the local race club or the local bull sale. They can organise stuff. You talk to others and they’re just flat and nothing’s organised, but they’re really busy. Just running in and out of town, broke a pump, turn up there, half fix it, drive somewhere else, that breaks, the cattle got out, the fence fell down, the bore broke, we’ve got to get into town to pick up someone off the bus for school. Then they’ve got someone's broke their arm, or - they just seem to go from one drama to the other and you just go oh, that's just, that's them obviously, that's their life. That's how they manage and they get through. So we can put all the rules around and best practice but it's only a guide. DCAP_32

Lack of time was also cited as an issue contributing to this reactive focus, with many graziers not having the time to think beyond the operational aspects of the job to be more strategic, for the longer-term.

The [graziers] wouldn’t have a clue what's going on in their business…They still don't know what's going on, because they’re under time pressure. Don't say they don't work hard. They're working like dogs, living in poor conditions, but they're not managing the business, they’re not taking that step back and thinking what they're doing, where they're going and how can we do better?...They're – oh. Fix that fence. Fix this. We’ve got trucks coming next week. We’ve got a muster, a helicopter - all those day-to-day [tasks]. No one is getting that, sit back and having a bit of a look. What are we doing? Where are we going? How are we going?...They work like hell. They will be tired. They can't afford labour, so they're fixing the fences. They're fixing the truck. They're fixing the water pump. They’re fixing the tank, the trough. They're getting the mustering done, trying to do it without too many labour. They're working that hard. All the blokes that have gone ahead that I know have had the ability to get good people and keep them and be able to take a step back and start thinking a little bit more strategically about what we're doing and how we're doing it. All the good managers I know, they take a bit of time to reflect on what we've done and how things have gone. DCAP_36

I think [lack of time] definitely is part of it. Any farm, it doesn’t matter how well it’s run there’s always something to do. It’s just one of those things where it’s different to a lot of jobs where you do actually go home and you can switch off a bit. I’m not saying you can’t do it, you should do it, you have to do but it’s very easy not to do it for people. It can become a 24/7 thing. You live right there in it and there’s always something, especially on the family
farm level. There's always a trough or a fence or something or other… If you really don't want to do it anyway you'll find a reason not to do it. DCAP_Grazier_02

Similarly, the phrase “working in the business” as opposed to “working on the business”, was mentioned by a few of the interviewees. By focussing on the day-to-day running of the property, it was thought that producers are not thinking about the future or planning their business goals.

What happens is that they’re working in the business not on the business. They’re in there, cattle are getting poor, geez we better get some lick for that and they're working that hard just to keep everything ticking along. They don't sit there and go, righto let's just step back for a day and see what's actually going on and having that global view of their business. So we've got a problem coming, how can we do it. Working in the business, busy trying to get everything done and the pressure is coming on. Instead of going let's just step back and get somebody to come back in and maybe look over their shoulder, just remove themselves and see what they're actually doing. DCAP_16

You hear consultants talking about it, telling people to work on the business not in the business. It's that whole thing about it…Trying to get producers or stakeholders in a farming business or whatever, to sit down and spend the time thinking about that type of stuff. It's difficult. Or it's difficult for them to find time. DCAP_03

It's about working on the business not in the business, I think that’s a good analogy. Work on the business. How can we make it more effective? How do I run this properly as a business? Because you can enjoy all fruits of your labour if you've got the money, but if you're working in the business - this is where I'm seeing a lot of people, the day to day drudgery and the sheer despair of people, sheer despair of drought, that drought brings. It's not this drought, it's all the other droughts too. DCAP_02

There's those planners that they want to plan ahead, get everything sorted, put a good management practice in place and manage their risk as best they can. Yeah but there's the others that are obviously going to be lagging behind and just I guess holding out. They'd much rather be outside working in their business as opposed to working on it. Yeah, and so very removed from what's actually occurring from a financial perspective in their business. DCAP_13

Like a lot of people don't have goals with their business, a lot of people don't have documented vision. DCAP_46

In some cases, it was believed that they lack awareness that their enterprises could be managed better.

They're not in a situation where they appreciate what benefit they might get from higher levels of management, being more actively managing everything as much as they can, being on top of everything…I think they don't know. DCAP_05

They probably do think they're running a business but they probably don't have - they probably don't mix in the circles where they see that people really can succeed and can do better than they're doing… I think if they had an idea of how a successful business ran it might prompt them to change some of the way they do things. DCAP_23

However, for others, it was thought that they were not treating their enterprise as a business, but rather as a lifestyle and were “happy to poke along”. However, it was also acknowledged that attitude is changing, as it becomes more necessary to see it as a business.
For years we've been telling them they need to run them as businesses. But they don't. They still run as a lifestyle. They are still running them as lifestyles. DCAP_11

I think it's just the fact that a lot of people's aren't running their property as a business and making those hard decisions when they need to. They run it as a lifestyle… I find that producers might not recognise themselves as business owners and business people, CEOs of their own business. They actually just see themselves as - I don't know what they can see themselves as. A lot of people don't realise or don't value enough that they're actually a business owner and they have to make business decisions rather than just making operational decisions. Day-to-day operational decisions that to a certain degree anyone could make. I think it's improving in the next generation but I think some of the older people may not have ever realised that they were business owners. The accountant or whoever works out all that stuff, and they just keep chassing the cows around. DCAP_37

The days of getting up in the morning and catching a horse and running a few cows around, they're gone. Have been for years. As far as I'm concerned, that finished 20 years ago. If you don't run the place as a business now, you're not going to be here and we're seeing plenty of evidence of that now. DCAP_Grazier_02

There's a lot of emphasis I guess these days on managing the property in terms of a business. Often in the past it was sort of - there was a lot of lifestyle associated with managing a property. I think now people have to really run the property as a business and not factor in so much lifestyle. DCAP_pilot_02

A lot of them are just going with the whim and just, oh well I'll try that, because a lot of them, as we know, are sitting, like have inherited properties, they're just sitting there on million dollars of assets and that's how they keep ticking along, it really is. A lot of them are just content with what they're doing, they really are…. Some guys are just kicking goals left, right and centre and others are just happy to poke along and just old brown cow, run 50 head down there and just poke along. DCAP_46

There could be everything from, yeah, not seeing it as a business, not interested in running it as a business, through to not wanting to pick the skills up to run it in that way. DCAP_10

You can ignore it and go outside and work hard, and people do work hard, and not focus so much on the business side of it. I think that is changing, it's going to be more and more necessary to do. DCAP_04

4.3.2 Cattle management focus

In addition to a daily, operation management focus, it was also thought by many of the interviewees, that a considerable proportion of graziers in the industry were too focussed on the management of their cattle, instead of the expenses of their land and pasture management. Having a cattle, but not a pasture management focus, was thought to hinder strategic decision making for drought, especially as the landscape gave earlier warnings of drought stress, than the cattle.

The extension officer [name removed] only been here a year and he said “the sooner we can get people in the pubs talking about pasture instead of talking about cattle the better”. He calls it the cattle culture and that's really what the industry is. It's starting to change. It's starting to change from the cattle culture to the pasture culture but it's a hard one to break. More and more people are switching and there's some great examples of people that first and foremost manage pasture and everything else falls into place by and large…The blokes that manage for the pastures. They love their cattle too. They probably do more to look after their cattle than the people that just manage the cattle. DCAP_33
I think people are always in tune with the productivity of the animals - and that comes with the pasture as well as genes and all the breeding and that sort of thing. But, I think people [need to] become more and more used to the idea of monitoring the grasses and how much feed they’ve got and what’s the best producing pasture for my particular area. I think there was a real need to get people up to speed with the pasture side of thing. DCAP_02

I think some people know they’re running country hard but don’t see any way out. Other people it’s not even on the radar. I’d be more interested in buying bulls or going to campdrafts or looking at the cattle side I don’t sort of see land management as an issue. DCAP_34

Interviewee: I would say producers who use things like rotation grazing and cell grazing and all that sort of stuff, they’re managing the grass and they talk about the root stock and all that sort of stuff, not damaging the plant for grazing it too long, and that sort of stuff. That’s the sort of thing that this is - this is what that’s all about. My clients wouldn’t have any idea what that’s about.

Facilitator: Do they see themselves as growing pasture?
Interviewee: No, just cattle. DCAP_30

Cowboys or Grass Farmers? It’s that difference between people’s attitudes to their properties and how they manage their properties. It’s exactly, in three words, all those things I’ve just been talking about. Do they want to be a cowboy or do they want to be a grass farmer first? DCAP_44

They’re not assessing how much grass they’ve got. They’re not sort of formally or semi-formally sort of working out how much grass they’ve got, working out how long it’s got to last, how many animals they’ve got and then seeing will that grass last them until the next rains come… I think part of it is people look at their animals and they don’t look at the pasture. They focus - if the animals are in good condition, they think there’s no problem. Very, very often it’s - the animals are very - the animals are not a good indicator of what’s happening to your land condition. They’re using the wrong indicators. They’re just very focused on their cattle…It’s a mix of I think culture and attitude. That it’s very cattle focused and it’s also a lack of skills and quite simply not knowing their grasses and not having - not bothering to develop the skills about like working out how much grass there might be in a paddock, the actual yields. DCAP_43

Often people will look at their animals before they look at their pastures. They’ll judge condition of their animals well before they - and take that into account rather than looking at the pastures and then saying the pastures are in poor condition or there’s this amount of pasture there, I need to do something about it. The flow-on effect to that is that they only pick up symptoms in their cattle of feed shortages and quality shortages well after those things have occurred at the ground level. That’s usually two to four months difference in timing or it can be. DCAP_44

It’s very hard to generalise but I think a lot of people don’t really know their grasses that well. They judge their pastures more by the - by how the cattle look than by the actual measurement of the pasture. DCAP_09

They’re grass growers, first and foremost, and cattle producers second, which I don’t know, some people haven’t got that mentality, but I mean if you don’t have grass, you can’t feed cattle. Or sheep…I think everyone knows they’ve got to have grass. But some people don’t like to see grass unused. Whereas other people are quite happy to know that that’s their drought management plan. That they’ll have the extra paddock there, or they’ll leave this much. Whereas other people find that heartbreaking to see a good tussock of feed left.
That’s getting the message out there that we’ve got to do, to explain that leaving that tussock is pretty important for getting new growth, and that kind of thing. DCAP_27

Effective management of rangeland pastures is a bit more complicated than people think. So some of them have gone to ag colleges and learned about this stuff, and go to field days and absorb it and put it into practice and take it seriously, and some don’t. I think some of the station managers, the sort of people that have worked their way up the station hierarchy, they were stockmen and then they were head stockmen and then they suddenly find themselves in charge of the whole property. I think the emphasis for a lot of them is on the cattle and the cattle herd. So probably got a pretty sophisticated understanding of animal husbandry and know about ticks and all those things that make cattle herds go well or badly. But I think they might not have such a sophisticated knowledge of the ecology of the rangeland pastures that they’re working with. DCAP_42

Interviewee: The old-style producer is a cattleman, not a pasture doctor. I reckon that’s a big problem. 
Facilitator: Okay, why can’t you be both?
Interviewee: Well, the good blokes do. DCAP_36

It was believed that this cattle focus was actually causing some graziers to hold onto their stock for too long, at the expense of their pastures. Selling cattle was also seen as a difficult decision for some graziers, due to an emotional attachment to their animals, as well as their sense of identity as a grazer.

If the people are focussing more on the animals, they’re probably more inclined to hang on to the animals and it’s at the cost of the pastures. The pastures is the thing that actually drives the wealth potential of the business. Having too many animals is just really destructive and that’s where so many people get stuck. Understandably, it would be so easy to get caught. DCAP_pilot_01

I think maybe people love cows. We all love our animals. Do you have pets? Imagine having to give them away, I mean one pet is different to cattle, but people are in this game because they like animals. So when you have to sell them, and you see them all go, it’s pretty heartbreaking I think. DCAP_27

I think it’s also the emotional side and I think that’s often underestimated as well. Sometimes for some people, particularly those people who really do like to look after their animals, it’s a tough decision to get rid of those animals, because that’s part of their identity. They’re so familiar with their animals, their animals are an extension of themselves. Even if they’re running big numbers, people are always sad, always sad to be forced to sell animals, because they do have a strong attachment to their animals. DCAP_25

Well if you sell all your cattle what are they going to do?…I think it’s the whole thing about, when do you make that decision, too. It would be a hard decision to make. DCAP_37

4.3.3 Low levels of record keeping

Adequate and accurate herd records were seen as imperative to running a successful grazing operation, as they enable graziers to make informed decisions about any aspects of production including preparing and managing for drought. During the interviews, there was a lot of discussion about the low levels of useful records kept throughout the industry.

Some of them don’t know how many head of cattle they’re running. DCAP_33
Their record keeping on stock is not particularly good in the majority. They're keeping enough records for the tax side of it, but not for the management side. DCAP_09

Heaps of graziers don't know the basics. You could sit down with them and have a conversation around righto, let's just do a stocktake. Let's start with our opening numbers of cattle and they generally can give you a bit of an opening stock. But then trying to correlate that through to at the end of the year... DCAP_11

If they haven't got, yeah, good records on what their stock numbers are they're not necessarily going to know whether they're overstocked or not. DCAP_13

I think a lot it's pretty fuzzy stock numbers and movements... DCAP_21

I'm passionate about agriculture; it sounds I'm very critical of it, I'm not. I think I'd like to think I'm objective. Generally, just knowing how many stock producers have is a big battle, which might sound odd, but a lot of producers can't reference on their herd numbers over the year. Then knowing what their grazing load is, is difficult, a feed budget is not done. It might be done intuitively and not formally, but it's not well, done. DCAP_04

I think that a high proportion of the industry doesn't - I don't really know what the numbers are but just based on my observations of talking to people that spend more time with producers, it would seem that a lot of them don't have much in the way of records. They don't have much in the way - if they don't have any records I think that's telling you something about a lot of the areas of management, whether it's financial or herd management or grazing land management to do with pastures. If people haven't written things down they're probably not monitoring much or managing much because they just haven't got the records. DCAP_05

There's a lot of people who don't even know how many cattle they have, they don't know how many - how much it costs to buy that lick and how long did it. So like that financial literacy and impact on the bottom line, like these decisions that they're making, yeah, that's a big one, the lack of financial literacy. Oh just understand cost of production, in their kilograms of beef per adult equivalent, knowing how many cattle they have and all their different protein and energy requirements based on the kind of different kind of classes of cattle. Like some people just love big cows, but some don't think that they eat that much more grass when they do. DCAP_46

It is because it's hard to make - do any sort of options analysis if you don't have those records to start with and they're not accessible. So either they've got the records there in a filing cabinet for tax purposes, they're not accessible easily... A lot of them have very poor cattle records themselves, yeah. Like I'm - as an example, for my [study access], probably gave me some access to their tax records I could use to do some business analysis. It probably took me four hours to actually interpret them into some sort of management accounts to actually start doing some sort of analysis between years and things like that. Most landholders, they wouldn't have the inclination to sit down there or unless they've got a really important reason, they wouldn't bother doing it because it's just not - it's not easy. DCAP_16

I think some pretty basic, what I view as pretty basic management practices in terms of knowing the number of stock that you're running or the people are running, what their grazing load is which is quantifying how much they're eating and matching that against what your available pasture is. I do a bit of work in northwest Queensland and talk to some of them now, and they'll admit that in the first failed season in the summer of '12/'13, they'll admit now that they were carrying too many stock into there because they had three big years before that so the herd numbers had built up, and that they didn't move quickly
enough. Had they been keeping track of what their grazing load was and herd numbers and what their available feed was, that would have been obvious at the time for some. DCAP_04

They don't know where they're at as far as animal numbers go, productivity, so even trying to forecast what my sales strategy might be if I need to sell down. It's quite difficult for them. There's a fair bit of guess work that's got to go into making decisions. DCAP_31

A lot of properties don't even know how many cattle they've got on the place let alone what their cost of production is. Or even know where they're at the moment and know whether they're going backwards or going forwards or whether they can possibly improve things and what areas to target to improve… If they don't know their total numbers it's going to be really hard to work out their herd structure like how many cows they've got, how many weaners they've got coming off and how many - what's the reproductive efficiency of different age groups of cows. Then you start to segregate them and target feeding and those sorts of things and get some efficiency but unless you know those numbers it's going to be hard to do that. DCAP_14

The business management is very poor. Record keeping is very poor. I can remember 20 years ago, a young fellow took over and I was saying, there's too many cattle dying on this property. He started keeping records and those weaners that come off the cow in the first year - and he just did what they always did - 20 per cent of them died. He just [word removed] himself. He said, I never realised. I said, well let's do something about it. That's because you take records. Just like any business, you can identify problems. Most of the [graziers] who went down, they don't take records or haven't got good records... It is a complicated thing. If you look at a herd - you had a breeder herd - and you've got a range of ages, say from 12 down to two - you've taken calves off them, your cattle are dying, you've got heifers - maybe one, two and three years old that are growing up to go in the herd, you've got steers that you've got to – oh it's all complicated and it's just all too much for someone. The people that run a bit of a tighter show - straight away have got good figures. DCAP_36

When they sell their cattle they'll know how many were sold and they'll probably have weights of the cattle as well. But they don't really know what were the input prices to get those cattle because they don't have the records and it's a much longer time period too. Some of those cows or cattle they sell are pretty old. You've got several years of having them on the farm. What are the costs? DCAP_05

Number of cattle on hand, even reconciled numbers - so if you started off with 100 cattle this year and you sold 20, in theory you should have 80 left, but often you'll reconcile the next year and there'll be 150 there. So, you've sold 20 out of your 100, but you've come up with 150. [Laughs] So, you've got an extra 60 head. This is scaled up into the thousands. They've got no idea. DCAP_31

So, we've come up with a way of looking at a business and trying to identify diagnostically, if you've got these numbers, we can do these quick calculations here and probably isolate an area of your business - whether it's a mortality issue or a branding rate issue or something like that - and sort of narrow it down from there. But unfortunately, most people can't supply the basic details that are needed which are basically cattle numbers - accurate cattle numbers - or reasonably accurate - cattle numbers, to be able to perform some sort of reasonable analysis on their business we thought, right we've got to address this, we've got to try to work with a group of graziers to work out what's the most practical way to capture this basic bit of information and we've been going two years on it with this group and they're only just starting to think, yes, counting our cattle and being able to add them up and reconcile the numbers from year to year might be useful. DCAP_31
Again, a general lack of time was mentioned. With insufficient time thought to result in some graziers not investing in keeping up to date with records.

\textit{It's a huge rush to fit everything in, particularly if you've got more land and more cattle. There's a lot of work in there. So generally, we find a lot of people don't have really good information about their own financials. They don't really understand the trade-offs and not a lot of good information about pastures and land condition either. DCAP\_09}

Time, personality. I know for a fact that if I kept a track of all my expenditure each day - and I think at one stage I had an app on my phone for that - financially I'd be better organised. But you know, I've got other things to do, so you find that you budget your time to what you think is important. DCAP\_21

They're just so busy chasing waters, doing this, doing that, attending to station duties, whether we haven't got the staff that they used to have. They mightn't have the luxury of having the number of ringers or station hands they maybe used to have, so they've cut their staff numbers back so it means the manager's having to do all these fencing, waters, all that sort of stuff. By the time he gets back home it's - the day has gone, it's dark, he's buggered. He'll catch up with that diary entry later on in the week, maybe. DCAP\_31

The usefulness of the records is also important. It was noted that some graziers are not keeping records to a good enough standard to be useful, or they are keeping records that are not particularly useful to their decision making. It was thought that the latter might have occurred because of onerous historical recommendations to "every little bit of detail", which eventually resulted in many graziers choosing to drop records that they did not think were important.

\textit{There are a few people out there that are doing it really, really well, but they're certainly not in the majority. Some people that you would think would be doing it well are not necessarily doing it well. DCAP\_10}

Most of them think they've got good records....We said, "Oh, we'd also like you to help us develop some basic yard recording sheets, what you feel is practical and reasonable to use in the yards and some office annual book to fill in so you can do that". "Oh yeah, no we've already got that sort of stuff, but yeah, we're willing to look at it". So, they went in with that attitude. Sort of brushing aside the recording paperwork sort of stuff. It's one of those necessary things but we think we've got it covered and none of them have. None of them can reconcile. We knew that from the start. Even then, it still took - they were still looking for other means to improve their business without working out what their baseline is. DCAP\_31

\textit{I think they've got some of the records. But some of the records they keep aren't the right ones still for managing these sorts of scenarios. DCAP\_15}

What's probably put people off in the past is there probably has been a recommendation that you keep records - every minute bit of detail needs to be recorded so you can go back through just in case you might have needed this bit of information. So, while they're in the yard you should be recording, weights, condition scores, lactation, pregnancy, number of cattle and they're all pretty reasonable crucial. But there's a whole heap of other ones, there might be breed type, colour of the hair, udder status, all this sort of - so you can just make it grow and grow and grow. In the end there'll think - they'll start doing this and realise it's taking them four times longer in the yards and they'll say, there's no way we can do all this...So, what's going to happen? When push comes to shove in the yards when you've got a big mob of cattle in the yards, you've got a limited time, we'll just either not do anything with them, we'll just brand them and get them out or we'll just get their weight and we'll start dropping chunks off that we don't think's important. DCAP\_31
However, in other cases it was thought that graziers do not see the relevance or have the inclination to keep sufficient records.

