# The Profit Gap: Why producers who measure and improve outperform the average

*Financial and production record-keeping play a crucial role in farm business success, offering clearer insights, better resource management, and the ability to drive continuous improvement. But does tracking financial performance translate to measurable financial gains?*

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Keeping financial records in place and measuring both financial and productive performance can bring multiple benefits to a farming business. Some key advantages include a clearer understanding of business results, better resource management, the ability to identify areas for improvement, and a greater willingness from producers and managers to actively seek those improvements.

But can these benefits be measured objectively? Beyond the clear advantages of record-keeping, tangible financial differences between producers who maintain organized financial records and the industry average were explored.

**Methodology**
The pooled average annual return on assets managed (ROAM) of grazing farms from the Agrista benchmarking data set has been compared with the ABARES data set for the period from 2017 to 2024. No data was available for the 2024 year for ABARES. Grazing farms are defined as operations where at least 85% of gross profit comes from livestock enterprises.

Two ABARES groups were analysed. One representing all livestock producers across Australia and another focusing only on producers in south-eastern states of Australia, as most Agrista database entries are from south-eastern Australia.

Within the ABARES dataset, producers categorized as beef specialists, sheep specialists, and beef and sheep operations were aggregated and used for the analysis.

The Agrista dataset is not a random sample as it represents producers who actively track their financials, measure performance, and seek improvements, while the ABARES data is randomly collected. Thus, the results of the ABARES sample are more likely to provide an objective reflection of the performance of the broader livestock industry.

**Results**

Figure 1 illustrates the trends over the seven-year analysis period, comparing the average return on assets managed between the ABARES dataset for all of Australia (light green) and the Agrista dataset (dark green). The differences between the two are highlighted in purple.

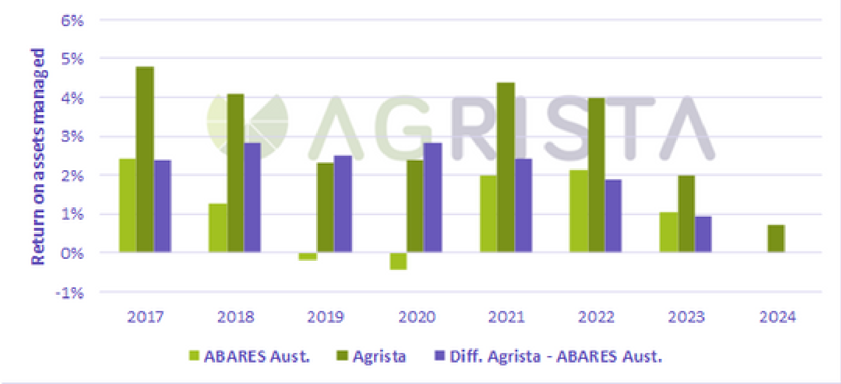


*Figure 1: Managers in the Agrista dataset have delivered higher returns when compared with managers contributing data to the Australian ABARES data set.*

Across all the periods analysed, the Agrista database consistently outperformed the ABARES Australia dataset regarding return on assets managed. The difference ranged from +0.9% in 2023 to +2.8% in 2018 and 2020, with an average difference of +2.3% in favour of Agrista producers.

It could be argued that a comparison of a data set compiled of primarily eastern states data (Agrista) with one compiled of Australia-wide data (ABARES) is biased. To account for this, the Agrista results were compared with the south-eastern states in the ABARES dataset.

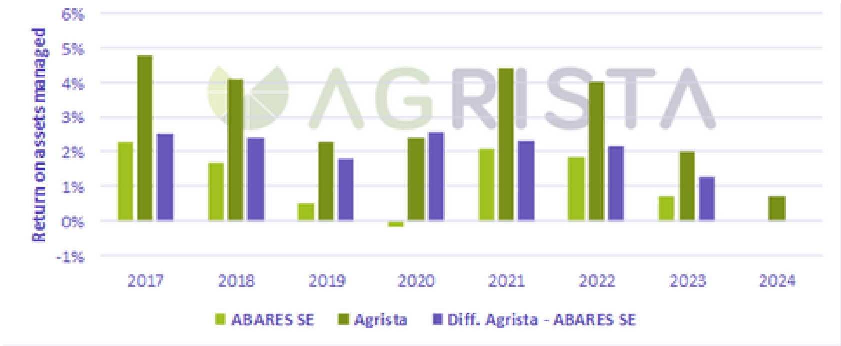


*Figure 2: In an equivalent way than Figure 1, Agrista average results on ROAM are greater than ABARES south-eastern states producers.*

Figure 2 presents similar data but sorted by producers located in NSW, Victoria, South Australia and Tasmania. The results remain consistent with Figure 1: Agrista producers consistently achieved better financial results than their counterparts in the ABARES dataset. The smallest difference was +1.3% in 2023, while the largest was +2.6% in 2020. Over the full period, the average difference was +2.2% in favour of Agrista producers.

**What This Means for You ?**

This analysis demonstrates that livestock producers who maintain structured financial and production records achieve better financial performance (measured as ROAM) than the industry average, both across all Australia and within south-eastern states. This doesn't mean that farm benchmarking delivers improved results. What it means is that a historical series of objective and repeatable farm performance data delivers the ability to derive powerful farm business insights and identify opportunities for improvement. The data provides the supporting evidence that helps to improve the capacity and confidence of managers to make positive changes to their business when they are ready to act.

The monitoring of the business after changes are made provides a feedback loop that allows for assessment of the changes. Agrista's benchmarking service also plays a key educational role to farm business managers. Farm managers who benchmark become aware of complex interactions between the production system and the financial performance.

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