

Westpac Agribusiness and Dairy Australia  
Dairy Business of the Year Competition

**DAIRY BUSINESS**  
OF THE YEAR 

**RED SKY FARM BUSINESS  
PERFORMANCE REPORT**



Prepared for  
**Jim & Jill Smith**



**Wrightson Seeds**



## RED SKY FARM BUSINESS REPORT INDEX

The following information is included in this report:

- A. WRITTEN FARM PERFORMANCE ANALYSIS REPORT
- B. OVERALL 'DOT' ASSESSMENT REPORT
- C. CHARTS OF PERFORMANCE
- D. RED SKY NUMERICAL REPORTS

DEFINITIONS of KEY PERFORMANCE INDICATORS can be viewed at [www.redskyagri.com/file/pdf/RedSkyKPIsDairy.pdf](http://www.redskyagri.com/file/pdf/RedSkyKPIsDairy.pdf)

DEFINITIONS of TERMS used in RED SKY can be viewed at [www.redskyagri.com/file/pdf/RedSkyDefinitions.pdf](http://www.redskyagri.com/file/pdf/RedSkyDefinitions.pdf)

For more information on these reports or other matters related to dairy business performance, please email us at [info@redskyagri.com](mailto:info@redskyagri.com) OR call us on free phone 1800-733 759 OR see more information on Red Sky at [www.redskyagri.com](http://www.redskyagri.com)

## Red Sky Farm Performance Analysis



### Red Sky Agricultural Pty Ltd

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22<sup>nd</sup> February 2007

**Jim & Jill Smith**

Walker St  
 P.O.Box 99  
 Warragul  
 VIC 3820



Dear Jim & Jill

**RE: RED SKY FARM PERFORMANCE ANALYSIS FOR YEAR END 30<sup>th</sup> JUNE 2006**

Thank you for allowing us to undertake this review of your dairy business. We have appreciated the opportunity to detail some of the options available to you for ongoing business development, and we hope that this information can assist you in realising your personal goals.

**Summary of Results:**

<b>PROFITABILITY MEASURES</b>	<b>Your Farm</b>	<b>District Average</b>	<b>District Top 10%</b>
Return on Assets	8.5 %	7.2 %	13.9 %
Operating Profit per Hectare	\$ 1,278	\$ 1,223	\$ 2,200
Return on Equity	9.5 %	8.2 %	17.5 %
Pasture DM Harvested (tDM/ha)	8.0	7.9	9.5
<b>EFFICIENCY MEASURES</b>			
Milk Production (litres/ha)	12,212	13,079	16,749
Milk Production (kgMS/ha)	915	988	1,244
Average Cost of Consumed Feed (/tDM)	\$ 187	\$ 195	\$ 183
Forage Cost (\$/tDM)	\$ 214	\$ 203	\$ 178
Concentrate Cost (\$/tDM)	\$ 269	\$ 282	\$ 274
Cows per Full Time Staff Equivalent	119	113	138
Management & Staff Costs per Cow	\$ 324	\$ 360	\$ 300
Core per Cow Cost	\$ 437	\$ 353	\$ 330
Core per Hectare Cost	\$ 579	\$ 604	\$ 680
<b>RISK MEASURES</b>			
Operating Profit Margin	29 %	26 %	37 %
Cost of Production per Litre	22.1 cents	23.3 cents	19.5 cents
Pasture as % of Diet Consumed	67 %	64 %	64 %
<b>SOLVENCY MEASURE</b>			
Equity %	74 %	68 %	61 %

**KPI's – Profitability**

**Return on Assets** 8.5%  
**Operating Profit** \$1,278/ha  
**Return on Equity** 9.5%  
**Pasture Harvest** 8.0 tDM/ha

## Red Sky Farm Performance Analysis

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### Return on Assets

The most important measure of profitability is **Return on Assets**. This is calculated by dividing your Operating Profit by the total value of all assets owned by you. The lease costs associated with any leased assets are deducted from your Operating Profit.

Your **Return on Assets** is similar to the Average.

### Operating Profit

Your **Operating Profit per Hectare** is slightly higher than the Average. This is not as sound a measure of profitability as Return on Assets given it is highly influenced by the quality of the land being farmed.