I guess that’s another cultural barrier, just that they’re not inclined to be business managers. They’re not inclined to be monitoring things, counting things, recording things. DCAP_05

Pasture budgeting is part of those records that they don’t keep and don’t like to collect initially, [because] at that point in time, they don’t understand the relevance or don’t see how that’s more important than me going out and fixing up that leaky dam or repairing that leaking pipe or moving those cattle from this paddock to that paddock. So it gets lost in the immediacy of their other jobs. If they could wave a wand and say have that data done [formally] by someone else, they probably would. But when it comes down to doing it themselves, it isn’t a high enough priority at the time or at any time to collect. DCAP_15

I know one fellow that just won’t do a budget. He says what’s the point you know like you do a budget one day and the situation has changed the next day. Why do I have to do it you know? DCAP_39

Similarly, many interviewees spoke about how graziers often do not like or value “book work” or being in the office, and this is contributing to their lower levels of record keeping.

I don’t think people value the office enough. They probably prefer to be outside fixing the troughs or the tanks or mustering the stock rather than sitting in the office working those sort of things out. DCAP_36

They like chasing cows but a lot of them are not particularly keen on spending the time in the office and looking after the business side of things. DCAP_34

I think a lot of people are just, getting in the office and making a plan isn’t quite their forte. They’d rather be outside. DCAP_27

There’s others just don’t want to spend time in the office. I’ve got to go and fix that windmill - which is - water’s a must do but fix that fence or the ute needs something fixed on it, got to weld up this. DCAP_44

It’s just another job to do. They’ve got enough paperwork. [They] just don’t want to spend time in the office. I’ve got to go and fix that windmill - which is - water’s a must do but fix that fence or the ute needs something fixed on it, got to weld up this... “I went to primary school but I didn’t finish school at all. I don’t want to be sitting down writing things on paper all day”. They’re not used to it. There’s definitely a turnaround in attitudes towards that. I see a lot of younger people coming through who have a different attitude. Many of them have been to university. But there’s still a lot in the industry who might be ringers when they’re young and that’s what counts, mustering cattle, riding horses. DCAP_44

The majority, probably 99 per cent of rural people hate bookwork. So it’s, yeah, I can understand where they’re coming from but it doesn’t certainly help their business. DCAP_13

I think for a lot of graziers and they’re in a business which is more hands on and they’re not really that interested in the book work. That’s something you have to do with grinding your teeth and yeah, only have to do it to get your tax return at the end of the year. Yeah it’s very hard to go to most producers. Takes hours to get all their work...because they’re not recording that stuff in any detail. DCAP_19
Factors limiting decision making for improved drought preparedness and management in Queensland grazing enterprises

They like chasing cows but a lot of them are not particularly keen on spending the time in the office and looking after the business side of things, so the business acumen in some cases, there could be a lot more thorough attention paid to that. DCAP_34

There's not too many graziers who like spending time in the office unless it's a really, really hot day. DCAP_19

Female: A lot of graziers, that's the last thing they would be interested in. If they've just grown up on the land and that's all they've wanted to do...The business and financial side is just - let's just get out of the office as quick as possible... They're just not wired, totally not wired. If you're an outdoorsy, practical sort of person that's probably very good at fencing and very good at - then you probably love doing that, you know, getting on your grader. You're probably very good at that

Male: I know if I'm at [name removed] and we're working hard in the paddocks, you definitely don't feel like coming in and sitting in the office. Your focus is somewhere else. For a lot of guys that's probably how they do it. Out in the paddock is where they work. When they come home it's to eat and sleep and...

Female: Go back out to the paddock.

Male: Yeah.

Female: If you've got something else to do, and you don't like paperwork, you're going to go and do the other thing. DCAP_Grazier_06

It was recognised that in the past graziers didn't need to keep stock records and hence, they tended to focus on sale figures, rather than herd numbers.

There're probably a number of reasons. They haven't really had to worry about them. All they've had to worry about is their sales and the dollars coming in. So, they'll be able to tell you how many they've sold and the value of that sale, but if you wanted any further diagnostics on perhaps why those sales were down that year, you really get no information further back what happened to those cattle along the way - before they got sold, so cows or steers or whatever, how they were produced or anything like that. They just haven't had the need. I just don't think there's been the need in the past to go down to forensically look at your business to understand where it's coming from. It's just sales are down this year - drought. DCAP_31

There was a mixed response as to how effective the requirement for electronic ear tags, as part of the National Livestock Inventory Scheme (NLIS), has been in facilitating record keeping at the property scale.

Increasingly though they're getting a better handle on it because of the electronic ear tags. That's helped a lot. There was a fair bit of - the industry was fairly anti all the electronic ear tag stuff when it first came in but they were only looking at the regulatory side of it. Right from the outset we said you've really got to look at what it can do for managing your herd. You know how many animals you've got, what class they are. If you want to you can record an infinite amount of detail on individual animals. It really gives you the ability to start crunching some of these numbers. Some of them are. Some of them aren't. DCAP_33

We thought the introduction of the [NLIS] tags would facilitate better record keeping too, but a lot of them were just putting the tag in when they go on the truck, to sell them - not to use it as a management tool. DCAP_36
A couple of interviewees thought that even when graziers did have good record keeping practices, there seemed to be a separation or lack of tools to integrate herd numbers with financial figures, which would help with decision making.

We’ve got a livestock management system, so in Excel or somewhere like that, so we keep all our records there. You’ve got pasture management, so you take the pasture records and you might do feed budgeting or something like that, that sits separately. Then you’ve got your - all of your accountancy stuff which sits separately again. So those three systems don’t talk to each other. Yeah. There’s - I know that there is a bit of work in different places to try to make them align but somehow we need better systems where they more seamlessly co-ordinate. Because, yeah, if you’ve got 2000 head of cattle and you’re at the end of winter and you’ve only got 20 - 30 per cent of your pasture left, you’re in trouble. You’re in lots of trouble. But there’s no automatic system to say - to feed the numbers in and tell people how much - what the shortfalls are. It’s not that hard really. It’s just a matter of organising it. So if you’ve got a herd book, so you - it’s very easy to work out once you’ve got all your classes and your weights, what the pasture requirements are or your feed requirements are for the next three months. Then if you’ve got a pasture budget, that’ll tell you what pasture you’ve got available and how much it’ll diminish with your feed requirements, with your herd requirements. Then you run a rainfall likelihood generator over that as well. DCAP_09

[Name withheld], who’s working for me visiting the property, she tells me that most people don’t have the numbers all together. They’ve got their cattle numbers but they don’t - but the finance numbers are - the accountant prepares the books and so they don’t have a really good grasp of the numbers in a way that you need to make decisions. We talk about gross margins or the number of dollars turned over per 100 millimetres of rain or the number of dollars - the average number of dollars per beat that’s sold. DCAP_09

4.3.4 Minimal planning

The lack of a formal or informal drought plan was mentioned as a major factor limiting decision making for improved drought preparedness and management. Correspondingly, several of the interviewees spoke about the minimal level of drought planning that occurs in grazing enterprises.

People don’t plan and they probably don’t reflect, like we always speak about it, but like in the good times, you need to think about back and go, right, what was my approach during the last three years, what could I have done better, They don’t do that enough. DCAP_46

Well, most of them don’t have any sort of written plans and most of them don’t really seem to have specific management objectives. They’re more reactive than proactive. DCAP_05

I guess being able to cope with drought, there’s a couple of factors. There’s having a plan but also having the capacity then. Having a plan means, okay I’ve got some knowledge about what I’m going to do once things progress. A lot of them don’t. I think that's pretty common… I think it's a very hard thing to pull off. DCAP_05

I just think that a lot of the producers don’t manage much. They don’t plan. They don’t manage. They don’t measure. There's not a [lot of] control and you've got to have that system of management…There’s a lot of those things that are interdependent and it's tricky to get your management system running smoothly. Every year things go clockwise. They go according to [the] plan and that’s about having a plan, getting things done at the right time, being in control and having some options. A lot of them don’t have that. DCAP_05
I would maintain that a lot of those people don’t have that cold, determined pre-plan in place. A lot of them haven’t got to that step. DCAP_15

If you’ve gone to the trouble of doing the planning, most of them stick to them; the process. It’s getting them to do that planning in the first place, is the hard bit. DCAP_41

The people who have structured plans, I need this rain by this date or this happens, they’re by far, the minority. DCAP_15

My guess is it may be a minority [who have a plan]. Yeah, it's so hard to know… I remember being at - we had a drought day at [name removed] and, say there was 30 or 40 people in the room, I said who here has got a drought plan? Only three or four people put their hand up. Yeah, so it was only 10 per cent of the people had a drought plan. DCAP_pilot_01

At a MLA BeefUp forum earlier this year… a guy actually asked “When should I be prepared for a drought?” My response was you need to always be prepared. You should have a manual that’s up there that says if it hasn’t rained by this date, then we follow this procedure. But I'd actually, I'd say 90 per cent of growers would not have anything like that. A lot of their stuff's up in their head, but there'd be no procedure, no written procedure about what should we be doing when it doesn't rain. DCAP_11

However, it was acknowledged that it was not just about having a plan, but it also depended how useful your plan was, whether you were timely in implementing it and had the ability to act quickly on decisions.

It's not just a question of having a plan, it's the right plan and then also how you implement it. The other aspect to the planning - and I think this is really important and we really have trouble quantifying it or articulating it, is the timeliness of your management action. I think implementing the decision in a timely manner is probably nearly as important as having the right decision. An example of that is that plenty of people know that they need to reduce numbers when a drought is getting underway, but there's those who make those big decisions early and are starting to reduce numbers say March, April, when the wet's been a failure, and there's those who don't really wind up and into it until sort of June, July or even later. So yeah, it's a - like anything to do with livestock grazing businesses is very complex. You're managing land, livestock and a business. Yeah, there's an awful lot to get right. Because what one person's preparation is not necessarily the right thing for someone else. The other thing is this is where the timing comes in, is there's people who you mightn't think they're that well planned. They mightn't have it all mapped out in glorious detail what they're going to do, but when it dries up those people are often very quick to act, they know what to do and how to do it and they make it happen. So I think that too often we overemphasise the planning. A lot of it comes back to the overall skill of the way you run the business. Because the way you run the business - and by business I mean the land, the livestock, and the business itself - that has such a huge impact on how badly your drought’s going to affect you sort of thing. So I think the people who handle it a lot better than others, they’re running a business that's able to - that's more in tune with what the season's doing, and they're in a position to respond to it, and they respond rapidly to it rather than getting caught. DCAP_22

It was noted that many graziers used “instinct” to get through drought, in the absence of a formal action plan. After the dry period had broken, they seemed reluctant to plan, because they were busy with operational tasks and then over time, forgot about drought planning altogether.

I think the producers are outside people. They go off a lot on instinct. They make the decision. They run with it. DCAP_04
Some have really clear plans, [however] for quite a number of businesses it was really just dig in, see how we go, and try and work through the drought. DCAP_40

No one wants to plan when they're busy running around feeding stock and taking water here, there and the other. So no one does it when they're in the throes of drought because they're too busy doing 20 other things. Then you get a bit of rain, and you sit back and enjoy life, and you're enjoying not being stressed for a while. You can get out there and do cattle work, or sheep work, because you've got them back. Or if you still had them, it's just husbandry stuff, and it's more fun to be out in green grass than sitting in the office doing your drought plan. DCAP_27

Then I said, “When would you do a drought plan?” No, you wouldn't do it in drought because you're too busy with the drought and then you wouldn't do it after it's rained because it's rained. DCAP_pilot_01

Maybe they're a little too optimistic or something at times and that's how they possibly deal with drought psychologically, once drought's over and done with and you forget about that and you look on the rosy side of life and don't dwell on it too much and go about business as usual. Then they've probably got a whole raft of other issues, as well, in their businesses, so once they're into better seasons they're probably then focusing on the next most limiting factor, when that comes about. DCAP_35

When things are chuffing along nicely, plenty of feed, plenty of water, and everything is going well, it's really hard to cut through it and get people to think about, well, when everything goes pear shaped what's your planning around that. DCAP_40

One or two good years [after a drought], and all of a sudden, it's forgotten. It's forgotten in the hurly burly of normal property maintenance. They've got some more money, they're going to build a fence. They're going to fix up this windmill. They're going to build that dam or [desilt] their dam. So yeah, it gets lost then. The better time to push a lot of these things was straight after a drought. DCAP_15

Alternatively, it was thought that some graziers tried to plan in the midst of a drought, as opposed to planning in the good times, when they can be more effective.

I think there's a whole heap of stuff that has to be done during the good times. It's not just about the land or the stock. It's also about the family and health, both physical and mental. It's about people succession planning - you know, who's going to - where are we going to be in four years' time or 10 years' time? So all those things I just mentioned, they're the sorts of things that are often - just better decisions are made often in those good times when people have got a clear mind and they're not under stress because of other factors like drought. So I think really that's a clear issue in terms of planning and all those things should be happening then for that reason. Often that's a time when they often do other things - you know, they may go on holidays or do something they've wanted to do - relax. Whereas during drought, they don't often have a lot of time to do planning and that sort of thing, as they're feeding stock or worrying about something… I think probably they do realise it's a good time to do a lot of [planning]. But it just gets sort of forgotten about or - conveniently forgotten about during those times. We've always said it's a good time to plan then and tried to get that message out. I think the message is there. It's just not being taken up. DCAP_pilot_02

The unfortunate thing is, people often don't get motivated to make changes until it gets really dry and droughted. Like, at the moment, now would be the most logical time for people to learn more about managing the land condition, pastor condition, nutritional management. Picking up all those skills while they've got rain. But you tend to get the
lowest attendance when the seasonal conditions are good. You’ve got to time it just right. You’ve got a small window of opportunity where you can get a lot of people to workshops because the timing was good. It’s getting dry. People are getting a little bit worried. But they haven’t run out of funds. There isn’t that big emotional toll on them. But as things get really tough, people just sort of shut down and do the bare minimum. I guess they worry about spending too much money because they don’t know how long a drought’s going to last. That’s why I think people need to be making a lot of those decisions when times are good and prior to the drought. That would have been the ideal time for people to set themselves up, do the training they needed and so on. But it’s often when people are least motivated because everything’s going well. There’s nothing surer than a drought coming around again. DCAP_25

Probably the best time to talk about that sort of stuff, or gather a little bit of momentum, is immediately after drought, as things are still pretty raw or a bit fresh in people’s memories, and being able to capitalise on that experience and use that to influence some plans and so on. That’s probably the best time. DCAP_40

4.3.5 Stress and compromised decision making

It was acknowledged that there are many complex and varied decisions to be made in grazing enterprises and the uniqueness of family farming meant that there are potentially many sources of stress for graziers during a drought.

There’s so many different things influencing peoples’ decisions and a lot of information. Too much. DCAP_32

“Your herd performance and your pasture is so important, and your personal development stuff is so important, and oh, your nutrition, that is so important. Oh, your weed control, gee that’s important, and oh, your land care, that’s important. Oh, your groundwater, that’s important, and have you looked at your order three streams lately? Have you studied your aquatics lately?” Hey [laughs], just give me a break, I’m doing the best I can. I’d like a day off; what are you doing this weekend? DCAP_Grazier_01

I think there’s just so much information that’s got to be taken on to take over a farm now…That whole succession planning, business analysis, setting goals for your life, there’s a hell of a lot to be taken on before you take on some of DPIs research about pasture rundown or something. DCAP_14

I guess one of the challenges for people is that there are so many - you know, it’s sort of Russian doll of decisions. It’s not just about the rain, it’s also about whether you have - whether you do actually have pasture in reserve and water, for that matter. It’s also about what the market is doing, but - yes, there are a number of decisions that can already be made, such as the class of livestock that is best to actually get rid of first. DCAP_24

During drought, there are a number of sources of stress. There’s the financial stress. There’s just the depressing landscape of there being no feed out there. Of - you know, of trees dying, of livestock dying. So there are all those - there are many sources of stress and that may actually may make drought quite unique…Your farm is your home. When you lose your farm, you also lose your home, which is an additional layer of stress for those of us who live in towns or cities that if we lose our job, we don’t necessarily lose our home immediately…For some, there’s also the additional layer that if it’s - if the property has been in the family four, five generations, that sense of letting down your forebears, not to mention those who - there next generation who will no longer have access to that land. DCAP_24
In addition, many of the interviewees spoke about how, during stressful periods such as drought, decision making was compromised, as producers cannot think as clearly and are less able to take advice.

That's what drought does, it just, it's just a really high, high, high, out of this world, stress for some people… A drought takes that control away from you, that's what it does. It takes that control away. It limits your thinking space, it limits your opportunities and decision making… We can give people all the information in the world but if they've not mentally okay… I believe there's a mental side of it too, mental stress. If you're under the pump for such an extended time people don't make decisions and that's a known fact. The more stress people are put under the less sharp is the decision making, people just don't make proper decisions when they're mentally, the capacity's, the mental capacity's been diminished by just pure stress and worry and hopelessness, all that. Drought does that to people. DCAP_02

I think the other thing is that when the drought pressure comes on there's a lot of pressure on the people. There's a lot of, you know, when you're out there and the pressure coming on. We know that something has got to be done. They see it happening and they've got to make a decision and they're not sure what's the best [thing] to do. But they know every day cattle are getting poorer and they're going out in the paddock and finding calves dead and that sort of thing. Or trying to think logically and rationally and that, yeah, it is difficult. They've obviously let it go too late when they get to that point but that does happen. DCAP_16

What I've found as the drought went on and in this area here, people would pay me for advice and what I found was that in the beginning of the drought and when it was dry initially, people were taking things on. So they would accept the advice and then they would implement that. But as the drought went on, the advice had to be a little bit harder. It was tougher decisions to make. Then like I would speak to people afterwards, a bit later and they'd decide not to follow through on something. Even though they'd paid for the information they just couldn't bring themselves to do it. I think closer, as a drought goes on and on, I think there's some - some of the decisions that are made are really bad. I think sometimes they're desperate decisions and not well thought out decisions. Whereas at the start, I think people are thinking things through a little bit more thoroughly. Because they're not under that pressure. But I think as they're under more financial and emotional, personal stress, I think it does affect people's abilities to sort of stand outside of their situation and be a bit more objective about making their decisions. It becomes a lot more emotionally driven. DCAP_25

You know when you're under pressure in any situation you tend to make bad decision. DCAP_Grazier_06

When people get into drought and get caught, it's really stressful and people won't think as clearly. So it's not as easy to make decisions, you get overwhelmed and don't know what to do. DCAP_pilot_01

The hardest thing being against the drought conditions is effective decision making and smart decision making pretty well goes out the window and it becomes a really emotional sort of decision making process. DCAP_38

What I saw in 2013 was a lot of people that were very stressed very quickly… Once people are stressed, their capacity to make better informed decisions drops pretty rapidly. So, even if they'd done all of the right things, their mental state was deteriorating at a rate which would prevent them making necessarily the best decisions. DCAP_10
They probably don’t realise how it affects their psychology and their decision-making capacity. It’s a bit of a - it wears them down, I reckon, over time, and their decision-making can become quite irrational. But it’s probably - it probably doesn’t matter if the issue’s debt or drought or family problems or whatever. It’s just that - I don’t know, things wear you down. DCAP_35

You're so focused on just getting through what you're doing now, taking new stuff on is a lot harder. But if it's a bit better, your mind might be a little bit more open to take on and maybe make those changes and things like that. That's just how I think, because you get it so much, and people telling you what to do. I just think it is hard when you're actually in drought to get it. DCAP_Grazier_08

The unfortunate thing is that when they’re making all these decisions is usually when the wheels are falling off, as I said earlier, the wagon and it’s probably an emotional decision rather than an actual thought out planned decision. How you fix that I don’t know. I don’t think people coming in from the outside necessarily are the answer to making that decision for them either. When you’re in that stage you don’t necessarily take advice from other people on how you should run your own business, or you should run your own life. Do you know what I mean? DCAP_38

It was also thought that a failure to think clearly also led some graziers to procrastinate and delay decision making.

