

MSO Calculation: Geometric Method

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1. Whilst, in general, line fitting (by regression analysis) improves with more data points two points are preferred for the revelation of MSO
 - a. Data from different years are complicated by issues relating to the value of money (inflation, purchasing power, etc)
 - b. As the data points increase (relating to more years) the problems of correcting for monetary values outweigh the benefits (theoretically) of more data

2. The geometric method is given as a visual representation of the methodology used in the study as an aid to general understanding. It is quite sound. In fact, a proprietary algebraic solution was developed specifically for the study work. It identifies the MSO and this number was then used to demonstrate that farm performances improved as farms (invariably) downsized to the MSO levels of output.

3. The MSO at a farm is not a single number that prevails for all time. It is a function, ultimately, of physical, not financial, factors. The availability of grass on a farm changes from year to year and the true physical MSO will change accordingly. The weather and previous grazing intensities make this so.

4. The MSOs that come out of the study are designed to provide a direction for farms to move down and a scaling of the task involved and the likely benefits. The acid test for reaching the MSO point is that at that point no corrective variable costs are incurred. This is obvious and measurable.