### Return on Equity

Return on Equity is the most important indicator of **nett wealth growth** – but it cannot be used for comparison with other farmers as it includes debt servicing, and is therefore influenced by each individual's level of debt.

Your **Return on Equity** (excluding capital gain) is higher than your Return on Assets. Businesses that have a Return on Assets that is consistently above their cost of funds (nett financing costs) are stronger and more secure as this would result in their Return on Equity being factored up on each dollar they have borrowed. In general your Return on Equity can be improved by:

- Increasing operating profit; and/or
- Decreasing finance costs (i.e. borrowing at a lower rate)

When your Return on Equity is greater than your Return on Assets, it generally means that your cost of finance is less than the operating return being made on your total assets.

### Pasture Harvest

**Pasture harvest** is a key indicator of profit. In general it is improved by an increased stocking rate and/or better pasture management. An increase in pasture harvest has the effect of reducing the cost of pasture and hence the overall cost of production.

Your pasture harvest result of 8.0 tDM/ha is similar to the Average and 16% below the Top 10%. There are a number of possible reasons for this. Specifically, your low stocking rate, relatively low level of nitrogen fertiliser use, and the potential for pasture production given your farm type and location could be impacting on these results. However your level of pasture management is likely to be one of the most significant factors.

### KPI's – Efficiency

<b>Milk Production</b>	12,212 litres/ha and 915 kgMS/ha
<b>Average Cost of Consumed Feed</b>	\$187/tDM
<b>Forage Cost</b>	\$214/tDM
<b>Concentrate Cost</b>	\$269/tDM
<b>Cows/Full Time staff Equivalent</b>	119
<b>Management &amp; Staff Costs/cow</b>	\$324 per cow
<b>Core per Cow Costs</b>	\$437 per cow
<b>Core per Hectare Costs</b>	\$579 per hectare

### Milk Production

Your **Milk Production** per hectare is 7% below the Average. The factors contributing to this are:

- Milk production per cow of 439 milksolids (5,858 litres) that is 4% above the Average and 7% below the Top 10%; and
- Stocking rate of 2.08 cows/ha that is 11% below the Average.

In this situation stocking rate is the most significant limiting component of the "per hectare" equation and should be addressed first when looking to increase total production, with consideration taken to maintaining per cow performance.

## Red Sky Farm Performance Analysis

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### Cost of Consumed Feed

The **Average Cost of Feed Consumed** is a weighted average of the cost of pasture, forage and concentrates. In almost any system, feed costs are one of the two highest costs, along with labour (imputed & paid). It is one area that has significant potential for improvement in profitability due to the scale of the expense.

The cost of feed has three components:

1. Direct (or purchase) costs.
2. Variable costs – a proportion of some farm working expenses that should be attributed to the particular feed type e.g. labour, repairs & maintenance, and vehicle expenses.
3. Capital costs – costs attributed to owning capital items required for feeding e.g. the land for growing pasture, feed pads for forage, silage wagons, in-shed feeding systems, etc.

Your **Cost of Forage** is higher than the Average. The main reason for this is that a large proportion of the forage is not grown on land under your control and is purchased for a comparatively high cost.

Your **Cost of Concentrates** is lower than the Top 10%. This is one of the largest individual costs to your enterprise and is a real strength of your business.

### Labour Efficiency

Labour efficiency is an area that holds significant potential for improvements in profitability as it is a highly 'elastic' cost, and one of the largest expenses on the farm. These ratios include an allowance for the owner's time as well as an allowance for other people who are completing work but not drawing a monthly wage. As a result improvements in these ratios can lead to either cost savings or for more time to be available to pursue other interests.

Your **Labour Efficiency** of 119 cows milked per full time staff equivalent (Cows/FTE) is above the Average but significantly below the Top 10%. This suggests there could still be a substantial opportunity to improve this ratio, which should lead to improvements in profitability as well as the freeing up of time.

Your **Management & Staff Cost per Cow** (including imputed or "unpaid" labour) is between the Average and Top 10%. This is a potential area for further profitability gains.