That deer in the headlights syndrome, and there's so many decisions to make they just can't make any. DCAP_27

Generally, people – when there’s so many decisions to be made, a lot of people avoid making some decisions. So typically, people will put off doing their books and their finances. That's sort of - well, some people are very good I think. That’s wrong to say that. But some delay that and others will procrastinate and delay making decisions about reducing their cattle numbers and responding to drought, hoping that next week it’ll rain a bit more. DCAP_04
4.4 Knowledge, willingness and capacity to learn and change

Knowledge factors thought to adversely influence decision making for drought preparedness and management, included: limited herd and land management knowledge and skills; many graziers still thinking more cattle means more money; and not calculating, or overestimating, stocking rates and carrying capacities. In addition, many interviewees spoke about their perceptions of some graziers’ limited willingness or capacity to learn and change, with respect to drought preparedness and management.

4.4.1 Limited land and herd management knowledge and skills

As mentioned in section 4.2, it was widely understood that there is a still a lack of information, knowledge and skills in grazing land management in the industry.

Well, we think information’s a big thing. So there’s certainly - most people don’t have good information. I guess most people - it’s a bit of a - it’s a huge rush to fit everything in. So it’s a - particularly if you’ve got more land and more cattle. There’s a lot of work in there…They don’t really understand the trade-offs and not a lot of good information about pastures and land condition either. So a lot of people know their stock fairly well. I think they’re good with their stock but land management’s got a missing gap and financial management’s missing a bit too.DCAP_09

Interestingly, at least one interviewee thought that graziers aren’t as familiar with their properties as they used to be, due to their increasing use of technology and telemetry.

I also believe our graziers don’t visit their country as much as they used to. When you’re sitting on a horse doing your mustering, your horse picks his own way through the trees and stuff. You can look around and see, there’s not a lot of grass here or whatever. If you’re riding a motorbike or car on the road, you’re only seeing a small part of the paddock. You know, some people today have got telemetry that tells them how their waters are going, so they don’t have to go to that back paddock and see what's happening down there. They may not set foot in there for some time to see what's going - what condition are their stock in down there? Sometimes technology is labour saving, but unless we find a way to make drones a bit more smart and work out how much grass. The technology is leading us away from where people should be observing their own properties [a bit more closely]. DCAP_15

It was also speculated by one interviewee that those landholders who were new to an area, tended to struggle with drought more, possibly because they did not understand the land management of the area well enough.

The only ones that I see overstock, are those that are new to the area. Those that have been in this area for quite a while or have owned another property in this area, I haven’t observed them get into the difficulties that I have seen people that are new to the area get into. That's just land management. Like because it is a low rainfall area. You know it's 350mm in some places average annual…Coming in from a higher rainfall area into this area, yeah there are decision that you probably should make sooner rather than later and if you - yeah if you've managed this type of land for a period of time you can recognise those things…The other issue too is there's a lot more people that are buying land in the area that have - doing it for investment purposes. So there's a lot of knowledge about land management in this area that's gone. DCAP_39

Despite many of the interviewees thinking that, in general, graziers have a better understanding of their cattle than their pasture, there were still some concerns about limited herd management knowledge and skills, such as how to structure their herd and having a selling strategy, which can
be a particularly useful decision aid for making arrangements related to destocking during drought conditions.

In my experience, there's a lack of understanding in plenty of producers as to how to assess which parts of their cattle herd are the most profitable and the easiest to look after and manage for a dry time. There's plenty of evidence to show that if they'd sold certain parts of their herd they might have been back in numbers but they would have handled the dry period better. Understanding how their herd is structured. How many of this class of cattle and that class of cattle and that class of cattle and understanding what that’s worth and that’s worth and that’s worth. Then understanding what each of them are worth to feed and carry and look after through a dry period. Unfortunately a lot of it is just because they don’t know. Especially when it comes to what certain sectors of their herd are worth. What certain classes of cattle or livestock are worth. But then it doesn’t matter really whether it is sheep or cattle or whatever. Just what that animal is worth to market then and there and what it’s going to cost them to keep and a lot of people struggle to do that equation… It’s not so much they don’t know what’s going on outside but they don’t understand their cattle herd enough I reckon. One of the classic ones is here’s a cow that’s in calf so if we feed her, she’s going to give us a return. Here’s another cow here that’s not in calf we feed her, it’s going to stay alive. She’s not going to get in calf until the season breaks and then it’s going to take nine months to have the calf. Then it’s going to take another 12 months for it to be marketable. So there’s a whole lot of difference in terms of profitability between those cattle. Now a lot a people don’t think through that equation. Then the rest of it is that those that do, they get the cattle in the yards and they find that the one that’s in calf she’s actually in pretty good condition. She’s pretty marketable and she’s worth $200 more than the one that’s not in calf. So then they say, well I’m going to sell this one that’s fat. It’s got a calf in her. I’m going to keep this one that’s poor that hasn’t got a calf in her. So they sell their future production and they spend that future production on this one that’s not going to give them a return for another two years.

It was also believed that some producers have an insufficient understanding of how herd management and grazing land management interact, even thought it was conceded that these concepts are complex.

It’s also a lack of understanding of the whole system. For example, a lot of people don’t know the consequences of heavy stocking on animal production. Having lighter stocking means more kilos per head and higher conception rates. As soon as you increase stocking rates the competition between animals for the grass that's there becomes higher. They have to eat lower quality components of the pasture and so their weight gains are reduced. Also conception rates in breeders [fall] back as a consequence. They don’t have that information or those principles as part of their business or their thinking I should say… [However] it’s not something that you can pick up on very easily.

Many graziers still think more cattle means more money

There is a prevailing belief within the industry that more cattle equals more money, as opposed to recognising that productivity is based on kg of beef/ha. This is directly related to detrimental drought decision making, as many graziers erroneously overstock their paddocks, as a way of increasing their productivity and profitability, to meet existing financial commitment, including servicing debt.

There’s people that have just always had the mentality or the perception that more cattle more money, which we know is not the case, but there’s still a lot of people that have that thought.
Well I think there is a general conception that more cattle means more money and I think that's the problem. I do not know how we get around it, because we've had busted arse observations and trials for years on cattle numbers and weight gain. DCAP_36

The ones who aren't [managing well for drought] probably do two things that are wrong. The first is that they tend to run slightly too many cattle so they focus almost exclusively on cattle - on numbers… So the focus on the high numbers is what gets people into trouble. They tend to want to maintain their cattle numbers almost at any cost… Almost a simplistic analysis of more cattle numbers means more profit type of thing. DCAP_09

I think also some people might have that philosophy that numbers of cattle equals more money. Then there'll be others that maybe they feel that they have to keep pushing the system to make more money. They sort of feel like you've got to keep - you know, a bit of a numbers game. DCAP_pilot_01

It's very easy to see how if you run more cattle you can potentially make more money. So that's a very powerful influence on people who have got financial problems. DCAP_22

The perception is more cattle equals more money. So when I'm under pressure and particularly debt, financial pressure, that's a way I can manage that with more numbers. DCAP_34

There's definitely a belief that in the longer term you've got to run your country - it's a sort of more cattle equals more money perception to a point and it's the focus on numbers and not on efficiency and actual profitability. So it's sort of if you've got a debt of a certain size, well, to service that debt I have to produce so many say steers a year and to do that I need so many cows to produce that and not sort of thinking that potentially they could run fewer cows and actually produce the same number of weaners or probably more just with fewer animals and better management. DCAP_43

This issue is compounded by the fact that historically this was the message given by both the banks and governments.

There's been conflicting advice over many years in their careers. If you go back 20 years, the NAB bank would say that historically farmers who carry more stock or use the highest possible carrying capacity do the best. We've got DPI trials and all sorts of information to show that that's not necessarily correct. With lower stocking, lower - running less cows, they get higher calving percentages, the calves turn off quicker, the calves turn off heavier. So they're actually selling the same weight in beef and running less stock and have less [unclear] cost to run less stock. There's plenty of evidence around the DPI says that. But a lot of farmers are in this mindset that's old school, that you've got to run a lot of cattle. DCAP_30

Not calculating, or overestimating, stocking rates and carrying capacities

According to the specialists, a considerable proportion of graziers are still not calculating stocking rates, carrying capacities, or forage budgets for their properties.

There's an awful lot of people who have never done a formal carrying capacity assessment as such. DCAP_22

A number of reasons were given for this, encompassing: they don't know about them; they don't see the relevance for doing them and hence are yet to be convinced; they have yet to learn how to
They don't know what they don't know, so they haven't heard about doing forage budgets before, for example. DCAP_44

I guess for some people forage budgeting they probably don't see the priority in doing it. DCAP_33

I think there's definitely a need for more information [about stocking rates and carrying capacity] but it has to be really, really easy before it gets used. DCAP_09

We've done a lot of extension on that but some people it gels with, others it doesn't. Some people just can't get this concept that light utilisation rates are better for everything; better for the animal, better for the livestock and better for financial performance. The Wambiana grazing trial has shown that to us pretty clearly. Yeah so that's probably a reason why they don't forage budget. DCAP_33

This client I've got now, he's down to 3000 - he was running 5000 cows before the drought. He's running 3000 now, and it's because of the drought, and he has - he's had good winter rains and good follow-up rains, so his cattle are doing well. We've mentioned to him that he's doing pretty well - he's doing well now compared to when he needed the help in the drought. We've said to him that a lot of contributing factors could be the fact that you're running less cattle, but he says no, that it's only because cattle prices are better. DCAP_30

I think that once again that's one of those things - it takes time to learn that skill and be confident in what you're doing. There are some people who get consultants and other people out to help them do that. It's not one of those things that you can probably just go to a workshop and away you go. DCAP_37

It's fairly complicated I think to try and do those sort of things. DCAP_pilot_01

Well, so if you want to, say you want to do pasture budgeting and you've got to go out and do your quadrants or something like that to measure your pasture. Then if you've got a lot of paddocks then that becomes a big task. So it's like a day a month just to do your pasture budgeting, so most people won't do that. DCAP_09

A lot of them don't want anyone else to know what I'm doing. I'm too afraid to ask questions. If it's outside the normal, I don't want people laughing at me, so I'm just going to keep doing what I've always done. DCAP_11

In addition, it was thought that many other graziers are incorrectly overestimating their stocking rates and carrying capacities and consequently, underestimating their forage budgets.

I think there's a fundamental misunderstanding of what country - what a particular property and set of paddocks can carry year in, year out in terms of cattle numbers. DCAP_34

They're still overestimating the capacity of their country to carry stock and are very - I think they're very slow, most of them, to respond to the signs that, you know, drought is on. DCAP_43

As a general statement, a lot of people still haven't got their stocking rate to carrying capacity right. Like that's what it really boils down to. So in every area there's people that overstock. DCAP_46
Again, several reasons were given for why graziers might be overestimating their carrying capacities and associated stocking rates. These included: being overly optimistic and calculating for good years, as opposed to average years; a lack of tools to help with measurement; they think they are correct, that is, they don’t realise that they are calculating them inaccurately; and not knowing the difference.

I think a lot of them have a long-term expectation that the carrying capacity of their property is higher than it is. They - I think they stock for good years and not for average years…They all know their properties back to front. They know every hole in the ground. But a lot of them have an unreal [expectation] - you know how you think that something you've got is better than what it really is? About carrying capacities and stuff like that, and the value of the farm and that sort of stuff. DCAP_30

The southern gulf's really interesting. They have five out of 10 good years. The trouble is with the five - the good years, is the country's quite productive - you can do really well - and people remember that about it. Where that memory is important is when they come around to analysing that country and the value of that country, and then in turn buying in that country and borrowing money to buy that country…So they end up with a bit of a mindset around that's better country - oh, the downs country. So people in the forest, in the northern gulf, in the forest country, often go, oh, it would be great if we could buy some downs country. We need that growing country - and that tended to be downs country, because it was - they knew it, because it's close. But it was that mindset that was important in there was this idea that this growing country, this downs country, is fantastic country, but the fact is, it's only any good half the time and the rest of the time there's not a blade of grass on it. DCAP_35

So one of the really key things that's really missing from our language in measuring it is, how many are down to one cow? So if I'm going to fill a paddock, because that's my defined - my limited resource, how many animals can I put on these versus how many cattle I can fit in there? You say to farmers, how many sheep do you run on this place, mate? They'll say, oh, two to three per acre. Well, that's only a 50 per cent difference, mate. That's only two. In half a year that's a 50 per cent difference or it's more 33 percent [depending on which way you want to measure]. DCAP_Grazier_05

Some of them it's like we just - we keep on pushing the message home and they'll often repeat the things that they think they're doing. They over - they'll parrot the stuff back to you but they're not changing the management. They're either just telling us what we want to hear or they actually think they're doing a good job but it's just not sinking home. DCAP_43

I guess the other barrier is not knowing how much pasture they need. A lot of people go on experience and so their perception of what's a reasonable amount of pasture is not necessarily what I would say is enough pasture to get them through. DCAP_44

They're out in the paddock every day looking and they just think that it's okay, but yeah, a lot of it might come down to lack of knowledge there as well and what are 3P pastures with perennial, productive and palatable, but you know, to the people that don't know, just driving past and saying, oh the country's - we've got grass everywhere, it could be all wire grass for some people. DCAP_46

The skill required to estimate how much feed you have available in a large paddock- it requires a lot of skill and practice over time. So that's - so what we find is that - actually. I would have to look at the numbers, but with our stocktake feed budgeting workshops for instance, we've - I mean we've had a lot of people attend. But our - I suppose our conversion rate to the number of people that actually use it is disappointing. DCAP_24
I think they understand the concept and they look out and they can see how much grass that they've got, but in terms of them estimating KGs per hectare and working out how much an animal needs [But] they're probably overestimating how much. DCAP_37

I have trouble matching carrying capacity to stock it, for example, on a spreadsheet. The implementation of that is extraordinarily difficult. When the unknown is, for example, how your country is going to respond to a certain amount of rainfall, for example, and then obviously, on top of that there's your expectation of what that is because the difference between, say, 400 millimetres of rainfall spread over 20 rainfalls, two weeks apart in a perfect - is going to be a lot less than two 200 millimetre falls. It really still comes down to that most of this information, these decisions, are based on information that is completely subjective. DCAP_18

I think a big problem we've got is that too many businesses have unrealistic expectations of carrying capacity. Like you regularly see properties advertised and the stated carrying capacities are quite unrealistic. You - there's a lot of people you hear talking about what they can run or they think they're going to run, it's above what's realistic in the long term. So that's a major issue. But that situation is compounded by the fact that we've always struggled to articulate the difference between long-term carrying capacity and short term stocking rates. Now the neat definition that we talk about is long-term carrying capacity is what the property can run in your planning horizon, maybe 10 plus years' sort of thing. In theory, that's what you're doing your sums on when you're purchasing the property, financing it, whatever. Like yes, this property can run 4,000 cattle equivalence, therefore we can do the sums on yes, is it going to make money to pay for itself or not sort of thing. The stocking rate is what you're running from year to year, six months to six months. That number can be very, very different to what the long-term carrying capacity is. You can run more, if the rain's less you've got to run less sort of thing. I think there's a - yeah, we really struggle to articulate what we mean and how that becomes management on the ground. I suppose if someone is thinking all the time about how much grass they've got and how many cattle they can run; they're going to get the stock numbers pretty right. In the long term they're going to basically run at what its carrying capacity is. The problem comes is if you think and you financed it on running 4000 but it can only run 3000, and you have to run 4000 to make it pay, no matter how well you run them you're never going to win. You're always going to be running too many and the result is that the country is always going to suffer as a result. DCAP_22

Finally, it was thought some producers overstocked due to following the practices of previous generations. The interviewees perceived that this sometimes demonstrated a lack of understanding about the dynamic nature of grazing systems.

They don't question [their practice] because it's what's been done in the past. DCAP_10

I think they probably just do everything the way they've always done it. DCAP_30

“Dad didn't do it. Grandad didn't do it. Why do we need to do it?... We've been here a 100 years and we've never had to do any of this before. Why do we have to start doing it now?” DCAP_11

A lot of that goes back to tradition. Grandad ran this many and so, Dad so, therefore we should be able to as well. DCAP_12

Some of it's doing what Dad has done. You know, tradition. DCAP_16

No, it's probably just tradition, what they've always done, it's what his dad's done and his dad's done, et cetera It's just what they've always done. It's still a big just, yeah,
traditionally, just run it exactly the same as the old man ran it, who ran it exactly the same
as that. I know that 75 cows run in that paddock and 200 bullocks run in that paddock and
that's just because what happened. They don't know anything else. DCAP_46

Some people they've always seen country run hard where there's not much feed by
October. That's how previous generations have done it and I guess that's how they do it
now. DCAP_34

That's how it is. We always run a thousand cows in that paddock. That's it. We're telling
you, a thousand cows in that paddock for the last hundred years. DCAP_36

Their father ran X number of head there and they think that's what it has to run and if it's not
running that or running better than that then they're not getting what they want out of it.
DCAP_Grazier_02

They tend to have a herd size, whatever it is, for the particular property - it might be 500
head, it might be 5000 head - but whatever it is that they tend to run and they don't like to
deviate too much from that. DCAP_05

I was talking to someone the other day and they are managing for an owner, an absentee
owner. The owner says 250 cows live in that paddock. They work in the paddock all the
time. Regardless of whether it's a good season or a bad season 250 cows stay in that
paddock. Historically the shepherds would have moved them on. But we have these
packages we put stock into. DCAP_08

Well the biggest issue is looking at the carrying capacity of the land and assessing their
carrying capacity because there's so, many unrealistic expectations of carrying capacity of
areas of country. A lot of that goes back to tradition. Grandad ran this many and so, did
dad so, therefore we should be able to as well. DCAP_12

4.4.2 Limited willingness to learn and change

A limited willingness to learn and change was identified as a barrier influencing decision making for
improved drought preparedness and management. Several interviewees spoke about the attitude
or mindset of graziers who wanted to learn, and that ultimately, people needed to be ready to
learn, before they will seek or use information, advice or training.

Well there's a lot of people that, you know, especially blokes on the land. It's like their
empire. It becomes their kingdom. Because the wife, you know, they're married. The wife
is usually, especially in the older generation, a wife doesn't make many decisions and they
just become the empire. Like they become the King and they think they can do whatever
they want and they can run the place however they want. A lot of them think that they're
just the messiah and they don't need to change a thing. You know what I mean? Oh, like
they think that it's going to run this amount of cattle and they're going to do it regardless of
what anybody says. DCAP_12

Yeah there is a mindset block. There's an education issue. I mean let's face it, the younger
generation coming is probably a bit more open to ideas then they [the older generation] are
to learn. Where the mindset is, well I've been doing this. The other issue is actually going
out and seeking the help to say, well yeah I've got a drought coming and paying for that,
and then also having the ability to be able to think through the process. DCAP_16

Oh there's still a lot of fellows that won't change, they just won't change what they're doing,
there's an excuse of oh we can't pull our bulls out, or too hard to muster or, oh no, we're not
going to do that and bulls just run out all the time, like I don't want to put the bulls in, oh they might not be cycling, it hasn't rained and oh well - like every single year I hear about people are pushing their bull date back, like when the bulls go in, oh it hasn't rained yet. I'm sure there's some cows in the herd that are like ready to go in calf, but oh no, it hasn't rained, we'll push the bulls back. DCAP_46

You've got to be motivated to want to do it and then you can learn. If you've got the motivation to want to do something, even though you haven't got the skills, you'll probably find you'll learn somehow, you'll find out and you'll make it work. You'll change your practices and you'll adapt them and adapt things and you'll make it work if you really want to. But not everyone's really motivated to want to do these things... I suspect there's quite a few of them, a reasonably high proportion that are not all that motivated to change. DCAP_05

People have got to be prepared to invest the time and improve their knowledge base. DCAP_02

The producer's got to be able, be thinking to say yes, I need to learn, I need to be - this is really valuable stuff I need to do to make my business stronger. In some cases it's got to be a change. It's got to be a change in their thought pattern, it's got to be a change in where they see themselves, it's got to be a change in where the, how they see themselves with their business, and it needs a willingness too, a willingness to change, a willingness to accept there's a lot of knowledge out there. DCAP_02

People are ready to embrace something when they're ready to embrace something. You just can't force things on people. I have some clients that are completely, very - well, the husband was extremely not computer literate. He now has his tablet, he's working with his agent with purchasing stock, he's got his grazing charts all up, and this is like zero to 12 months ago. So, he's all over it and his wife's still doing the books and everything. They have done - they've gone from zero with no looking at cash flows or making projections or anything to working on the cash flows, knowing where they're at every couple of months or month, doing his stocktake with his forage budgets and such. DCAP_23

It's easy to convince someone to do something that they already want to do, but very hard to convince someone to do something that they really don't have any great intention of doing. DCAP_24

They see the need to change but they don't know how to take those steps to change. I think that's quite a big thing. It's what I call or I think people need almost stepping stones to change because to try and [unclear] from a situation where they're running far too many cattle and their land isn't a particularly good condition to a situation where they're running far fewer animals and managing their paddocks properly is going to - you're looking at a five to 10 year process because you've got to - if you don't do it properly and the way you change your herd structure and your marketing and your paddock management, I mean you could end up going bankrupt or you could end up just making a complete mess of it. DCAP_43

Age or stage in lifecycle was thought to be an influence on willingness to learn, with older producers perceived to be less receptive to learning. In addition, personality, was also mentioned, with some graziers considered to be very “independent”, and unwilling to be “told what to do”.

People get to a stage in their life where they're not willing to hear a message from some university-educated upstart. I think there's a pretty deep conservatism - social
conservatism...They might not be as receptive to new ideas as we might hope. Change is slow, as a consequence. DCAP_42

There's another step as to whether they'll go and do something. This is getting into sort of sociology, isn't it, about the willingness of crusty old men to acknowledge that perhaps there's some stuff they can learn. We learn over time. You have to sort of broach extension in this context and you need to deal with producers on their terms. DCAP_42

I think a lot of them are not necessarily into the latest technology or interested in learning new stuff. I think once you get to a certain age you've - you don't want to learn more things. I don't think they're on their own there. I think that's true for a lot of us. I think I'm a little bit the same way in some cases. Not in all cases, but in some cases. DCAP_30

I think one of the biggest issues you've got across agriculture generally, but particularly this sort of production system, where everybody is just getting older and older, and the problem with that is the pace of change is such that they're really three generations behind, in effect. Once you've got my father's generation, the boom - baby boomers, they're just so far behind in their mindsets. They're so disconnected. Then they feel that disconnect, so the psychology becomes really removed. They're really quite defensive of things. DCAP_35

That's the other difficulty with training with this is that the bulk of people involved in agriculture are very individualistic. That's how they've been able to survive. They're quite independent, so I don't need to be told what to do. That's a big part of it too I think. DCAP_08

Furthermore, it was thought that some people just don’t see the need to learn or change, possibly because they “don't know what [they] don't know”, or they are not interested or “don't really care”.

They don't know what they don't know. They haven't been exposed to that sort of information and they have no idea what benefit they can get from it. That's why this demonstrating how it all fits together is so important. DCAP_43

They don't know what they don't know. So the harder cases in terms of managing and screaming drought every time we don't get a shower or rain are the ones that probably don’t really want to broaden their horizon…There are people more receptive to information, like want to learn, want to talk to others. The other side of the coin are more insular; I'll do what I want to do. This is how I've done it. I can't see any other way, why would we change. DCAP_34

As the workshop we had with graziers, they said, people don't change because they don't see the need to change. They're just not seeing the problem there, like where the problem actually is. They know that potentially they are in trouble or things aren't going that well but they don't really - I don't know. They sort of - they're not being jolted to make that big change in their management. DCAP_43

You can't force someone to realise what they don't want to. Then you've got the others like my great aunt used to say “a mind convinced against its will is of the same opinion still”. So you've got the ones who'll try and then just go out of their way to prove you wrong [laughs]. Then there's the ones that say hey, yeah, I can see this is going to make a difference, that's going to help me, and it's a longer-term thing and there's going to be massive financial burden in those early years like a smaller herd size and a massive feed bill and a huge amount of extra water infrastructure. It can run into millions of dollars. DCAP_Grazier_01

There was no way those guys will change their minds. It's - it would be like - in terms of - you'd be better off spending the training dollars on the other two thirds and getting them,
because those bottom - you could spend a lot of money and effort trying to change, and they - if they haven't changed by now I don't know if they'll ever change. DCAP_Grazier_06

I think some of them would realise they don't have the skills. But the tragedy about it is some of them don't really care. They're not worried about it. DCAP_11

4.4.3 Limited capacity to learn and change

The interviewees also identified a limited capacity for graziers to learn and change, as affecting their ability for improved drought preparedness and management.

I don't think there's many who don't want to make changes. There would be a lot who don't think they have the capacity to make changes, be that physical, financial, emotional. DCAP_37

There are people on farms who by history or by whatever have ended up managing properties that just shouldn't be there and they may never develop the capacity to deal with drought satisfactorily. DCAP_01

There's a whole heap of skills areas. When you take a look at what's actually required for running a business in the ag sector now, I think it is to the point where there is so much in it that it is beyond someone to have the skills in all of the areas anymore. DCAP_10

I think a lot of it they haven't got the motivation and some of them haven't got the opportunity. I think that's probably a fairly big thing as well. Opportunity is a big factor because of climate, because of cash flow, because of infrastructure costs, because of market prices. There's quite a few things there that wreck the opportunity. DCAP_05

We're all the same, to make a change from what you've been doing in the past takes a lot of convincing, and you've really got to see and understand the benefits and know how it's going to specifically work for you on your property with your situation. I think one of the biggest things is we can recommend all we want, but we actually don't really know or understand everyone's personal situation, so you don't know what else they've got going on. Whether they've got someone in the family who's terminally ill, and they just - at that point in time there's no way that they're - even though they might understand, oh yes, that will be good, don't have the time and energy to make that change right now. So you don't know all that stuff that's going on. DCAP_37

It could be they see the need to change but they don't know how to take those steps to change. I think that's quite a big thing. It's what I call or I think people need almost stepping stones to change because to try and [unclear] from a situation where they're running far too many cattle and their land isn't a particularly good condition to a situation where they're running far fewer animals and managing their paddocks properly is going to - you're looking at a five to 10 year process because you've got to - if you don't do it properly and the way you change your herd structure and your marketing and your paddock management, I mean you could end up going bankrupt or you could end up just making a complete mess of it. DCAP_43

Considerable variance in capacity was acknowledged within the grazing industry, by the interviewees. These variances can be found across literacy, computer literacy, world experience, formal education, exposure to industry training, business acumen, access to technology, and management skills.
Well there's some at the basic level, there's guys out there that are university educated, might've travelled, might've worked somewhere else. They've just got a bit more worldly. Where there's others that left school at a young age, maybe have writing issues - generally I don't run into many people that can't read these days but they're still out there in very small, it'd be pretty rare but I'm not saying they don't exist. But you often have a few people don't write, but they're not computer literate. The only paper they might read is the Country Life and if they do read that they read the machinery section and look at the pictures of the bulls. They're not - so there's that level and there's the other ones as I said that have been to university, got degrees, they might've worked in a rural business as in they could've been in banking with agents, lots of other things, then they've come back to the farm. So there's people like that out there too, and there's more of that now because university education's a lot more, a lot of kids now will do Grade 12....But there's different levels within that. The skill I suppose, if you haven't - there's some farmers that go to government field days, they go to non-government - like, there's other organisations around that run training, not just us. But they'll do all those training events. If we put something on they'll turn up. They're always seeking - they've been away, they might've worked for other people. Because I think that's always a valuable skill for a young grazier to have worked elsewhere. Whereas there are others that have just been at home, worked for dad. So they can be quite smart but I suppose they just haven't seen what the world can offer and the knowledge, and they haven't seen other things how people might manage, say, a drought or what they might do. They just aren't exposed to it. DCAP_32

Half the industry aren't going to benefit from fantastic, fantastic research. The latest, the most cutting-edge, the really stuff that we - you know, Australia, some of our research is absolutely the best in the world, some of our agricultural research, and half of our producers aren't going to benefit from it. The industry has got such a variance. These two neighbours of ours, both terrific guys, one of them has got every acre blade-ploughed. He’s got controlled mating, [yearling joining] heaps, he’s got his marketing, he markets into a niche market. He’s got an absolutely cracking, really, really well developed place. He’s got an absolutely cracking system. Absolutely cracking system. He would be cutting-edge. Anybody who went there would say, this is an awesome show. Right next door to him, there is an old guy who has never cleared any timber. It is the biggest mess you’d ever see, and he has trap yards. Six trap yards, I think he has, and every Sunday he sets one. So every Monday it goes round, and there’s some cattle in the trap yard that he sets, and he’s got this [clinky] old truck that he loads them onto, and he runs them to the sale yards to sell, and that’s his income for the week. The next Sunday, he sets it again. So these are - that is a show that is 100 years - they were doing that 100 years ago, right next to the absolutely cutting-edge one. So much variance in the industry, you cannot do something that’s going to benefit them all...I think the grazing industry is this - I think it’s the last industry where those producers can survive, but if you put that in a small business sense - like, if you’re a start-up small business, like - that poor old guy that - he’s a terrific bloke, too - who sets his trap yard every Sunday, that business would have been gone. It would have been gone in the first year. There’s no way a business like that would survive. But the grazing industries, they do. They hang on. DCAP_Grazier_09

So here's a bit of a I suppose the dichotomy of it all, some of those operations over there are run very well and very profitably because they're so low cost and they literally just use them as - we just harvest the calves off them every year. We just harvest whatever we can harvest. We just catch whatever bullocks we can catch. Off they go. To me [they are] in danger of being the time that - the land that time forgot sort of thing. They're going to be still doing it like this. There's still bronco branding down there for Christ sake. They're still doing - they're still running those places like they were in the 1930s or 40s you know. DCAP_11
Factors limiting decision making for improved drought preparedness and management in Queensland grazing enterprises

Then their management skill, within business you see some people, you talk to them on the phone and they tell you what they're doing and you sort of hang up and you think gee, they're switched on. That person's got a plan, they're going to - you know that they're across their business. Then others and you hang up and you sort of, you lean back in the chair and you go to yourself oh, what a fool. You just feel like screaming down the phone at them that they're useless. They're doing all the wrong things, they're blaming all the wrong people and they're not making any decisions. They're just sitting there complaining, and I mean you see that everywhere in life I suppose. But they're just inactive and making excuses about what everyone else should be doing. DCAP_32

In a lot of ways, I believe there's a lethargy in the industry, and there's a resistance to change. In saying that, there is a bunch of really, really really good early adopters, cracking producers, guys that are really on the ball. But then there's ones that are just doing the same as what granddad did, and they are complaining about lack of profitability. In saying that, natural attrition hasn't got them. They haven't gone broke. Granddad died with 100 per cent equity and they're still there. In a lot of ways, it's a hard industry to go broke in. I don't know why that there's - I do feel as though there's a lethargy. I do feel as though people aren't advancing because they don't feel the need. If you look at small business statistics across Australia, 50 per cent of small businesses go broke in the first year, and then I think another 50 per cent of the existing ones, of the surviving ones go broke in the next five years. The 25 that are remaining, they are go-getters. They have adopted new technology, they are doing - they have kept their costs low, they're really good running businesses. It is a tight - it is a tough marketplace. I don't know, it doesn't seem to be the way. You really can survive in a lot of these rural industries - you can just hang in there, hang in there without having to change too much. You can keep your costs really low, and you can just poke along. DCAP_Grazier_09

However, there was also lots of optimism for the younger generation of graziers coming through, who were considered to be well educated and more business-minded.

What we're seeing is there's a lot of the younger people coming back and they're more educated. They're wanting to implement change. That's having varying degrees of success that add friction and colour to the family. We are seeing that. Young people are wanting - they're coming back and they're saying we're more educated. We think we know how to do this better. They're giving it a go. I think that's a good thing. DCAP_26

There's a lot of young ones coming back now. A lot of people my age have been away from the properties either in mining jobs or in banking jobs and that sort of thing. They're coming back and know that they've got to be business people. I think it's improving in the next generation but I think some of the older people may not have ever realised that they were business owners. The accountant or whoever works out all that stuff, and they just keep chasing the cows around. DCAP_36

Generally most people that are coming onto the land now have not only secondary education but tertiary education whether it's in animals, vets, accounting, something. They seem to be bringing in skills from a lot of different areas...they've gone to uni, they've gone to college, they've worked somewhere else and done something else before deciding to go back to the family farm. Those that do go back have that level of financial literacy that they wouldn't do it if they didn't know that it was going to work. Like they have that - you know they understand that. It needs to be run like a business and not like a family farm anymore. DCAP_39

The majority of the young ones know it. You're seeing it more so with a lot of them being away from the properties for a period and come back with other skills or knowledge. They're
looking from outside the box. There’s a lot of people coming back from other trades or businesses or whatever it is, industries. Recognising that they need to be smarter about things and there are ways of doing that. DCAP_38

There are smart young players. A lot of kids that are coming home now to go farming are pretty clever. They’ve worked corporative elsewhere, all that sort of stuff. There’s lots of sons doing that in lots of families. I’m just sort of wondering where that fits in the mix of all the families around here that I kind of knew that were screaming for help, and this is [unclear], someone’s got to do something. All that sort of stuff. Probably some of the families that have got a 30 year old or 40 year old sitting in there that’s got that background, sitting in the background. A lot of blokes are marrying women that have got huge potential and bringing them home, or they’ve come from here and they’ve brought the husband home to work, or something like that…I don’t know what that sort of means - but there’s some good attitudes and new things happening in that area. A lot of those kids are pretty smart cookies. I don’t know what to make of that, but I reckon there’s a real change and you’ve got some high - a lot more - there’s a lot of high calibre people here…They’re used to communicating. They’re used to finding out information. The internet’s changing things. A lot of those aren’t the ones crying out in pain. DCAP_Grazier_05

The younger ones that I’m seeing now and these are the under 40s, they do look at - they look at the land, they look at the stock, they look at the bank balances, they look at the weather. They look at everything - all aspects of the business and make decisions faster or make them based on all of that knowledge that they have… I think the generation that our sort of moving into agriculture are much much better at that. They understand it a lot better. They understand that you can’t operate a family farm and be successful. You have to operate a business. DCAP_39

Most of the younger people - when I say younger people I’m talking and most are around 40. That’s young for me. Most of them tend to come in with good cash behind them. You don’t get to have that good cash behind you by being a fool. They tend to be smart people and they tend to engage really well with the likes of myself. They tend to want to learn and they will undertake practice change. The young people aren’t a problem. The young people are very good at - because of how they’ve got to where they’ve got to. They actually fully understand what they need to do in order to make a good dollar long-term. DCAP_41

You see a lot of young people that are - I’m thinking of [name removed] who we were with yesterday. Those younger people are - a lot of them have got business skills, and they’re a mile ahead of the average. They’re just powering ahead. DCAP_Grazier_06
4.5 Personal attitudes and circumstances

Personal attitudes and circumstances were also identified as a factor influencing drought management. A number of disempowering drought attitudes were recognised. Furthermore, it was thought that having a lower risk aversion (or a higher tolerance to risk), enabled some graziers to take the risk of overgrazing their enterprises and hold on to stock for longer, during drought periods. In addition to attitudes and risk aversion, several other personal factors were raised by the interviewees, as directly or indirectly negatively influencing decision making for drought preparedness and management. These included: intentions to sell and retire in the near future; complex family or relationship arrangements and decision making dynamics; intentions to sell and retire in the near future; finite physical capacity, exhaustion and health issues; and limited social interactions; and self-identity and the rural lifestyle.

4.5.1 Disempowering attitudes about drought

A number of attitudes or beliefs identified by the interviewees were thought to be disempowering to graziers and their ability to prepare and manage for drought. These disempowered attitudes can be summarized by statements such as: “How can you prepare for drought?”; “We’ll get through”; “I’ll just keep going”; and “it’s going to rain soon”. The following quote summarises several of these attitudes.

I think it’s just this - they’ve got an idea that their property can run X number of cattle and that’s what they’re going to run until they’re in serious trouble. Then I’d say and/or they’re a hopeless optimist about when it might rain. Then and/or they might realise they’re running out of pasture, they might realise that it’s unlikely to rain, but they might be in a situation where because prices are low, they just think well, I cannot sell these animals at that price. I’ve just got to hold on no matter what or just hope for the best or hope the prices go up or will - I’ve seen graziers say this in August, oh we might snag an early storm. There’s been no grass in a paddock and they said “Oh well, yeah, we might get an early storm. It’s October soon. We’ll just put some molasses into the animals and they’ll be fine. We’ll get through”. I’ve seen them say that. DCAP_43

“How can you prepare for drought?”

The following quotes demonstrate the attitude that some interviewees felt was displayed by some graziers, where they questioned how planning for drought was even possible.

It comes back to [the] philosophy or approach that people are in charge of their own businesses. Some and this is probably an unfair generalisation, some can say, oh, it’s all up to rainfall and cattle prices and everything else, and I think that’s a bit passive and almost victim-like. DCAP_04

I definitely think there is a large portion that think well it's out of my control, what can you do?…there’s those ones that I guess feel powerless when it comes to drought or any seasonal conditions and they just have to go with the flow…not being proactive and looking for things to I guess combat drought because they think it’s part of my operation, it’s part of my everyday life being on the land. Yeah, it’s going to happen no matter what, I just have to cruise through it and get out of it the best I can. DCAP_13

The victim mentality of things - they probably get angry with things they don't have any control over like seasonal conditions and government policy. If they step back and think about what they do have control over and if they can't make a go of it within the things that they can't control well make a decision to get out of it. DCAP_14
I remember one older fellow down there and we said, what strategies can you do for drought? He says, “what can you do for drought, how can you prepare for drought?” I was just sort of shocked by that. That someone had an opinion that there was nothing you could do to prepare for drought. DCAP_pilot_01

“We'll get through”

The following quotes demonstrate the attitude explained by some interviewees that they believe that can just battle through the drought; that it is something to be survived, but is also something they have no control over.

Not being proactive and looking for things to I guess combat drought because they think it’s part of my operation, it’s part of my everyday life being on the land. Yeah, it’s going to happen no matter what, I just have to cruise through it and get out of it the best I can. DCAP_13

I guess that’s probably the biggest thing they always say about rural people is they're resilient. So they’ve dealt with one before, they’ll deal with one again and they’ll just keep rolling with it sort of thing as long as they can.. I guess probably just have a she’ll be right attitude that we've got through one before, we'll get through another one sort of thing. Definitely see a lot of that. DCAP_13

The mindset about, oh, we always have droughts - we'll always come out of it. They're nothing to worry about. That they're often, I think, the ones that get stuck in the middle, when they run out of food and fodder and money and whatever else. DCAP_03

“I'll just keep going”

It was also thought by some interviewees that there was a rural psyche of having to “keep going” and work harder during drought and the mentality that "if you're not flogging yourself, you're not really a grazier". This in turn, means that some graziers are wearing drought almost as a badge of honour.

Part of the outback psyche is that whole - you know, it's still - it's good to be isolated. It's good to be - like, you're not a real - if you're not almost flogging yourself to death during drought, you're not a real grazier sort of thing. I think there's still some residual sort of links to that whole almost early pioneering times and romanticism of the outback and the bush as well that does cloud some people's management decisions or broad approach. I think often as well it's reinforced by peers, because in the depths of the drought, if you ask your neighbour, oh, how you going and you say, you know, oh, great [laughs] don't feel the least bit exhausted. I'm only working two hours a day, just doing a water run and checking the odd fence, that just - it just doesn't quite seem right…They think working harder is working better and it's not the case. It doesn't matter if you're up at four and in bed at midnight, if you're not actually achieving anything, well, what's the point? I think that's just a life skill, I think. Ultimately, I would actually like to see people working harder in the three good seasons that we get every decade and making the most of those, rather than working - like, overworking themselves during drought. I just think industry is on a hiding to nowhere if that remains the prevailing practice. DCAP_23

“Well I'll just keep going”. There’s sort of like this blanket over the whole farm and over the whole family and they’ll just keep plugging away, I'll get my way through. It’s a psychological thing, like people are, they'll just, they’ll keep going. DCAP_02

They don't have to keep doing it, but part of the rural psyche is that they do have to keep doing it. DCAP_04
I think a lot of people - I had one woman just in my office the other week and she was like well, everyone else will be in the same boat as me…Everyone's doing it tough…Just assuming that everyone's having a rough trot; just assuming that everyone is in that high-debt situation I guess and that everyone hasn't sold when they needed to sell. I'm thinking that she's thinking she's no worse or no better than anyone else, better off than anyone else in that situation. DCAP_23

In most cases it's not a lack of effort. They'll get down and try harder and harder and harder but not necessarily smarter. DCAP_Grazier_02

“It's going to rain soon”

Several of the interviewees spoke about the unrealistically optimistic attitude of many graziers and the hope that some had towards future rainfall, which often caused them to hold on to cattle for too long, as the drought progressed.