### Core Costs

Pasture-based dairying has a high proportion of variable costs. In businesses such as this there are not significant opportunities to increase revenue (i.e. milk production) to "water down" the impact of high costs. Effectively businesses with a high proportion of variable costs have no alternative but to **control these variable costs** if they are to improve profitability.

**Core per Cow Cost** is calculated from (Animal Health + Breeding + Dairy Shed Expenses + Electricity + Grazing + Freight + Other Expenses + 50% Repairs & Maintenance + 30% Standing Charges + 70% Vehicle Expenses + 50% Depreciation) divided by Peak Milking Cow Numbers.

**Core per Hectare Cost** is calculated from (Administration + Cropping [green feed] + Phosphate & All Other Fertiliser + Pasture Maintenance & Renovation + 50% Repairs & Maintenance + 70% Standing Charges + 30% Vehicle Expenses + Weed & Pest + 50% Depreciation) divided by Effective Milking Area.

Your Core per Cow Cost is higher than the Average, which does not provide a good base from which to increase production and profitability.

Specific Core per Cow Costs that warrant further attention include:

- **Animal Health:** this is significantly higher than the benchmarks and should offer some potential for cost-saving.
- **Grazing/Agistment:** this appears to be due to the off-farm grazing of young stock, as opposed to having an owned or leased support area for grazing of young stock.

## Red Sky Farm Performance Analysis

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- *Repairs & Maintenance and Depreciation:* these are partly a “per cow” cost and partly a “per hectare” expense, however on a per cow basis they are significantly higher than the benchmarks.

Your Core per Hectare Cost is lower than the benchmarks although you will see that the Top 10% benchmark is higher than the Average. This indicates that this ratio does not have a positive correlation with high performance so it should only be addressed if the costs are much higher than the benchmarks.

### **KPI's – Risk & Solvency**

<b>Equity %</b>	74%
<b>Operating Profit Margin</b>	29%
<b>Cost of Production</b>	22.1 cents/litre
<b>Pasture as % Feed Consumed</b>	67%

#### Equity

Your **Equity %** is sound and indicates a comfortable position with regards to the long-term risk to your business.

#### Operating Profit Margin

The **Operating Profit Margin** represents the percentage of gross revenue retained as profit (for interest payments, principal repayments, tax and true 'profit'). The higher the figure, the more secure the system. Target levels are related to the farm system being operated, with high feed-input systems targeting lower operating profit margins than low feed-input systems.

Your Operating Profit Margin of 29% is a reasonable result compared to your peers for a moderate supplement operation. This represents a sound margin available for debt servicing or to absorb changes in milk or feed prices.

#### Cost of Production

**Cost of Production (COP)** represents the nett cost of producing one litre/kilogram of milk. If gearing is high (e.g. high levels of debt) then there should be a significant gap between Cost of Production and the milk payout to ensure there are sufficient funds for debt servicing and tax payments.

*Cost of Production can also be compared across years for your enterprise and against other farmers at varying milk prices as it is not influenced by milk revenue.*

Your Cost of Production of 22.1 cents/litre (\$2.95/kgMS) is a reasonable result compared to your peers, and lower than the Average. This leaves a satisfactory margin for debt servicing or to absorb changes in milk or feed prices.

#### Pasture as % of Feed consumed

Your **Pasture as % of Feed Consumed** of 67% indicates a system of moderate supplementation. Systems with higher levels of supplementary feeding inherently carry higher levels of risk.

In general your risk/solvency measures are indicating a moderate level of risk, and a business that is in a sound position to withstand unfavourable conditions/events.

### **SUMMARY**

The main profit drivers of any farm system are:

- Milk production
- Pasture production
- Labour efficiency
- Supplement feed costs
- Core costs

*How do you measure up for the 5 Key Profit Drivers?*

## Red Sky Farm Performance Analysis

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The attached "dot" assessment report graphically outlines your performance in each of these areas.

### Your Key Business Strengths:

- *Concentrate Costs:* these are being sourced at a competitive price.
- *Labour efficiency:* this is sound although there potentially remains scope for improvement. The range in performance across farm businesses is immense, and provides opportunities for further cost savings or for you to free up more time to pursue other interests.

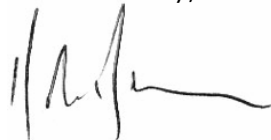
### Areas for consideration and/or for further investigation:

- *Milk Production:* a key component of milk production to look at when developing a strategy for improvement would be your stocking rate, which is proportionately lower than your level of per cow milk production. By increasing the stocking rate there is likely (although not guaranteed) to be an improvement in pasture production.
- *Pasture Production:* a number of strategies could be looked at to increase pasture production and pasture harvest. One of the key issues here is your low stocking rate. Methods for increasing pasture production, such as regrassing, increased nitrogen fertiliser use and grazing management could also be implemented, providing the stocking rate is adjusted accordingly to harvest the extra production. Through improving pasture production, there is likely to be a corresponding increase in milk production.
- *Forages Costs:* decreasing the cost of forages offers the potential for improving profitability. This is most likely to be achieved through the cost-effective production of forages on land under your own control.
- *Core per Cow Costs:* a number of the "per cow" costs are higher than the benchmarks. These should be reviewed for potential cost-saving strategies. Tight cost control on a per cow basis is a key component of highly profitable dairy businesses.

There are a number of opportunities identified here to improve the profitability of your system. Some may or may not be appropriate due to circumstance not obvious from a financial viewpoint. These opportunities should be discussed with your farm consultant or accountant, and then you should be in a position to select one or two key areas to focus on in the coming year.

We have appreciated the opportunity to analyse your dairy business with Red Sky. If you have any queries regarding your analysis please do not hesitate to contact me. Now that we have your historical performance recorded in Red Sky it is a straightforward exercise to examine various scenarios and detail the likely financial gains from these options. We look forward to being of further assistance to you in the future.


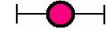






















Yours sincerely,



David Beca

Director

**Red Sky Agricultural Pty Ltd**

RATIO	DEFINITION	EXCELLENT or VERY LOW RISK	UPPER QUARTILE or LOW RISK	MEDIAN QUARTILE or AVERAGE RISK	LOWER QUARTILE or HIGH RISK	POOR or VERY RISKY
PROFIT	Return on Assets & Operating Profit per Ha					
RISK	Operating Profit Margin & Cost of Production					
SOLVENCY	Equity Percentage					
MILK PRODUCTION PER HECTARE						
- Stocking Rate (Cows/ha)						
- Milk Production per Cow						
PASTURE HARVESTED PER HECTARE						
FEED COSTS	Forage Cost/tDM					
	Concentrate Cost/tDM					
LABOUR EFFICIENCY	Cows per Staff Equivalent					
	Management & Staff Costs per Cow					
CORE per COW COST	Per Cow Expenses excl. Supplements, Irr'n & N					
CORE per HECTARE COST	Per Hectare Expenses excl. Supplements, Irr'n & N					