All graziers, well people on the land generally, are just naturally optimistic thinking it's going to rain, it's going to rain, it's going to rain. DCAP_12

Some producers in Western Queensland, once they've got a good [mature grassland] are saying, well, look, yeah, I'll stock this at a certain rate and that will get me through the next two years. There are others that see it and think, well, I can stock that to XYZ and that will get me through to the next summer. Then there's others that don't even look at it from that perspective. They think, oh, okay, we're at the end of the summer season, we're a bit low on grass, but there's a chance that we'll get winter rain. Then they get through to towards the end of winter and they haven't had rain and they sort of think, oh, yeah, but - there's been no winter rain, but there'll be early storms. Then they get to about November/December and there's been no early storms and they say, yeah, it will be raining at Christmastime…At one of the local committee meetings at [name removed] [someone] once said, “the worst strategy for drought is hope, hope for rain”. DCAP_09

To be a grazier or a farmer, you've got to be a supreme optimist. So it's always going to rain. Sure, my grass is low, my cattle are skinny, but it's going to rain tomorrow. Or the prices will be better tomorrow. There is no end of reasons for people to hang onto their livestock in the face of increasing drought compared to the number of reasons why they should be selling. That optimism leads them to think that it's going to finish tomorrow or the next day. DCAP_15

I suppose it's a matter of that optimism that, hey listen, the season is going to break so we will keep the cattle. Keep them for longer. Okay, we're going to eat the grass down a bit so we'll just hang there for as long as we can and try and keep our numbers there. They're expecting it to rain. So they just sit there saying, well yes we've been [watching] the rain for generations, yeah, it will rain. They're prepared to obviously go and feed, put lick into their cattle and keep them going. DCAP_13

I think that they're fairly optimistic people that, yeah, probably maybe don't think about the extent of the drought. So, they might think that there's a drought, they might be aware… but they may not consider more than 12 months out or they may think, okay, it will rain. DCAP_18

I think optimism is a fantastic attribute in regional Australia. But sometimes when optimism isn't balanced with realism, then that's where the problem can hit. If the forecast says we might get good winter rain, they would potentially not sell down because of that, which I probably wouldn't recommend, given that all our grasses are generally C4 tropicaals that need decent amount of heat to grow. DCAP_27
They sort of hope - they know they need three good years in a row to get through a certain period and that's what they're hoping for rather than managing for what they're going to get sometimes. Because you'll hear, a common theme is we'll be fine if we can get an early break, which is a bit like me putting a lot of money on a horse and going we'll be fine if it comes first or second, anywhere else I'm probably going to lose my money. DCAP_32

Well, they're probably more optimistic, yes, in their whole psyche. Thinking, oh, I'll just hold them a little bit longer because it might rain They're probably a bit optimistic, thinking, oh I'll just hang on another week because the forecast said that there's likely to be some rain, which can be a downward cycle as well. DCAP_37

I suspect there's a lot of people out there kind of hoping that the Met Bureau is wrong and maybe making decisions based on their hope rather than the rational information they're getting. I think lots of people do that, because it's easy to say that the Met Bureau always gets it wrong - This is another one of my hypotheses - is that if you're really, really, really hoping for a wet season you might discount that information. You might say, I prefer to go with hope in fact, and then make your decision around that. DCAP_42

That's why people hang on. It'll rain next week. It can rain next week but you still won't have feed for at least four weeks afterwards, enough feed to feed your cattle properly. You're not out of drought. DCAP_44

I think it's that triumph of hope over experience. So they're hoping that it's going to remain wet but their experience tells them that it's going to become dry... I think sometimes people do a bit of planning but don't always act because they think oh, Joe Blow said he reckons it's going to rain in May. So yeah, we'll hold on. DCAP_pilot_02

But what if they make a decision and it's the wrong decision. What if we sell now and it rains next week? We'll have done the wrong thing. That prevents a decision because there's that optimism there, whereas the alternative approach is okay, there's a 5 per cent chance of getting that... Unfortunately, you can't predict when it's going to rain. DCAP_04

It was thought by some specialists, that there was a lack of reflection or inaccurate recollection of events regarding previous rainfall events.

There seems to be a tendency to remember the good years and the early breaks in the season and stock into those rare years which when you look at the rainfall records, they're not the norm. DCAP_32

They're a little too optimistic or something at times and that's how they possibly deal with drought psychologically, is once drought's over and done with and you forget about that and you look on the rosy side of life and don't dwell on it too much and go about business as usual. They get through their grass by August, September, and they're hanging out for a storm and they're probably eight or 10 weeks off a storm. That's pretty common. We see a lot of that. DCAP_35

We reckon that 50 millilitres over a week is a break in the season. A lot of producers said often it was [in] October, November, but when you went through a hundred years of records, it was often six weeks later. They always remember that one year we had a storm in October and the other 99 years out of a hundred, it never came until Christmas. People just don't do their research enough. DCAP_36

I think it comes back to the eternal optimism I was talking about and also risk management, because you talk to people, and my parents are shockers for it, in March it hasn't rained.
I've had the conversation with my old man, oh yeah, but I remember '70-whatever we had a really wet Easter, we got our rains, we can get good rain at Easter, it's not there. Whereas I'm a numbers person saying well, right-oh, we've got a 5 per cent chance of that happening, so there's a 95 per cent chance you're not going to get any rain, factor that into the decision-making. DCAP_04

4.5.2 Low risk aversion (or high risk tolerance)

There was a perception that attitude to risk, directly influenced decision making with respect to drought preparedness and management. Namely, it was thought that graziers with a low risk aversion (or a high risk tolerance), were prepared to take greater risks such as overgrazing their enterprises and hold on to stock for longer, during drought periods.

Some of the better landholders I think are cautious about grazing pressure and also cautious about taking on too much debt. I think the cautious ones are waiting for it to become a drought again and the not so cautious are out there trying to breed their cattle numbers up as quickly as they can. DCAP_09

There is another line of thought and that line of thought is that people have a certain risk profile. The people that have a high risk profile push systems a lot harder than people with a low risk profile. [It] might be as simple as they've got a high risk profile, so their mindset is becoming push the system hard and that's how we get the best value. Or it could be a mindset of, we need to push the system hard because the bank is telling us that we need to meet these repayments. Which might also then flip back to the fact that they've borrowed more than they probably should have and therefore their equity is lower than they should have for that situation. DCAP_10

I guess, their perception of what they believe is going to happen in that future. So, you can give somebody, say, this year's going to be a neutral year, for example, and some people will go, oh, jeez, if they say it's going to be that, I'd better get rid of some because I'm a risk averse person. You give it to somebody else and they're like, sweet, average year. DCAP_18

It's a gamblers game. Underneath it all to me a lot of business is a gamble, and a lot of successful people in business are big risk takers. If you happen to line everything up and make a risky decision - I mean, sometimes a good risky decision's backed up by some good knowledge. But there's still an inherent guess that the prices might move or we might - like, for example you might be watching the weather forecast and they're saying it's going to be dry and whatever else and the cattle prices are going to drop. Everyone sees that same information but not everyone acts on it. So someone might take a punt, lock some cattle in, make an early decision. It could be risky in a way because on the flipside if none of that's happened there could still be a season to come and then you've made the wrong decision. DCAP_32

I suppose the investment decision that people are weighing up is if they're working out is if we take a very cautious approach, where we'll basically get through pretty much anything that gets thrown at us, drought wise, floods, cyclones, whatever, will we miss out on some significant opportunities on the way through. If we take a very cautious and careful approach to our investment decisions will there be some opportunities slip us by, so that's probably what they're weighing up. Do we go out a little bit harder in our business direction and planning, and execution, and we pick up some of those short-term opportunities that, if we were cautious, we just wouldn't take. Their investment decision is how much risk do they want to take on and how much of that risk can be reasonably well quantified. Some people may be quite comfortable in taking a level of risk that needs a sequence of really
good seasons to get it over the line, whereas, other people in a similar situation might say, well, no, that's just too risk, we'll sit it out for another year or two and build our reserves, cash, or equity, or whatever it is, and then have a crack at it. The nature of the business is that it's reasonably risky. There's a proportion of the industry that are quite happy to take a significant amount of risk and then there's others that operate in a very, very low risk environment, and not overly exposed to things like debt. They're carrying capacity at the back, all those sorts of things. Or their stocking rates are well back for carrying capacity, those sorts of things. There's other people who are happy to run right on the red line. You really don't quantify whether that particular decision was a risky one until after the fact. Buying the property next door or splitting a family partnership, at the time of doing it seems feasible, however, three years down the track is usually when you get the feedback as to whether that was a brilliant or not. DCAP_40

It was thought that most graziers are risk averse in some way and risk tolerant in others, it was just about different things.

Most people are pretty cautious. So they're risk averse I think you can say generally. They're just risk averse about slightly different things. So some people are more risk averse about rainfall and others are more risk averse about debt servicing and restocking pressures. DCAP_09

It's a combination of what things you take risk with and ones you don't sort of thing. Those same people might be very happy to take risks with trading cattle and that sort of thing, but they wouldn't take risks with how much grass they run, like how much grass they have in front of them. Whereas other people are happy to always tinkering on the edge of running out of grass. DCAP_22

4.5.3 Intention to sell

It was believed that there are currently numerous graziers who no longer want to be in the industry, or have an intention to sell and leave the industry, now or in the near term. Such an intention to sell was thought to directly limit graziers’ drought related decision making, especially with respect to adopting new practices or making property improvements, for drought preparedness and management. Specifically, it was believed that some graziers have made a conscious decision not to invest, as they do not believe they will get a sufficient return on investment, before they sell the property.

People feel desperate that they don't want to be in the game. They don't want to be there, they don't want to be there. They thought at the time that maybe at 60 they'd sell off the property and go. So some things are out of their control which was the, I think the farm prices peaked about 2007 and then went on a big slide, like substantial slide. I've had people I've discussed with say well, one fellow said “Do you want to buy the farm?...I was going to sell the farm but guess what, it's half the value it was four years ago, I can't go, got too many debts, I can't go. If I would've sold four years ago I'd be right, but I can’t”. He was a real desperate, he's desperate. So he's not the only person, there's quite a few. DCAP_02

I think there's a real backlog out there of people who want to get out and it's mainly - I think the biggest group are people who would have liked succession to happen, and for whatever reason now that's not going to happen. Whether it might be the kids have been well educated, went and got jobs elsewhere, no reason to come back to those remote locations, which is fair enough. For some of them, they've done the figures and they've realised that these places aren't really viable any more. They probably need to be amalgamated with a neighbour or two, or for a different set of circumstances, they're not a standalone operation.
So, yeah, I think there’s a real backlog of those sorts of people and I think we’ll see quite a lot of people in their 60s, selling in the next two or three years, and I think that they haven’t done it in the last five or six years - they’ve sat and waited - waited out the drought. That’s probably their mindset, and now it’s time to go. I can fairly regularly have the conversation of, do you reckon it’s time to go now, or should we wait another 12 months? That’s their mindset, because they’re all ready to sell and go and enjoy their retirement - as their peers are. The kids have really taken the approach of, go for it, mum and dad. You put us through school and university, it’s time - it’s your time. Sell this thing up. Do what you want to do. They don’t really have any great emotional attachment to it. They’ve moved on, as a generation. They’ve moved on. DCAP_35

There’s a lot of people in that situation at the moment coming out of drought and they’ve got not many stock left and they’re 55-60-year-old people and they think, well - probably when they’re in the 60 age bracket and they think, well, how am I going to re-stock? I don’t have the answer to that, what they’re doing or what they’re thinking there. It’s a tough one because if you’ve only got five years left in the business, is your plan, and you’ve got to pull this money out to re-stock again. In a lot of cases that’s their Super and retirement. Selling the property is probably quite an attractive decision. Am I saying that people are selling, yeah, there’s a lot of people selling. DCAP_38

A lot of the older guys they don’t really want to change. They’re not probably ambitious about changing the world, wanting to change their business. So the motivation’s not there to try and improve their management because the costs/benefits of that for someone who’s 60, 70 or whatever, is not really there. Why would you spend a lot of money on your property when you’re 70? Why would you go to a lot of trouble to change your management when you’re about to retire? DCAP_05

I’ve had people that I’ve been working with that have had their properties on the market for six years you know trying to sell out, or had wanted to sell out at the end of the last drought and then it only rained for 12 months and then they’re still trying to sell. So they just sort of let things go. [So they’re] transitioning out but just haven’t been able to sell. They’re still there. DCAP_39

This comes back to the age side of things - they might be thinking, oh well, I’ve probably only got a couple more years on the property. Why would I go and spend all that money and then I’ll be selling the property? DCAP_33

If you’ve got to a stage where you know that at the end of your journey you’re going to sell it and move to the coast to retire, there’s less incentive I think. There’s less incentive to get greater value for your land because the condition it is, than there is to leave it to your blood ties. DCAP_26

Will it could be a combination of a whole lot of reasons. It’s also a back boot to that succession thing in terms of well listen I’m going to be retired in a few years’ time anyway. Where’s my return on investment? DCAP_41

They won’t undertake practice change now because they’re 65. What do I want to change practices for? I mean I’m not - the kids aren’t coming back. I’m not going to get any value out of this. They actively disengage from the practice change. There are some that still do because they like to learn. They like to learn but then they go - so they want to, they just can’t afford to. You know what I’m trying to say? [Unclear] can’t afford to - that’s probably a bit harsh too. Providing them with a cost benefit analysis just doesn’t stack up for them. But they’re interested. Sometimes they have some knowledge and skills missing that if they were able to undertake that they would. If that required cash input in order to undertake, that might be the barrier. We talk to them a lot about the valuation of their property by
having a good property. What it’s worth in terms of when the assessments are done in prior to sale by those that are potentially interested in purchasing. The better that assessment comes up the more money they’re going to get for their property. That’s potentially where they can get some return on investment. But in terms of return on investment in the short term from production, it’s not going to be there. DCAP_41

4.5.4 Complex family or relationship arrangements and decision-making dynamics

Complex family or relationship arrangements including, operating multi-generational farms, unresolved succession issues, relationship struggles or divorce, and caring for elderly parents, was discussed by many of the interviewees. Furthermore, it was thought that these arrangements had a direct influence on all farm decision making activities, including decisions concerning drought preparedness and management.

Unless you know what’s happening behind closed doors, yeah, it’s hard to understand why people aren’t adopting or implementing different practises. So there could be an ex-wife getting paid out, there could be a mother-in-law getting paid out, there could be family bust-ups, there could be someone with cancer or unless you really know what’s happening behind there. DCAP_46

Decision making dynamics were mentioned a number of times, by several of the interviewees.

There’s lots of family dynamics tied up on how people respond to circumstances. Some people can’t respond because of the family dynamics. It’s not just a business. It’s a home and it’s all those things as well for many of them. DCAP_01

They live in a variable business environment. That has to do with family. Say you’ve got sons and daughter in laws or daughters and son in laws coming into the business, you’ve got children then coming in, their children being born. You’ve got marriage issues that cause a whole lot - so it’s a volatile human environment. DCAP_34

Dynamics, family dynamics. We haven’t touched on that. It’s just, again, we could just go on and on. Family dynamics, decision making, who makes the decisions. DCAP_02

I was actually at a workshop in [name removed] recently and there was a couple of consultants, agronomists and stuff like that there, and a couple of fellows from larger family farms… it was really interesting when they started to talk about how they made decisions. Many more of them have gone into sitting down and having a board-type decision-making process, where everybody who is involved in the decision gets a say. Versus the traditional side, which would be on a family farm operation, the male - figuratively speaking - just saying, this is what we’re going to do - without really input in from adult children or his partner or whatever else. These fellows were saying how many more of them now actually sit down around the kitchen table and go, what are we going to do? This is the decisions we’ve got to come up, then everybody seems to have an input. These fellows argue that doing that they get a better outcome. It may take a bit longer to get to the decision, especially when they start doing it. This agronomist said to me, God, they had - he knows some people who had some big arguments, but he said, in the longer run he thinks they end up with better decisions… Having the stakeholders involved - especially if there’s adult kids, who’ve been away to ag school, university, or whatever else like that, and they’ve come home. Yeah, having that broader group having the input into the big decisions seems to get a better outcome than just somebody making a gut feel. DCAP_03

Unresolved succession issues continue to be an issue for the industry, with some graziers unable to make more strategic decisions, because the older generation still "control the chequebook".
Business and family issues, succession, business structure, that can have a big impact. There's plenty of situations where there's an older generation who effectively control the chequebook. If their ideas and management aren't very good, it can really affect some person's ability to really manage it how it should be managed. [For example] it affects people's ability to stock sustainably and also their ability to implement the right decision. Like if your father won't let you do it, you can't do it. DCAP_22

If they're part of a family business then you've got to - and you want to stay in that business well you've got as the owners do especially if Dad holds the reins tight and you want your own place when he retires. DCAP_14

Largely the ship's been steered by mum and dad and grandma and grandpa. There's a big gap there where a lot of the knowledge is in the grandsons and the granddaughters. They understand what they think would help but getting that knowledge through to the people that are making the decisions is a bit of a struggle. DCAP_16

They might have family succession planning issues. There's too many in the business, they're all trying to be bosses and there's all sorts of things that go on in the business that has nothing to do with the season. It's all about the whole interaction of everyone working. DCAP_32

There's one other huge issue that I see in the industry that's predominantly overlooked is estate planning, where you've got grandad who's 95 and grandad's got the will that was made in 1947 and no one knows what's in the will. Then you've got dad who's 65 and you've got four generations of people on the one place who are all fighting. DCAP_Grazier_01

In a lot cases, there's a lot of producers who don't plan for [superannuation]. Unfortunately, a lot of producers have this, they're not trained in anything else, they've got no desire to do anything else and they've got no other skills or haven't got an education or whatever. A lot of old fellows just say, I'm going to die here. That makes it difficult for the next generation. Their 50 or 60 years old still doing what dad says. DCAP_Grazier_04

Well some people do it well, some people do an average job and some people make a complete and utter hash of it. For people that make a hash of it they'll have kids on the property that are 40 and have really got no responsibility for the management of their place. They're really just cheap labour waiting for the parents to drop off the perch. They mightn't even know what's in the will of their parents. They're just there hoping that the property will be theirs one day, which is a terrible waste because a lot of them don't get paid much. Some of them don't even draw a salary or a wage. Succession is a huge issue and really it can't start soon enough. DCAP_33

Whether they've got much control at home yet, because the generation they're dealing with - which is just a little bit older than me - is a terribly secretive generation. A lot of big properties with fathers that are say, 75 or over - they're still in charge - they don't even know what's in the will. It's all secretive…it is a big problem on the rural land, where Mum and Dad have built up a business that might be worth $5-10 million. How do they pull out of the business and have a reasonable lifestyle, but the next generation can afford to pay them out, when there's stuff - all gravy in the business? Return on assets, not even one. Where do you go? DCAP_36

If the older and the younger generation are both still on the property then who makes the decisions? Because - not all the time, but a lot of times the younger ones want to try something new or different and they're not allowed to, which - some of those things could
be what could help them to prepare for droughts, or at least just help manage and run the property better so it's more profitable and productive. DCAP_37

Succession is poor. Very, very poor, and generally left until something happens and it's too late. Also a lot of the older people do tend to stay on the property and have a say and hold the purse strings even though the younger person is on there and doing most of the work. DCAP_37

I think having a succession plan certainly influences you to be more drought prepared because you know you want to leave the land to Johnny in the best condition you can. I think that does. DCAP_26

Similarly, relationship struggles or divorce and family breakdown were also thought to have an effect on farm decision making and drought preparedness or management.

If they come to a workshop and they're having marriage problems and fighting with each other. Maybe they're both competing to sort of run the show. They come to a workshop and they both want to adopt something, it might not get adopted because they're too busy fighting over who's going to implement it or they're getting stuck on the details of how it will be implemented. If you're presenting to those people, they might attend and it might not be obvious that they're sort of - those sorts of tensions going on. I mean there's only so much you can do when you're running a workshop. But I still think it needs to be acknowledged that those things happen. DCAP 25

At the moment about 33 / 35 per cent of my clients are well over retirement age and need to look at selling. Probably another 33 per cent of them have had their wives leave them in this drought. Or the one before, which is interesting because generally in that case they've got to take on more debt to finalise the wife leaving. There's a lot of divorce and a lot of sickness too…I was going through my list of clients and seeing how many there were that the wife had left in the millennium drought and there was like nine. Then there's been another four this drought and the nine from the millennium drought - one had an extra $500,000 of debt going into this drought. The other one it's affected his capacity to - like the bank wouldn't lend him any more money to re-stock so his recovery period from the drought was longer. From the millennium drought coming in he was only able to borrow $100,000 because he was already carrying debt from the wife leaving and just the wives in each situation. You never know for sure but I think the millennium drought, having young children, all of those things, it can be quite - whether it was actually the relationship between husband and wife or whether it was lots of things, drought, et cetera that sort of caused the marriage to break down. Whether they just didn't want the hardships and the dragging stock out of dens and you know shooting cattle and that kind of thing. Yeah so divorce and the fact too that it's not easy just to go and sell a place either. You know to resolve a property settlement. If yeah there needs to be a resolution it's generally the husband that gets left with the property whether he wants it or not. DCAP_39

Finally, an overriding sense of emotional connection or attachment to their properties, particularly if it has been in the family for generations, or expectations from the extended family, are also believed to influence decision making, and hence drought preparedness or management.

I see that as a major problem throughout the industry and people trying and remedy it and it's costly and there's the emotional attachment and the sentiment that goes with properties and lifetimes' worth of work. No one wants to split it up or sell the family farm and no one can afford to buy everyone else out, so they just sit there and fester miserably. Yeah, that's a huge industry problem. DCAP_Grazier_01
I really believe that we need to start looking at the human aspect of why people make the decisions they make...It's to do with their families. The property's a vehicle. Looking after their families. However, the property's also their identity and their livelihood. It's tough because on the one hand they're trying to look after their families by making a profit, but on the other hand their attachment's so great to their properties that it sometimes gets in the way of more logical sort of business decisions.  DCAP_25

There is a whole lot of emotion. That's why families that are involved in agriculture when it comes to a split-up, it's always combustible because it's emotional because that's my home. When families are in businesses in town, they're not selling their home. So there's not that depth of emotion. DCAP_05

The Aboriginals, the Indigenous people talk about connection to place. It's the same. It is the same. For those that - my family - my brother is on a piece of land that has been in my family since 1825. Woe betide him if he sells it. When I sold my place, which had been in my family for 14 years who gives a hoot? If my brother was to sell, it's not just me that's going to say that, it's going to be - the locals will say that. The friends, the cousins - how can you sell that? So it is that emotion that holds people. DCAP_08

Then we've not even dealt with the fact that some of these properties have been in family hands for three or four or five generations. So it's family expectations. You do see quite strange decision-making. The best example I've ever seen, when I was counselling, was a couple who were really struggling, the whole show. It was pretty tough. They just couldn't make any decisions. They just couldn't change. You couldn't drill down to what the problem was - what they actually - you could do fantastic spreadsheets and show all sorts of things. They could too - they were part of that planning process, but nothing ever changed. It took until - so there was husband and wife and her parents - it took until the mother passed away and at that point the younger generation's relationship dissolved, so they then split, because they couldn't split up while she was alive, because there was that expectation. Then it went on another couple of years and he passed away, and at that point things could happen. Things could be sold, because could be changed, whatever, because they're dealing with an expectation of the older generation. I don't think the rest of us understand that, to a certain degree - that influence that the family - or the sense of expectation has on decision-making. DCAP_34

4.5.5 Finite physical capacity, increasing exhaustion and health issues

Operating a grazing property involves ongoing, physically hard work. It can be particularly challenging during times of drought, when graziers often work excessively long hours and driving long distances to check waters and supplement stock.

I suppose all drought preparation stuff is not only costly but it's all just hard work. Every single thing you go to do is just hard. At home we put over 60 kilometres of poly pipe under the ground; weeks and weeks and weeks of rolling pipe in the hot sun is just not that much fun [laughs]...We all pitch in at home. Mother is 75; dad's 80; we all still work fulltime. There's no retirement, there's no superannuation and there's no days off, which is probably why we're still there. DCAP_Grazier_01

That's the thing with drought. You don't get much of a spell in a drought. When it's wet, you know, you get a wet season, well, you can lay on your back for a bit longer. But, yeah, dry years, you definitely have to work - you know, more consistent. There's just always something to do. DCAP_Grazier_03
The community is dying, and with that, the workload increases. Our last days off was Easter. The first thing when things get tight you stop paying yourself, you stop having the days off so then you get all the mental health issues that come with that and you find that you’ll run yourself ragged and eventually collapse in a heap. At around about the 228th day the body will just say no, enough, I’ve had enough. So you’ve got those problems as well, but that’s no one’s fault I guess. Yeah, if you want to hang onto the goose that laid the golden egg, you want to hang onto your place and have some pride and look after it, then you tend to just work. DCAP_Grazier_01

There’s people running 60,000, 70,000, 80,000 acre and more, with just husband and wife. It’s a tall ask. Just keeping on top of water, fencing, cattle husbandry, mustering and all that, but without actively managing the business and managing the family and all that, it is a tough ask. DCAP_34

Any farm, it doesn’t matter how well it’s run there’s always something to do. It’s just one of those things where it’s different to a lot of jobs where you do actually go home and you can switch off a bit. I’m not saying you can’t do it, you should do it, you have to do but it’s very easy not to do it for people. It can become a 24/7 thing. You live right there in it and there’s always something, especially on the family farm level. There’s always a trough or a fence or something or other. DCAP_Grazier_02

People that don’t manage drought well, that are doing a lot of feeding of droughted cattle either molasses or hay, they put in inordinate hours, just ridiculous hours running around feeding cattle, driving to sugar mills to pick up massive quantities of molasses, getting out road trains of hay.

The ability to undertake this work is determined by physical capability. Finite physical capacity and exhaustion, combined with a lack of access to labour, can cause some graziers to forfeit certain tasks, or even more alarmingly, take dangerous workplace health and safety risks.

Interviewee: In say that you know I just thought of something else that I didn’t have down here. There’s a lot of old people. Getting around and doing – like there’s a lot of old people on the land in this area getting around and actually doing things, is sometimes an issue.

Facilitator: So they’re making decisions, which are less physically demanding?
Interviewee: Mm. DCAP_39

In times of drought, if the income has been affected and most times it is, someone has to go and work off farm, which splits families up. Mum’s living in town or driving backwards and forwards from town to home, which could be an hour, could be three hours. Dad’s at home by himself. Dad does things by himself that he probably shouldn’t do by himself but takes the risk because there’s no one else there. Always the money’s not there to employ people to assist with managing stock or doing anything much. So either Mum or Dad, whoever stays at home, is doing the whole lot. DCAP_39

This issue of workplace health and safety...There’s some major implications for workplace health and safety of people doing 20-hour days driving trucks. It's a huge issue...simply driving when you've had no sleep. DCAP_33

Physical exhaustion and accompanying stress also adversely affects the quality of decision making graziers are able to make about their enterprises and their lives, including decision concerning their health.
If you're physically exhausted, you can't make good decisions. I mean, your ability in everything is impaired. I mean, if you're physically exhausted, you're also mentally, maybe not mentally exhausted, but mentally less capable. DCAP_24

You've got a lot of ongoing inputs that you physically need to make and you not only start to get stressed, but you're also actually very tired in that same process. The capacity of people to make good decisions when they're tired and stressed is not generally particularly good. DCAP_10

The stress does absolutely - of course it affects people's decision making capacity doesn't it? You see people too that just neglect their health, like not eating or doing things like that. Not going to the doctor if they're sick. Putting off medical treatment because they can't fund it. DCAP_39

On a related note, mental health concerns were acknowledged as a growing issue for some graziers, during or as a consequence, of drought, that might limit their capacity to practice good drought management, especially given the increased labour demands described above.

[Mental health is] Particularly worse in men. They probably don't talk to ask many people like women do, and share their burdens. They like to keep them bottled up. DCAP_37

I think there's probably - especially during drought, I think there's a proportion of the industry that just - some would say that they're depressed. They're just depressed and in that circumstance we all have our down moments, days and weeks where you can't make decisions. You just sort of automatically get up in the morning, chase a few cattle, whatever cattle you have, you chase them around the paddock for a while and feel that you've done a good day's work. I think there's a reasonable hypothesis that people are - people who feel a bit down in the dumps are slow to make bold decisions, or their bold decisions will be desperate decisions and may not be very good ones. Of course, the very worst desperate decision people make is they do themselves in. I think there is some evidence to suggest that suicide is - among the pastoral industry is significantly higher than other sectors. DCAP_42

I listen to a lot of people who [are] just to the wall, they've just had it, like emotionally just had enough… where people are that desperate. They deal with it in a lot of different ways… they deal with it in anger, frustration, crying, it's all this stuff about it's all too much…people who basically, are what I perceive to be right on the edge. DCAP_02

Poor land condition feeds to all the negatives that are right around this circle. All these negatives add up to poor workplace health and safety, poor mental health outcomes which obviously can - that [affect] people who are more prone to suicide. DCAP_33

4.5.6 Limited social interactions

The importance of having good social networks in encouraging the adoption of better drought practices was also raised by the interviewees as a factor limiting improved drought decision making.

Farmers certainly are more inclined to go and access a service or go and access some information tools or something if someone else says yeah, I used it, it was really good or yeah, it would be really worthwhile, I'm sure it would help you out or something. DCAP_13
I was on a property a couple of weeks ago. The turning point for [that grazier] was producers he met at something he went to. He kept working with them and that just completely changed him. He was 40, 45. DCAP_34

Take for instance the farming mates of mine down near [name removed]. They play tennis every Wednesday night together and I was there with them the other week and they're really good at exchanging ideas. What did you do about this mate? What about that fence? They're always talking about what each other are doing. Oh yeah should I have gone out and pre-ordered this fertiliser? It's at this rate. This is a good - then they go away and think oh, that's a good idea. Maybe I might do the same thing. They're a really good group of farmer down there. They are good farmers. They are playing - not playing off each other, but they're using each other's knowledge. Which is helping each other. But there's certainly a lot that aren't. DCAP_11

It was believed that many producers in the grazing industry are isolated, by choice, through the changing nature of society, or through increasing financial and time commitments, and this was ultimately having an impact on their ability to attend field days or workshops where they previously had opportunities to speak to each other.

We all call ourselves a community, but we’re all solo sailors on this big ocean out here and we don't really have emotional attachment to our neighbours. We'll gossip about you till the cows come home and - if we hear that you're having divorce issues. But we're not [solid].Many of us are quite emotionally isolated. We're solo sailors. We all share the same journey across that big ocean, but we're not on the same boat, and we’re competitors. DCAP_Grazier_05

It's not as social a community as what it used to be. In terms of the properties, back - probably - I'm thinking in the fifties and sixties, people used to all get together and have a tennis day or something, and now they don't. They don't tend to do that…. People are just too busy. Most people are running the properties by themselves now, whereas previously they had a number of workers. Yeah. I don't fully know. I think that's a whole change in society in general. I think for some of the property people - though that doesn't explain why that's changed - but some of the property people are probably more introverted and like some of that isolation. I mean it's a lifestyle choice. DCAP_37

The grazing industry can be a bad place for being isolated and not being aware of the bigger picture especially if things are tight economically and you can't afford the time to go to a field day. Even if they become withdrawn and don't get involved in the social aspect they miss out on a lot there. DCAP_14

I don't think our farmers and graziers get together as much as they used to and talk about things. We have our peak bodies but it's only about 30 per cent who belong to them anyway. The rest of them don't seem to talk much. DCAP_15

They might attend the local cattle sales and a few clearance sales and that sort of stuff. I have some clients who find it very hard to even talk to me and tell - the process that I go through will be - if I meet with them for a start, I'm talking to the husband and wife. The husband might say something, but the wife will finish his sentence and talk for him. So a lot of these guys have spent most of their lives on their own, and they don't necessarily relate very well to others. They've had a lifetime on their own. They've had a lifetime working for themselves, working on their own. The only contact they have with another human is probably their wife. DCAP_30

They used to go to those social activities and they’d talk to each other about what they’re doing on farm. A lot of them don’t do that now. The only - probably the few times they get to
do it if they come to one our workshops, and then they'll have a chat. But other than that, they don't. Even though there's sometimes probably things that their neighbour is doing it, this person should be able to do it as well. Some things that they could learn from their neighbours. DCAP_37

4.5.7 Self-identity and a rural lifestyle

Although they do not directly impact drought decision making, it was thought that the love of the rural lifestyle and a strong sense of self-identity as a grazer, definitely influenced general decision making on properties, including decisions to stay in the industry, even if their businesses are not viable, as “they can't imagine anything else”. This in turn can affect drought management…

Most of our family farms are love affairs with the land and the lifestyle and the animals. DCAP_15

I've met quite a few people that [have what] I call the [polocrosse] effect. Three days a week is on the farm, four days a week is either polo or polocrosse or camp drafting. It's the lifestyle. The farm operates to run the horses. DCAP_01

Part of our problem, and which you guys have got to solve and break us away from it, is that a lot of this is lifestyle. We're loving the lifestyle. Drinking the beers and talking the talk…Driving around in these big cars… - big hats, big buckles, big below, swagger round the cattle saleyards. It’s just - you're living the dream. You're part of the community, a big player. Walk through town, everyone says hello to you because you’re the biggest, toughest guy in [town] - I don't know - a cashed-up cowboy. Just - it's just their world. DCAP_Grazier_05

Most graziers are on the land because they love it and that's their lifestyle, they can't imagine anything else. So if they had to leave it, that would be the end of them for a lot of them sort of thing. DCAP_13

It's a very diversified industry, agriculture. People are there for all sorts of reasons and the vast majority of them are there because that's the life they choose. DCAP_01

In terms of part of the rural psyche, it's not specific to males, it's probably generally males but it's also females in terms of a lot of people's sense of self-worth and their identity is tied up in either being a producer or managing a particular patch of land that's been in the family for four generations…that's their sense of self-worth and they don't visualise themselves or can't see themselves out of there. They've got to stay there and keep carrying on for whatever reason, whether it's their own personal satisfaction or a sense of duty or what. DCAP_04

Even psychologically to be able to have something meaningful to do so you sort of don't feel that you're doing nothing and you are nothing, because some people the property is who they are. If that's all gone then that does really knock your identity, and who you are, your confidence, your hope, your whatever. DCAP_Grazier_06

They all define themselves as that's what they are, a grazer, a farmer. Without that they don't exist… If you're talking about someone who’s got to sell up, they'll say “I don't know what else I can do. This is what I am. This is what I've done. This is all I know”. It's a really last resort. DCAP_30

They're not comfortable to get out of this lifestyle that they've done for 40 years and go and do something else. Long term it's bound to wear them down and there's probably not many
ways out of it without a big change, and that's a massive change if that's all those people have known. It's probably not something the rest of us - who don't live like that - probably don't see or understand, because if we get a bit sick of the job we're doing, we - generally - can change jobs. If we get sick of the locality that we're living, we move. Relationships come and go and things happen in peoples' lives, but it's a lot harder for those people to change. DCAP_35

It's a bit about how you value yourself. Saying that I can make a bit of a living, I'm doing all right. They might only be - in terms of salary terms they might only be making $30,000 or $40,000 a year and they can barely subsist. But they do, they subsist, and they enjoy being on the property, and they identify as a pastoralist, and they sort be that - proud of that. Got a Toyota. That's just their identity. Also, like everyone else, I mean, if there's a change, what will they change to? It's difficult to change. What are you going to do tomorrow if you're sacked? DCAP_42

I really do wonder about the whole mantra in DAF [about] the better business manager, doing things to improve profitability and counting the dollars [because] I suspect a lot of the beef producers don't do that. [Being a grazier] must be important to them because they have trouble paying the bills and they've got debt. But if they were really to count the dollars and dollars were really important you'd think they would have got off those properties and gone and done something else, because it's clearly not profitable to invest in land and cattle expecting a reasonable return on your money. DCAP_05

A lot of bushies want to go to campdrafts and rodeos. How can you afford to go to the campdraft and rodeo if the business isn't working? What are you running; is it a lifestyle or are you running a business? There's nothing wrong with running a property for lifestyle, absolutely, as long as you know that's why you're doing it. Because then you're sacrificing some of the financial gains that you could be making if you were running it as a business. One of our clients a little while ago, he's a very good client - he said, but I like doing that. I said well that's fine. But you need to do some numbers so that you know what that's costing you. That is a cost to your business that you are personally drawing out of. So they need to be - a lot of this stuff comes back to running a business. But they need to be quite clear about what they're doing it for. DCAP_08

What we're in is an extraordinary industry because the - see, when I finish work here - I might have had an absolute [word removed] of a day. It might be at seven o'clock at night, I can walk out the door, close the door and go home. When you're on a property you don't do that. You walk from the bike or the truck or the shed there and you're in the house; you're home. You might have been there five minutes ago answering the phone. So there's no demarcation. There's no way to separate. That's what loads people up too I believe. The only thing that's close to that in business is the old corner shop where you lived above it. DCAP_08
5 Government involvement

The role of government was identified as a significant factor influencing grazier decision making for drought preparedness and management. Areas of discussion included: drought assistance; seasonal climate forecasting tools; and legislation and regulation.

5.1 Drought assistance

A number of topics related to drought assistance arrangements, and the role they play in drought decision making, were raised. A distinction was made between Federal and Queensland drought assistance, with many interviewees supporting the Commonwealth’s Farm Household Allowance. However a number of criticisms were raised with the Queensland Drought Relief Assistance Scheme (with the exception of the Emergency Water Infrastructure Rebate), namely: it encourages a welfare mentality or culture of expectation; it rewards poor practices and discourages drought preparedness and management; it prolongs the existence of financially unviable farming enterprises; and it’s unfair to other rural small businesses who are also adversely affected by drought.

5.1.1 Distinction made between Commonwealth and Queensland drought assistance

A distinction was made between Federal and Queensland drought assistance, with many interviewees supporting the Commonwealth’s Farm Household Allowance.

*I'm a strong believer in what the commonwealth does with the personal hardship. They're grants I think, they're not loans. That puts bread on the table for individuals and families.*

*DCAP_15

*There's always going to need to be some social relief I suppose if - assuming you don't want them to go out the back door and all the rest of it.*

*DCAP_19

*Policy that has compassion and empathy for the hardships that the graziers are facing. That should be - that should essentially be there regardless of whether we think they're good managers or poor managers, you know, whether they're doing it even harder because they're poor managers anyway. I mean, policy shouldn't decide that.*

*DCAP_24

*I'm a strong believer in what the Commonwealth does with the personal hardship. They're grants I think, they're not loans. That puts bread on the table for individuals and families.*

*DCAP_15

5.1.2 Criticisms with Queensland drought subsidies

A number of concerns were raised with the Queensland Drought Relief Assistance Scheme (with the exception of the Emergency Water Infrastructure Rebate), namely: it encourages a welfare mentality or culture of expectation; it rewards poor practices and discourages drought preparedness and management; it prolongs the existence of financially unviable farming enterprises; and it’s unfair to other rural small businesses who are also adversely affected by drought.
Encourages a welfare mentality

It was thought that drought assistance was creating a welfare mentality for some graziers and grazing enterprises.

*From my perspective there's a serious welfare mentality with landholders coming to bear which is really unwelcoming and really not attractive. We're seeing it all the time, and in our field of work there's a high percentage of landholders who just expect to get everything for free because they're a landholder. In our game, we're very much work with the rural enterprise. We want to provide services, but there are some services that we need to cover our costs, or that we can only subsidise them this much. But we have people who will just wait hoping that we'll fund the lot. At some stage, I think we have created the welfare mentality in some. Not in all, but there's a good percentage out there that want their handouts.* DCAP_26

There's others that belief that somebody will step in and help them, the politics of drought, which has always been a fall back in Australia. No matter how many years people have tried to get rid of drought policy, politics rules drought and there's an expectation, as we've seen in the most recent times that the government will provide significant handouts, which they've done. People have got many, many thousands of dollars for water infrastructure improvements that is a great help but also breeds the mentality that somebody will leap in and save them. DCAP_01

*I think it's that whole mentality that we get in a bind and someone will subsidise us. The good producers I know - I mean the ones that can handle it better - there's a lot of good producers out there that run country hard. They're lovely people and all that but the ones who run country within its capability and manage that variability quite well, are the ones who say, it's my responsibility to run this business in such a way that I don't go through fantastic years and then famine and then this cyclical destocking, huge debts, I've got some control.* DCAP_34

*It's sort of saying we'll just keep doing what we're doing, and hopefully when we get into a crunch time someone will bail us out. That's not a good way for anybody, whether you're a businessman or a farmer or whatever. Sometimes that's where that media thing reinforces that, because they go farmers - they don't take any notice of what farmers are doing in the good times, but when it's all a disaster suddenly they swoop in with the doom and gloom, and really reinforce that thing that farmers are in a diabolical situation. The reality is we're going to have a drought every four or five years here guaranteed. It's not a surprise.* DCAP_Grazier_06

In addition, it was believed that some graziers have come to rely on subsidies and factor them into their business planning and decision making.