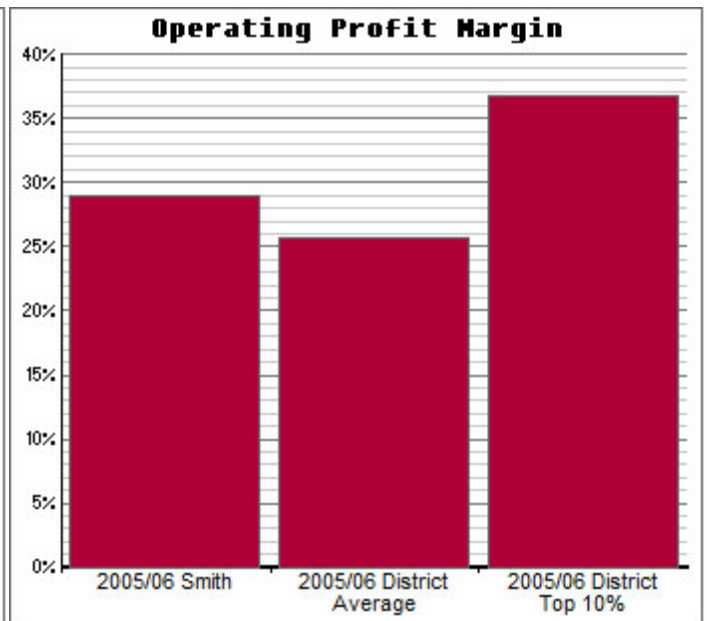
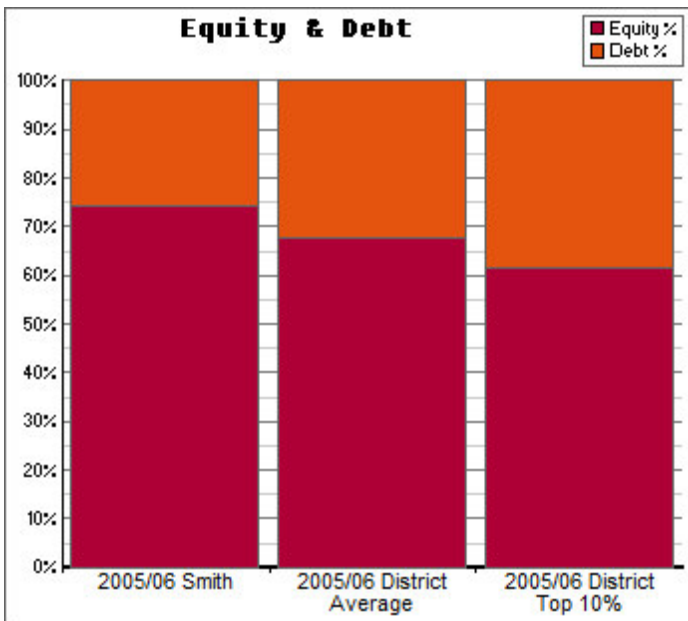
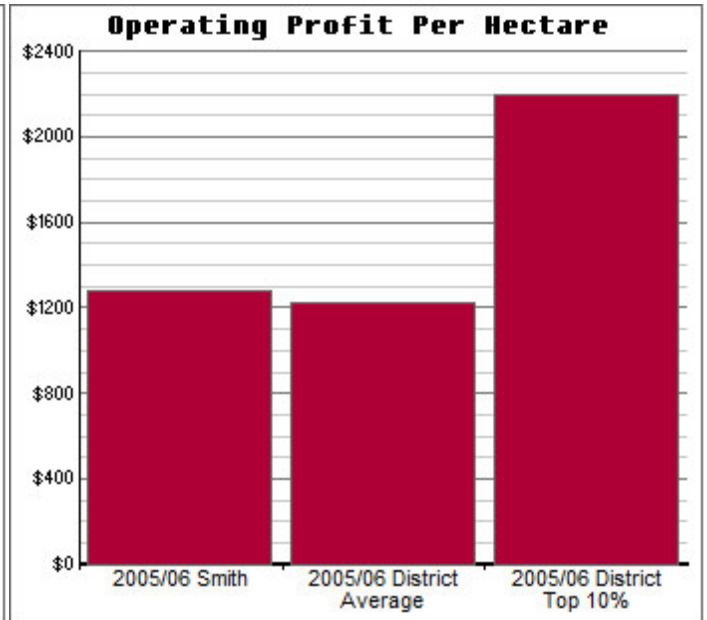
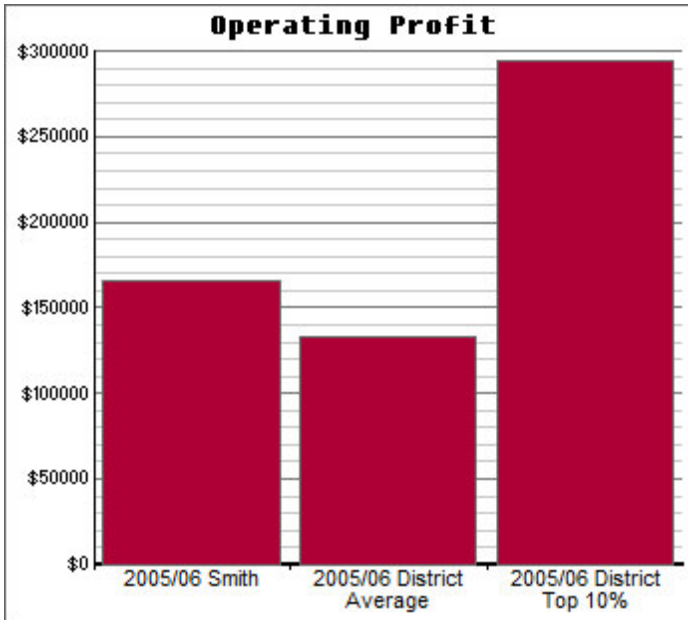
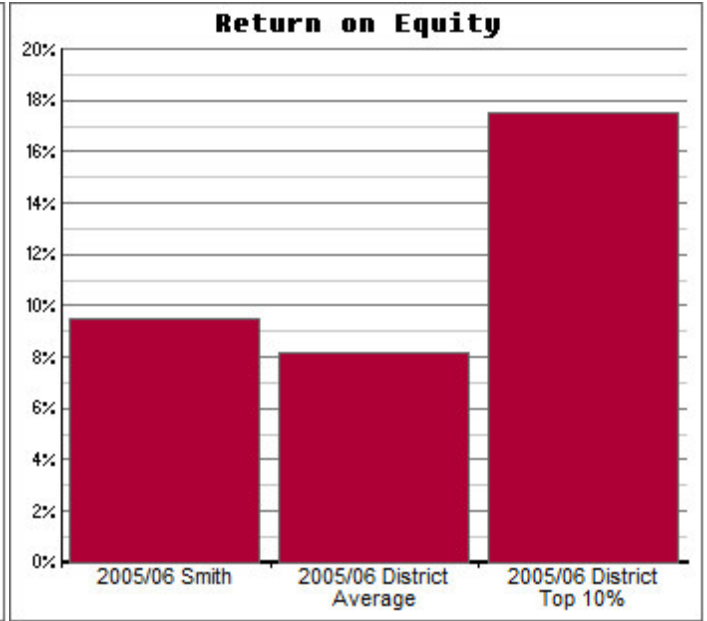
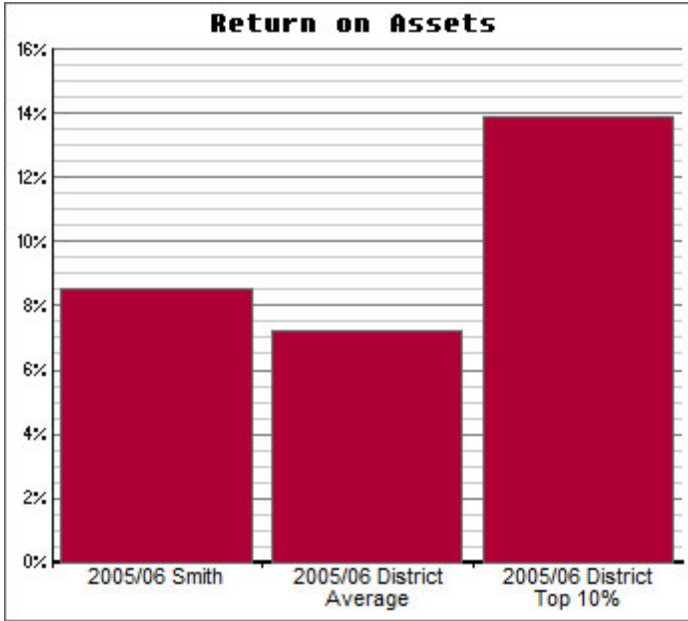
**Core per Cow Cost** = (Animal Health + Breeding + Dairy Shed Expenses + Electricity + Grazing/Agistment + Freight + Other Expenses + 50% Repairs & Maintenance + 30% Standing Charges + 70% Vehicle Expenses + 50% Depreciation) / Peak Milking Cow Numbers.