*There's assistance there and therefore people come to rely on that assistance… I think subsidies work in that way. It becomes - you become used to them as being part of the way that you do business and therefore, as a result of that, you don’t - you automatically factor that in and people would ask - ring you up to ask you about the details of the scheme prior to them making a decision on whether to take one option or another option. It becomes part of their decision on whether they retain stock, or whether they sell them on, or whether they - so the freight assistance then makes - changes - in some instances changes decisions. From my perspective, I always believe that you should make your decisions based on, is it a good business decision? The factor that you've got a subsidy sitting in there should be a bonus rather than a reason that you would make that decision. But I can see how at times it would skew the decision that you would make.* DCAP_10
It sounds very harsh. But until you cut off the reactionary stuff, no one gets prepared. If they know they can just keep running back to the government to get a handout “Oh, we’re in drought again. Oh, we’ll just go to the government, it will give us some handouts”. What does that help you prepare for? DCAP_11

In our weed control area, we’ve had landholders say, no come back when government funds the lot. They caused the problem, they can fix it. So, we actually know there are some who are deliberately holding off on doing certain things to their property, waiting for government to decide if you’ll get funded 100 per cent to do this. DCAP_26

Often you will ring people, we’ll say we’ve got programs available, there’s funding to do this and this and this and they go oh, yeah, we don’t really go in for that sort of stuff [laughs]. Oh, righto. Because they self-manage. Whereas others, before they make a decision about doing something they’ll often ring you and say is there any assistance around to put up new fences? Because they don’t do anything unless they think they’ll get something. They’re really attuned to getting - we’ve set a lot of it up - they’re attuned to getting funded for lots of things. DCAP_32

You have a business environment which a business works at, in this case grazing. Part of that environment at the moment is the drought scheme, the drought subsidy scheme. So, as a business, you incorporate that into your business planning, right? So, if that changes then they’ll be forced with the reality of not incorporating that into their business planning… It effects their decision. Whatever decision they make, it effects their decision. Just like being able to claim a loss on your investment house, is a factor in whether you buy the investment house. Right? So, everybody who successfully works within the nature of an industry or an investment thing, makes a decision based on as much information as they can get including policy and taxation DCAP_18

Those that do want to manage it better will seek it out. Those that are pretty happy with the status quo will keep going and then they’ll be expecting help when the next drought comes. DCAP_04

If you know that you’re going into a drought and you know that there is some sort of safety net for you if you hang onto your stock and stuff, then you’re more likely to hang onto your stock and run down your country. DCAP_21

I think anytime you give a subsidy for shifting cattle around and whatever it creates false economies. It’s like any tax breaks, the smarties get in and use them. DCAP_Grazier_02

Some of the policy is probably about maybe having to hold stock for too long and [having fed] and have evidence of doing that sort of stuff. Whereas, meanwhile, other – and actually running into bigger problems before they are eligible to get help. So some people might be holding out for that. As opposed to managers that move early, lighten off, shift their stock and then they haven’t created their own drought as quickly. So some people are creating their own drought and then become eligible for policies. DCAP_pilot_01

Discourages drought preparedness and management and rewards poor practices

In addition, it was thought that the drought subsidies discouraged drought preparedness and rewarded poor drought and grazing land management practices. For example, it was thought that the fodder and freight subsidies encouraged some graziers to hold onto their cattle for longer.

The Government’s involved with certain assistance packages and there’s - this Drought Relief Assistance Scheme for instance - and there’s money that’s provided for if you’re
drought declared transport of fodder onto your property and that can be counterproductive. Because their assisting people are keeping stock on the property when in fact maybe the best decision would’ve been to destock, get rid of them. DCAP_02

I actually don’t believe we should be subsidising people, while they’re in a drought, while I accept that it’s socially - there is a social issue there - A lot of people have been in terrible, terrible mental states, to a large degree that has been brought on by lack of strategy. DCAP_08

There’s no doubt that the policy settings for drought are terrible as a rule. Because all that happens is you - and government rewards the ill prepared. By providing drought assistance, they - you’re essentially rewarding the people - or sometimes you’re rewarding the people who haven’t prepared well enough or who have taken bigger risks. DCAP_09

I’m a bit of a believer in tough love. The very fact that subsidies exist is a reason for some people not to act early enough. If they know that they can get a drought subsidy, which is a partial payment of the freight for moving stock to agistment for example - and I think they even get a freight rebate on bringing some of them home too but then all your freight on your hay that you bring in. The freight on your molasses that you’re bringing in. There are subsidies on those. That is propagating, you know, it’s delaying the pain on these individuals all the time, as well as draining the public purse. So the fact that those things exist is a negative in its own space, it’s a negative in its own right… Partial subsidisation of a continual way of life which is burying your head in the sand is not helpful. DCAP_15

I think maybe we reward the wrong people with like drought relief. It’s just around the idea that you get government subsidies when you know you’ve got yourself into trouble. DCAP_21

I personally don’t think there should be any drought subsidies. I just think it encourages bad management. I’ve got no problem with people getting welfare assistance in droughts but in terms of fodder or things like bio-bale just make my blood boil. They’re just ludicrous. They just continue that whole - they encourage that whole process of just holding onto animals at whatever the cost and a huge price cost to the land. DCAP_43

Personally I don’t like drought subsidies. I just think they - let me think of a - try to think of a nice way to put it. They encourage poor management practices. Because the people really only get them when they’re in - when they’ve got poor - livestock losing weight, pastures degraded, all that type of stuff. I mean, I’m a strong advocate for the beef industry. I like cattle, horses, all that type of thing, but I also like good quality pastures, and when you see people just run them down, then get money out of that drought subsidy scheme, I just - to bring in fodder to feed animals - I just - yeah, I'm not a supporter of the drought subsidy scheme at all… Because it doesn't encourage anyone to make a decision to respond to a developing drought. DCAP_03

I have a bit of a problem with subsidising fodder. Because I think it encourages people to keep stock on instead of selling them. So that links in with my bit of an issue with people just feeding for years on end. I think some of that is because of fodder subsidies. DCAP_27

I think they're the worst thing ever, drought subsidies. They’re atrocious. I think it rewards the poor managers to continue to poorly manage their country and their business and it doesn’t reward the good managers, not that they need rewarding. It’s a big cost to government and I really don’t think it's well - I don't think it's money well spent. The other thing, you talk to graziers, the good manager they also hate drought subsidies. They want to stand on their own two feet and a lot of them won’t access drought subsidies even though they’re eligible. DCAP_33
The whole drought system package has got the wrong mentality about it. It’s propping up the ones that have made bad decisions basically and not assisting the ones that have made the good decisions, or not encouraging people to make better decisions. I don’t agree with how the current system works at all and I think a lot of the better producers don’t either because for that exact reason that they make good decisions and plan and do all the good things and get no real benefit out of it. DCAP_38

Unless the Government stops rewarding all the poor managers, we’re going to go nowhere ever. You get the scenario with this bad drought that we’ve just had - three or four years for some - all those blokes who reacted to the lack of rain right at the start - they shifted cattle onto agistment, they sold cattle et cetera - admittedly, they got better prices for their cattle, because as that drought deepened, the cattle price went the worst in 30 years. It just went - like that, so the good managers recognised there that we’ve had no rain by say, end of March - Easter - and started doing something in that first year. They don’t get a freight subsidy or anything like that. All they did was, they looked for agistment or they sold their cattle. They got reasonable money. As the drought deepened, producers were getting 20 cents a kilo for their cattle. Cattle were dying, because they couldn’t get them on the trucks. You couldn’t get them into the abattoir, because they were booked out that much. But then the drought gets declared after about a year. The rule book says, we’ve got to have a rainfall deficiency. The drought gets declared, so all those blokes that have done nothing, they’ll start to get trade subsidies and fodder subsidies. The bloke who has looked after his own business - he doesn’t get any assistance, so what are we doing? If you do nothing, the rule says you get nothing that might change a few attitudes. DCAP_36

Drought relief is sort of like a - it’s crisis stage stuff, it’s fodder subsidies and rail freight subsidies and stuff like that. I think they tend to distort the industry. I think they reward poor performance. So I guess they’re a form really of sort of social welfare and business welfare, but I reckon we should be trying to wean the industry off them. Drought relief is what you have to do when resilience fails…I think we need to be very wary about drought assistance, because it can do more harm than good. DCAP_42

I don’t know, we always seem to be giving all this money out to guys that are just putting - they’re their own worst enemy, really, the ones every single year crying poor six months before everyone else because they’ve just got no grass, they’ve just got that many cattle there. Yeah, I don’t know. There comes a point where, as a general statement, I think we need more good managers running more land. DCAP_46

I think the other problem with drought policies at the moment is that they tend to provide all these short-term rewards for people in trouble. But then there’s no mechanism to change behaviour into the long term. DCAP_09

I’m not a great believer in drought subsidy. We’ll talk about this later on but I’m not a great believer in drought subsidies because all it’s done over the years is rewarded bad management. People get into a mess and then suddenly they’ve got to go and then they get freight subsidies and this and that. Even in the bad old days, they used to get fodder subsidies, so that was really bad. Whereas, the people who did plan and did keep their numbers down and had plenty of pasture available, they get nothing. They didn’t even get a pat on the back. DCAP_Grazier_04

In addition it was seen as particularly unfair to those graziers who had managed well and could then not access support.

People get rewarded for bad management, you know what I mean. It’s always those people that have prepared that don’t get the reward. So, we’ve got those people who haven’t put money aside in FMDs, who haven’t done this, who haven’t reduced their debt and such and
they’re straightaway able to access farm household allowance because they don’t have any off-farm assets, they’ve spent their money as it’s come in. I’m not judging anywhere here but this is just what’s happened. Whereas you’ve got and I’d think of quite a few people at this time and they are hard workers, they’ve put money aside in their superannuation and they’re past retirement age so that superannuation is classed as cash, and they can’t get anything. No assistance at all. DCAP_23

I think the past culture has been to declare areas in drought. So we throw a lot of money at that and support those people. Whereas the people who have planned for dry times, who are conservative stockers, don’t have a case to say that I’m in drought and they don’t get any support. DCAP_44

If you are going to subsidise, how do you get the money to flow to the right people, and who are the right people? Our neighbour here is a really, really good operator, and he acted early after 2002. He said this is ridiculous, all my water isn’t good enough to withstand a period like that. So he went and re-piped and planned and tanked, and he did a terrific job of his water system across the place, and then the emergency water infrastructure came out in this round, and we - I’m not - we were still developing our place, and we claimed it a couple of times and put in water infrastructure, and he was going - I was talking to him about it, and he was saying well, why are you entitled to the water infrastructure? I’m not entitled to it because it’s already done, because I’ve got off my backside and done it. He’s right he’s gotten off his backside and done it. Now, he’s not eligible for it. DCAP_Grazier_09

That whole risk/reward scenario and you see it in all sections where people do naughty things and they don’t insure or something and then the Government comes along and picks up the insurance tab after a flood event because people weren’t prepared. Yet if I had’ve insured my house and insurance covered it all I’m covered, that’s well and good, but it might’ve cost me $10,000 over the last 10 years every year for insurance. Whereas they haven’t paid that and they still got covered. So sometimes you look at it and you’re going oh, what’s the point? DCAP_32

Similarly, one interviewee spoke about drought policy and taxation rules that act as a disincentive to graziers selling stock early.

The first thing about drought policy is that if you - let me think about this - if you make a decision early to sell your stock before you’re actually drought declared, you have to declare that income on your taxation in that financial year. Alternatively, if you wait until you’re drought declared and then sell your stock you have got five years to declare that income on your tax return. So that’s a sort of drought policy taxation rule that really goes against that notion that we should sell early. It’s actually encouraging people to wait until a couple of things have happened - the market prices have dropped and the stock have lost more condition - because drought declarations don’t happen quickly, especially shire declarations. If you’re a little bit proactive and you can get an Individual Droughted Property (IDP) early you might get in before a shire is actually declared. But usually the rules around IDPs is such that it’s not easy to get unless you can show very low pasture availability and low rainfall. So it might already be too late, in a sense, in terms of your pasture and your animals at the stage where you’ve got an IDP. So that’s an application that goes into DAF from a - on the property scale from the owner or the manager and they assess them against a number of rules. So that taxation and drought policy rule is a disincentive for people to sell early. DCAP_pilot_02

The exception was the Emergency Water Infrastructure Rebate, which was generally viewed positively as it was seen to help graziers to prepare for the future.
I really like the water infrastructure subsidy. Quite like that. I think that has actually, you know we shouldn’t need that too much next time, because everyone should have their water infrastructure set up. It helped people prepare for next time, so they’ve now got water into areas where they didn’t. DCAP_27

They’ve broadened the drought assistance out to capital improvements, particularly emergency water. In my opinion if you’re going to subsidise anything in drought that’s probably something - that’s probably the best thing to subsidise. I’d still like to get rid of it altogether but at least at the end of the drought - you come out of a drought with something of benefit for the next drought, a more reliable water supply which is a big thing. DCAP_33

Like the whole drought, the water stuff was a really big thing and I think a lot of people took that on board to set themselves up for better down the track. I believe that was a good one, yeah. Like if people who go in bores for half the price, yeah. DCAP_46

The one that we got for doing that water infrastructure, that’s the only one that I’ve ever agreed with. I more or less have put it into the basket of, I’m not even sure we deserve that. I think of all the subsidies that one has had the best effect and has got more use than anything else. DCAP_Grazier_02

Putting in new waters or whatever to get animals away from riparian areas, I think that’s a good way. It just assists the producer to provide infrastructure that allows much more - allow better management of animals away from more sensitive areas to provide better water quality outcomes and land management outcomes. DCAP_Grazier_04

Without being critical of any of the subsidy schemes before, I feel as though any drought subsidy should be focused on how do you make graziers more resilient for the next drought, and not propping them up during this one. I know that’s a pretty tough call to make, but I think the emergency water infrastructure grants, I think were a fairly - were a pretty good example. Graziers used that to put in really, really good water infrastructure, which made their properties more productive in the meantime, and made them more drought resilient, I suppose, in the long term, because they had better water infrastructure than the boggy old dams or whatever they had before. DCAP_Grazier_09

They had the water rebate this time around and that was quite successful, but again, the people who backgrounded or agisted cattle weren’t eligible for it. The water infrastructure was really, really good because all the dams went dry and the whole idea was - that is something that should continue probably into the future to make sure, because you’ve got to have water. DCAP_Grazier_08

However, there was also some criticism of the Emergency Water Infrastructure Rebate as well, in particular that it could actually encourage more overgrazing in the future, as some graziers will now be able to continuously graze those paddocks that were previously used less, because they did not have access to a permanent water source.

If you’re doling out money for watering points, or whatever - that was a great thing for people who were in a jam. But our comment, as people sitting back, watching that happen, is, well, next time the drought's just going to happen that much sooner, because those areas are never now going to be treated as grass reserves - which is what they [were]. They're now just part of the ordinary production system and they're just going to be flogged like the rest of the place is. So suddenly, it's just more country that's absorbed into their same old practices, so in effect, the drought's just going to start sooner, because that reserve now isn't there. DCAP_35
I think it was very much a double-edged sword in that it certainly helps people and got a lot of people out of a mess, but what it's also meant is that they can graze more of their country and they can just basically graze every single square centimetre of their paddock to within an inch of its life so it all depends on the management that underlies it. DCAP_43

Well I think like the emergency drought water rebate, for example. That was - and I mean there's definitely some positives of that, but most of that money went to situations that you probably wouldn't really call emergency. I mean if you're in Western Queensland and you've got a dam that's not a [permanent] dam, and you hit a drought that's a bad one, is that an emergency when that dam goes dry, or is that something you knew was going to happen and should have had a plan in place pre-drought? An emergency I guess is if you were relying on a bore and it just collapsed overnight. That's an emergency. It was something you didn't know about, it's just happened out of the blue, probably nothing you could do to prepare for it. A lot of the emergency in that rebate was - when the media reports Joe Blow at Longreach's dam's gone dry, and the government responds with we've got an emergency water rebate. It would have been much better if Joe Blow had thought about that dam going dry five years ago and thought maybe I need to put a strategy in place that deals with that, because sure as eggs at [name removed] there's going to be another drought in five years…But the minute there's emotion and the minute there's sheep dying and there's people suicidal, suddenly there's money found to emergency - whereas to me that's the wrong time to be doing it, is when you're in the middle of it. You should say well hey look, we know we've got some issues in this property or in this area, and we know it's going to get dry again because of where we live. We need a plan to be in place for when it happens, not sort of halfway through. DCAP_Grazier_06

Prolongs unviable farming enterprises

It was also thought that drought assistance helps to prolong but not save, financially unviable, and sometimes environmentally unsustainable grazing enterprises, thereby delaying potentially necessary restructuring of the industry.

There's a pretty significant amount of assistance there for people to help them manage that and that aims to keep them in business, when if they were a corner store or a service station, they probably would have been forced out by market forces and more efficient ones come in their place. I've got internal conflicts on this in terms of drought payments do help put food on the table and get people through a very tough time. From a bigger picture perspective, yes, it does keep people in there that perhaps otherwise would be better off for themselves and the industry if they were to exit the industry. DCAP_04

Well you can't be that hard. In the political state we live in, you've got to be a bit soft around the edges, but we've gone too far in terms of maintaining people in unviable agricultural business. All we're doing is delaying. We're not preventing. DCAP_01

The Drought Relief Assistance Scheme was supposed to be abolished in 2002, but we had a severe drought in 2002 and here we are, 2016, and still have similar product that's not strategic, it's just a handout. That helps to a degree, but in only some cases. Just keeps people there a bit longer than probably they should be. DCAP_02

I'm internally torn on that a bit in terms of yes, I want to see people get help, but then longer term if they're having to get that every drought then are they efficient businesses that should be there?… In some cases, there's inefficient businesses that are able to stay there whereas otherwise they'd be forced out. From a - very probably it is cold, but from a cold, economic rationalist point of view then the market forces should force that, as it should in any industry. I'm not singling out agriculture here, I take a business-like approach across
it... That's not sour grapes or anything like that, it's just the reality that if they do choose to leave then they can do with significant capital, usually, depending on debt and the value of the property, obviously, to go and do something else. DCAP_04

I've seen that in a couple of cases where people have - in financial trouble have struggled on for year after year with the support of the drought payments. So it almost rewards them. Well it just keeps their current management going. It limits restructuring in the industry as well. Because then the people who are poorer managers end up almost being supported to staying in the industry. Whereas if you had a more rational world you'd have more of those people being eased out somehow and properties then being sold to their neighbours. Again, the politics of that are horrible because then you end up with fewer people out there and more people leaving the industry. So what's good economics and what's good politics are completely opposite. DCAP_09

What's better, a short protracted shock, to the industry or individual businesses or a long protracted - because a drought subsidy, I don't think is going to save a business. Well, it's not going to save a business. But it certainly will prolong them. DCAP_18

The subsidies, how much difference, they make to a business staying in business or not, I don't know. DCAP_34

This might sound harsh. Instead of the managers who aren't managing for drought, instead of them going bust and then their land being freed up for someone else to expand, I think it's tending to support them, hold them in the industry - it doesn't give the opportunity for the better managers to expand, maybe buy them out or new players to come into the market. DCAP_43

Their debt levels and whatnot are at a particularly high period when something like that hits. Through absolutely no fault of their own they'll find themselves in strife and having to bail themselves out of it. That's life, really, isn't it? It's the same with any other enterprise. I'm not sure that taxpayers should have to do the bailout. Of course it's not a bailout, usually quite often I'm pretty sure it's prolonging the agony. In any industry there are businesses that aren't viable or that become unviable because of the overall price of the commodity, or whatever. The natural process is for them to be sold and accumulated into the other existing more successful ones. It's very emotive, especially in the bush because people live on their places but the fact is that the mum and dad farmers are still in most cases and on most land types are still the most effective economic unit. They can tighten their belts and work like hell if they choose to through those tougher times. I still think it has to be viable on their own, I don't see why the general taxpayer has to help that along. DCAP_Grazier_02

I suppose, when it comes to government, I have this theory that government should be hands-off. So government's job is to provide infrastructure and services, and keep our markets open, and keep regulation at an absolute minimum. That's government's role. I don't think it's government's role to hand out cash when time's tough, and I don't - maybe it's not a good idea to write this down, but - I don't know quite how to word this exactly, but the whole drought crisis meetings, and all that kind of stuff, I wasn't supportive of them. Every industry goes through tough times, and there's natural attrition in every single industry. Some businesses don't make it, and it's a tragedy but that's the reality of it. I don't think they're a protected species, I really don't. DCAP_Grazier_09
Unfair to other rural small businesses who are also affected by drought

Finally, it was thought by many of the interviewees that the drought subsidies were essentially unfair, particularly as they could not be accessed by other rural small businesses, many of whom were just as adversely impacted by the drought, as primary producers.

There aren't too many private businesses out there who get propped up by government when there's a crisis. There seriously isn't. I get on the radio quite often and certainly through the drought I was on the radio quite often talking about the hardships landholders face, but I was not oblivious to the fact that I've got businesses closing around me in small communities. People losing jobs. There's no handouts to these people. You know we're not getting any fuel subsidies. We're not getting packages. We're not getting - so there is a real divide forming between the rural and urban sector, and in business. I don't like to see that. It's my job to talk about the rural sector, but I'm not oblivious to what's happening in the urban sector as well, and the impact droughts have on that. DCAP_26

Well, it's another advantage of agriculture. If the corner store we were talking about goes broke or if I go broke, I don't have the big capital base that properties have to fall back on. DCAP_04

Here we talk about all the subsidies in the US and the EU - don't worry, our farmers get their share of rebates and handouts and tax deductions and things like that. They can't complain about how they're treated because they get a lot more government assistance than a lot of other businesses. Our business doesn't get anywhere near the government assistance they get. DCAP_11

The urban sector does it tough as well. We've had little businesses in town that close on Mondays, only open for part days. They've reduced their staff. They've moved premises to try and find cheaper rentals. There's been all these other things that have happened to the urban sector, but you haven't seen government jump to and do anything, and you haven't seen politicians say well, we need to do something about the urban sector in these small communities that are drought affected as well. And it does, it can be quite a divisive thing for a small community. DCAP_26

I'd like to see drought assistance just chucked out the window. Why should a grazier get drought assistance when a person's running a clothing store in Charters Towers doesn't? They're still in the same district. They're still affected by the drought just as much because people stop buying clothes or don't buy as much. They're not eligible for any drought assistance. DCAP_33

We're spending a fortune with the cane, the bananas, the grazing - in the reef catchments. All they need to do is just get real serious - well for the grazing anyway. We know ground covers the holy grail of keeping all your junk at home. Let's do something. We're giving them fencing. We're giving them this. We're giving them that, giving - if the business needs gifts like this all the time, it shouldn't be there - I reckon. You don't see the business in Mareeba, or Charters Towers or - they're not getting any handouts. Why do land producers get handouts? Well why are we giving producers on the land this money to run their business better or why aren't we giving it to the fish and chips shop or that hardware shop in the little town that's trying to survive? Why are we giving it to the man of the land? There should be none of that. There should be no handouts. If your business can't run its own business, then what's all this handout business? End of story. DCAP_36

I was unsupportive of the poor bugger me mentality. I just don't agree with it. I just don't agree with it. Yes, it's tough. Some poor buggers had it really unlucky, but what about the shopkeeper? What about the guy in town that owns the - we're really good friends with the
guy that owns the Mitre 10 in town. He’s had a woeful two years. He’s never put his hand out for any subsidy at all, and there’s none available to him. Why doesn’t he get a crack at the funding? I don’t know… I suppose, if government wishes to assist, in these situations often the entire community is suffering. If government feels the need to assist, maybe they should keep that in mind. It’s not just one sector. The entire community tends to suffer, because if the - the supporting townships, they don’t get any money flowing through the pipe if the industry’s in drought. DCAP_Grazier_09
5.2 Seasonal climate forecasting (SCF) tools

Seasonal climate forecasting (SCF) tools are just one aspect of property and drought management. Indeed, many of the interviewees thought that seasonal climate forecasts do not determine drought preparedness or management decisions, but instead offer additional evidence to assist decision making. They were considered most useful when used collectively with “more important” knowledge and practices, such as knowing what the markets are doing, good pasture management, and implementing a risk management approach.

Preparing for drought isn’t about products. They’re the tools to help people to apply their risk management approach… I think a risk management approach is more important than any tool. DCAP_04

I wouldn’t say they’re unhelpful but I see them on a different level. I see them as little tiny Band-Aids or assistances for a far greater problem. Yes, they make a difference but they’re just not making a big enough difference. DCAP_Grazier_01

What I say to people, what I personally think is that the most important thing is the amount of pasture people have got and then the seasonal forecast is just - would modify what you might do based on that amount of - the amount of pasture you’ve got. DCAP_43

They probably don’t think to use those sort of tools even though they did know they were there because it’s more about what they see in the paddock and it’s like a response decision rather than a proactive planning decision, if that makes sense. DCAP_38

My main thing would be how much grass have I got right now?... [The forecast is] probably a little bit of influence on the fringes, not...If we had no grass but the forecast was really - say that forecast was super positive, but I had no grass, I can't get cattle because I've got to keep them alive until it does rain. So it wouldn't help even if that was positive. You wouldn't say - if I buy those cattle now I've got to keep them alive for three months until this rain does kick in. That's what I mean. You've nearly got to have the grass before you make a decision. DCAP_Grazier_06

Getting people to manage for their pasture is much more important than getting them to try and understand what's happening with the forecasts, because the forecasts are too variable for that neck of the woods. DCAP_10

It’s a bigger view of the world when you get to the producer and he’s got to make dollar decisions and they don’t use tools to make dollar decisions... So they’re just inputs. These are all things where you gather information from. Some are more valuable than others...So if I’m sitting down with a cattle producer and we’re saying what do we do, it’s probably not one of the things we consider. It’s more about what cattle you’ve got, what’s the market like, have you got enough grass, what’s your water. All those sorts of things - and then you think well okay, in terms of what the BOM’s saying... An outlook is an outlook. It would have to influence some of my decisions I’m sure. A really positive outlook like, we’re going to get heaps of rain, or whatever, that might bring forward a few jobs perhaps. I’m not going to suddenly go out and buy a heap of extra cattle or anything like that on a positive rainfall outlook. I’m not going to make any vast changes. I can’t think of a reason but there might be some fencing jobs or something like that, I can’t remember, that I might bring forward thinking that if I don’t do it now I won’t get to it all, that type of thing. Or I might think, if I don’t put these [unclear] in or gravel this bit of road now then I won’t be able to use that yard, that type of thing. It would influence those decisions but only influence them. DCAP_Grazier_02
Now if I've just had four inches of rain, I'll make a decision, if it hasn't rained but the forecast is there, I won't go buy cattle because I could lose my shirt. You've got to have grass in the paddock... It's more what's my pasture condition in the paddock and is it likely to respond if I get rain... So it's more adding up a dozen things. One of those things might be oh the BOM says it's going to be a bit drier than average. DCAP_01

The forecast could be brilliant, but if you don't get the grass you can't run the stock. So it's sort of - you almost have to have the grass, then make the decision. A lot of our decisions are more after the wet, so - like it might be April or May we're going - or some years earlier if it hasn't rained at all. In 2015 we were making decisions in January because there was just zero rain. Normally that's when you'll make a lot of decisions, after it's rained. The forecast probably doesn't help you much because it's either happened or it hasn't happened. DCAP_Grazier_06

We make our decisions based on - and it sounds stupid, but we're looking in the rear-view mirror to make our decisions going forward. So when you get to there, you've assessed the feed you've got. You look at the number of cattle you've got, stock you've got, and you say is this going to be enough to get us through to Christmas or thereabouts? If not, then adjust your numbers. I don't necessarily look and say well, this is going to be - there's a La Nina or - but I mean, I look at it, yes, but I don't put huge amounts of faith in it, you know?... It's a really, really tough call to make really big decisions based on climate forecasts, plus I've seen them be wrong. I've seen them be terribly wrong. [Laughs] DCAP_Grazier_09

Specialist and grazier experiences using seasonal climate forecasting tools were explored in a survey conducted as part of the interviews to gain a broader understanding of the specialists’ and leading graziers’ use and experiences of eight specifically selected decision-support tools, including some SCF tools. Namely: Rainman/Climate ARM; Southern Oscillation Index Phase; SPOTA-1 Index; AussieGRASS; FORAGE reports; VegMachine; Stocktake/Stocktake Plus and BOM climate outlook forecasts. The results from this survey are discussed in Durante and McCartney (2017). Because the use of decision-support tools, including seasonal climate forecasting tools, are explored in depth in that report, they will not be discussed further here.
6 Conclusion and Future Opportunities

Effectively managing for climate variability, including periodic cycles of drought, continues to be a challenge for Australian primary producers. Despite programs and resources such as the Grazing Best Management Practices (BMP) guidelines, it is believed that many graziers in Queensland fail to effectively manage for climate variability and improve their ability to prepare for future drought conditions.

This report examined those factors that limited decision making for improved drought preparedness and management in Queensland grazing enterprises, through interviews with grazing specialists and a small group of leading graziers. Concurrent to these interviews, a non-representative survey was conducted, to gain a broader understanding of the specialists’ and leading graziers’ use and experiences of eight specifically selected decision-support tools. The findings of this survey are found within a supplementary report (Durante and McCartney, 2017).

For ease of reporting, this study has categorized six areas as limiting decision making for improved drought preparedness and management in Queensland grazing enterprises. They are:
- a grazier’s financial and economic situation;
- the nature of grazing production systems;
- the management focus of a grazier such as record keeping, planning and decision-making systems;
- their knowledge, willingness and capacity to learn and change;
- their personal attitudes and circumstances; and
- the role of government.

Throughout the interviews a number of opportunities or suggestions were identified for addressing the limitations to decision making for improved drought preparedness and management in Queensland grazing enterprises. Some were direct contributions from the research participants themselves (i.e. the interviewees). Others were devised by the project research staff, or identified in the relevant literature as being appropriate responses to the limitations that were identified in this study. These future opportunities are broadly grouped into the following categories:

1. Increase extension services and other independent service providers;
2. Develop decision support services, tools and aids;
3. Reform drought assistance arrangements;
4. Support drought-related research and development;
5. Challenge industry and community attitudes to drought; and
6. Promote industry diversification and off farm investment.

1. Increase government extension, but also promote other service providers
Insufficient knowledge and skills in herd and land management were identified in this study as a factor limiting grazier decision making for improved drought preparedness and management. Furthermore, throughout their interviews, many of the interviewees noted that whilst there was plenty of training and information provision about topics related to drought preparedness and management, there was a shortage of extension staff (in government and other sectors), available to provide more specialised and individually focussed support, deemed most effective in achieving practice change.

2. Develop decision support services, tools and aids
During the interviews, it was acknowledged that decision making in the grazing industry is getting increasingly more complex, and in times of stress (such as impending or prolonged drought), decision making can be considerably compromised. Hence, it was identified that there is a growing need for more decision support services, tools and aids to assist graziers with decision making, particularly in the areas of:
Factors limiting decision making for improved drought preparedness and management in Queensland grazing enterprises

- grazing land management;
- financial and business management;
- the interpretation and application of seasonal climate forecasting information; and
- adopting a risk management approach to decision making.

However, as identified in the project’s literature review (Comerford et al., 2017) and implied through the survey findings (Durante and McCartney, 2017), the design of these decision-support tools need to adequately consider the specific needs, capabilities, levels of risk aversion and work contexts of the end users in the design stages. They should also be regularly evaluated and updated for changing needs and useability, and marketed and promoted at target users so that they not only know that the tools exist, but are aware of how to use them to their best advantage.

3. Reform drought assistance arrangements
A number of criticisms were raised of the current drought assistance arrangements within Queensland. Namely, that: it encourages a welfare mentality or culture of expectation; it rewards poor practices and discourages drought preparedness and management; it prolongs the existence of financially unviable farming enterprises; and it’s unfair to other rural small businesses who are also adversely affected by drought. Similarly, throughout the interviews, many interviewees spoke about ways to address these criticisms, or alternatives to the drought assistance arrangements, altogether.

4. Support more drought-related research and development
Improving drought preparedness and management in the grazing industry is a complex, multi-faceted policy issue for Queensland. There is still a requirement for more biophysical, social and economic research to be undertaken to support evidence-based policy development in this area. In particular, it was identified that there needs to be an increase in funding and to support the long-term monitoring and evaluation of applied drought management practices.

Additionally, in anticipation of changes to the way that drought support and assistance is provided to Queensland graziers, future work is also recommended to inform policy and extension that will help facilitate a transition to drought resilience and adaptation within the Queensland grazing community. It is recommended that we explore the cultural contexts surrounding drought vulnerability, and directly engage with drought-affected graziers to ascertain how they might respond to various drought policy instruments and changes to subsidy and assistance programs.

5. Challenge messages and attitudes to drought
It was thought that conflicting messages and disempowering attitudes within the grazing industry itself, in government and in the broader community, were not helpful to improving drought preparedness and management. As a consequence, there is a need to challenge messages which fail to acknowledge the reality of Australia’s variable climate, as well as attitudes that do not promote resilience within the industry.

6. Promote industry diversification and off-farm investment
Financial pressure was arguably identified as the most significant factor limiting decision making for improved drought preparedness and management in the grazing industry. As part of financial pressure, a lack of off farm income and a subsequent reliance on having cattle for cash flow was seen to directly affect decision making regarding overgrazing and failure to destock, during drought periods. Correspondingly, a number of suggestions were made about ways to promote diversification within properties, as well as sourcing alternative sources of finance, and developing off-farm investment strategies.

Although conducted in Queensland, it is anticipated that the findings from this study will contribute to the broader body of research and knowledge about drought preparedness and management in grazing enterprises.
References


Beling, J. (2008), Empirical methods: Expert Interviews, Presentation to ETH Swiss Institute of Technology Zurich


Comerford, E. Paxton, G. McCartney, F. and Durante, J. (2017), *Encouraging the use of agricultural decision support information and tools*: Supplementary report 1: a literature review, Department of Science, Information Technology and Innovation (DSITI): Brisbane


McCartney F. & Durante J. (2014), *Can expert interviews replace direct research methods when investigating motivations and barriers to pro-environmental behaviour?* Presentation at the ACSPRI Social Science Methodology Conference 2014


Appendices

Appendix 1 Project Information Sheet

Improving drought preparedness in Queensland grazing enterprises

Project Information Sheet

Your involvement is sought in a research project exploring the factors (drivers and barriers) influencing Queensland graziers' likelihood and ability to effectively prepare for drought.

The project is being undertaken under the Queensland Government’s Drought and Climate Risk Adaption Program.

Interviews are being conducted in person at a time and a place convenient for you. They will take between approximately 60-90 mins.

The first part of the interview will discuss whether, in your opinion, the graziers you work with, adequately prepare for drought, from a productivity or profitability perspective. In particular, what strategies, services, practices, products and/or decision support tools they use?

The second part of the interview will use a survey to explore graziers’ use of a select group of decision-support tools.

Finally, I will ask if you can recommend anyone else who we should speak to, for this project.

Confidentiality and anonymity provisions

Records and data storage

- No records of any type will contain the names of any research participants.
- Participants will only be identified in data and records by their participant number.

Interview procedures

- Interviews will be tape recorded and transcripts will be prepared from recordings.
- Transcripts and not recordings or any other materials will be retained as the original data from this research cycle.

The research will be undertaken by independent researchers from the Department of Science, Information Technology and Innovation (DSITI).

If you have any questions, or would like to discuss the project further, please contact Fiona McCartney at (07) 3170 5760 or fiona.mccartney@qld.gov.au
Appendix 2 Specialist Interview Questions

Improving drought preparedness in Queensland grazing enterprises
Interview Questions (Specialists)

Q1: Which region(s) do you work in? (Choose as many as relevant)
☐ Mulga Lands ☐ Central Queensland ☐ Gulf Country

Part 1: General context (interview)

Q2: In your opinion, do the graziers you work with (effectively) prepare for drought?
   a) If so, how? What strategies, services, practices, products and/or tools do they use? (from a productivity or profitability perspective)
   b) If not, why not? (i.e. what are the specific barriers preventing them from effectively preparing for drought?)

Q3: Do you have any ideas or suggestions regarding:
   a) Ways to overcome the barriers mentioned above?
   b) Additional ways to assist graziers to (adequately) prepare for drought? (e.g. enhanced support services including strategic planning? more precise tools or products? other)

Part 2: Specific Products (interview)

Q4: Do you use any seasonal rainfall forecasting products (i.e. rainfall probabilities 1,3,6,9 months) to assist the graziers you work with, to prepare for drought?
   a) If so, what products do you use?
   b) If not, why don’t you use any seasonal forecasting products?

Q5: Are the graziers you work with using any other seasonal rainfall forecasting products? (i.e. other than those in Q4?)
   a) If so, what products are they using?
   b) If not, why aren’t they using any products?

Q6: Can you recommend anyone else that we should speak to, for this research project? (Including agronomists, extension officers, accountants, farm financial counsellors, bank managers, agricultural industry representatives and graziers themselves).

Part 3: Specific Products (survey)

See Durante and McCartney (2017), Appendix 1 for the full specialist survey questions
Appendix 3 Grazier Interview and Survey Questions

Improving drought preparedness in Queensland grazing enterprises
Interview Questions (Graziers)

Q1: Which region(s) best describe where you live and work? (Choose as many as relevant)

- Mulga Lands
- Central Queensland
- Gulf Country

Part 1: General context (interview)

Q1: Do you prepare for drought? Do you think you are able to prepare for drought?

Q2: What sorts of strategies, services, practices or activities do you use or undertake, to prepare for drought?

Q3: Do you use any decision support tools (e.g. seasonal climate forecasting tools), to help you to prepare for drought?

Q4: What are some of the barriers to you preparing for drought?

Do you have any ideas or suggestions regarding:

  c) Ways to overcome the barriers mentioned above?

  d) Additional ways to assist you (or other graziers) to prepare for drought? (e.g. enhanced support services including strategic planning? more precise tools or products? Other?)

Q5: What do you think of current drought assistance programs? Are there other (better) ways, of assisting graziers to prepare for drought?

Part 2: Specific Products (survey)

See Durante and McCartney (2017), Appendix 2 for the full grazier survey questions
## Appendix 4 Characteristics and practices of graziers who prepare for drought

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>SITUATION, CHARACTERISTICS &amp; PRACTICES</th>
</tr>
</thead>
</table>
| **Financial** | Low levels of debt  
High levels of cash reserves  
Sufficient economies of scale  
Basic business analysis skills (e.g. budget, profit and loss, ROI analysis)  
Calculate and consider their total costs of production  
Use of financial advisors (e.g. management advisors, tax accountants)  
Off farm investments (e.g. urban residential real estate)  
Alternative income sources (e.g. ecotourism operations, agistment)  
Access to labour as required  
Market diversification (e.g. domestic, international, premium organic markets)  
Sufficient superannuation reserves |
| **Management** | Strategic risk minimisation management focus  
Capacity to "work on the business" and "work in the business"  
Written drought plans  
Established herd selling strategy  
Integrated pasture and cattle management focus  
High levels of good herd and pasture record keeping  
Participation in benchmarking and best management practice groups  
Access to and use of specialised public or private advisors (e.g. pasture agronomists, beef and NRM expertise)  
Product diversification (e.g. breeding, backgrounding, feedlot, specialised)  
Multiple properties (and ability to transport cattle between properties, if required)  
Have a set dozen decision rules or rules of thumb that they adhere to (e.g. key decision dates)  
Qualified management staff  
Established cattle sell-down strategy  
Have a CEO business approach to their enterprise  
Regular management meeting with members of the enterprise |
| **Attitude/Mindset** | Consider drought management as part of general grazing management  
A strong willingness and capacity to learn and change  
Are open-minded and realise that they "don't know what they don't know"  
Decisive, able to make decisions quickly  
Discipline to destock early, or according to established decision rules, if required  
See cattle as inventory |
| **Personal** | Focus on what they can control (e.g. stocking rates, decision dates) and not what they can't control (e.g. rainfall, cattle prices)  
Well connected to their communities, industry organisations and other graziers  
Strong family relationships  
Clear and agreed succession arrangements  
Good relationship with their bank managers  
Good mental health with high levels of resilience to stress  
Good physical health and physical capacity  
Low risk aversion (or high risk tolerance)  
High risk aversion (or low risk tolerance)  
Love of agriculture and rural lifestyle |
| **Knowledge and skills** | Lots of experience and a good understanding of their properties  
Good understanding of integrated land and herd management principles  
Ability to accurately calculate and apply stocking rates and long term carrying capacity  
Ability to accurately calculate feed budgets  
Keep up to date with industry advances (e.g. MLA's "Feedback" magazine)  
Varied sources of information (e.g. technical factsheets, webinars, websites, journal articles, Youtube videos)  
Regularly attends field days, demonstration sites and workshops  
Ability to accurately use and apply seasonal climate forecasting tools  
Good technological and computer skills  
Good understanding of probabilities |
| **Infrastructure** | Established and well maintained infrastructure (e.g. watering points, fencing)  
Good storage for supplements |
| **Techniques** | Appropriate (or conservative) stocking rates  
High stocking rates (with the ability to make a decision and destock quickly, as required)  
Applied pasture management techniques (e.g. good groundcover, diverse pastures, wet season spelling)  
Applied herd management techniques (e.g. controlled mating, herd segregation)  
Applied land management techniques (e.g. integrated weed and pest management)  
Participation in grazing and beef research (e.g. field demonstration sites) |