**Core per Hectare Cost** = (Administration + Cropping (green feed) + Phosphate & All Other Fertiliser + Pasture Maintenance & Renovation + 50% Repairs & Maintenance + 70% Standing Charges + 30% Vehicle Expenses + Weed & Pest + 50% Depreciation) / Effective Milking Area.

# Financial Farm Performance - Dairy

J. & J. Smith Farming Ltd

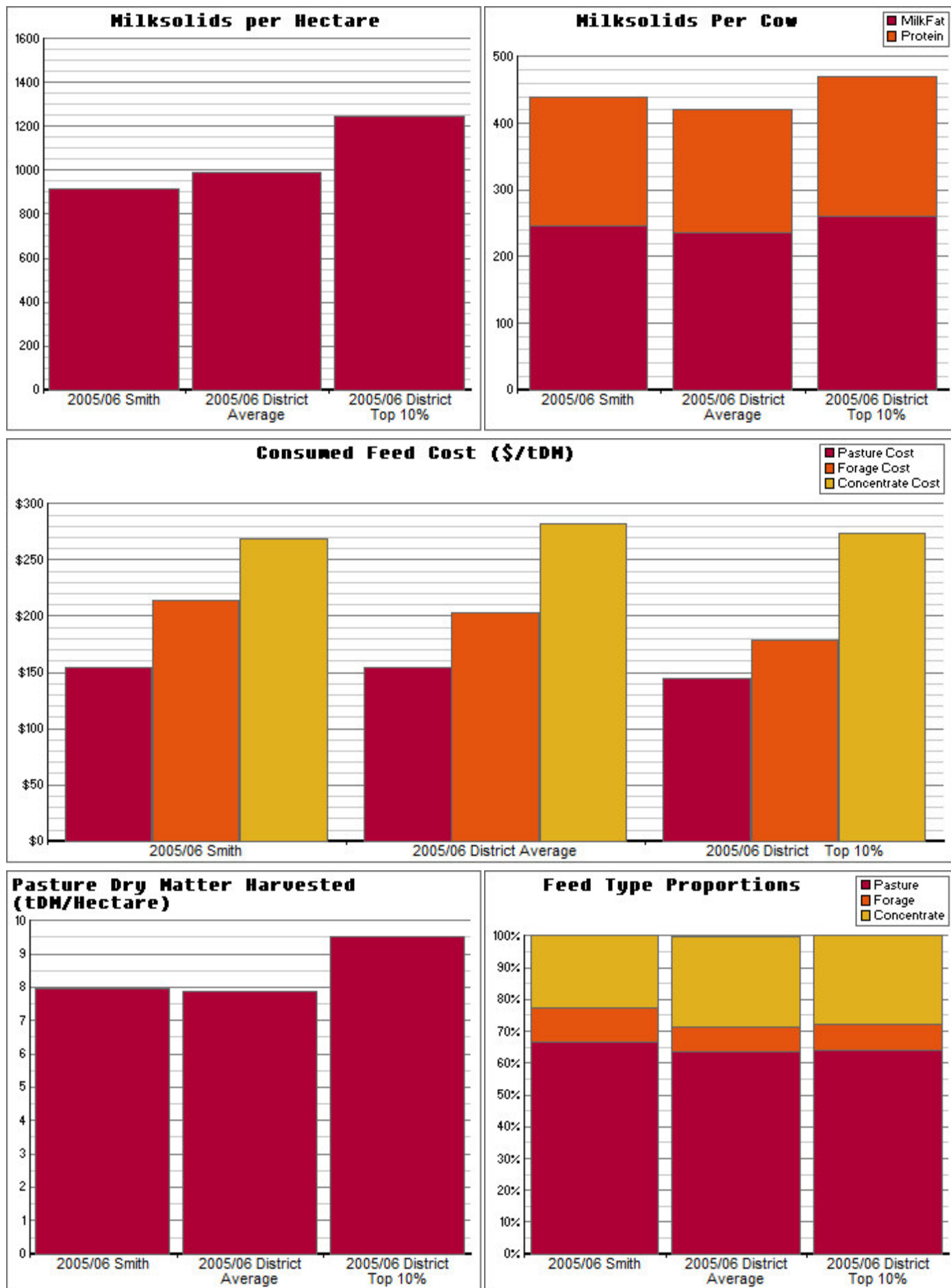
Jim & Jill Smith



# Physical Farm Performance - Dairy

J. & J. Smith Farming Ltd

Jim & Jill Smith



# Summary Farm Performance - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

**DAIRY BUSINESS**  
OF THE YEAR 

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
<b>PHYSICAL PARAMETERS</b>			
Peak Milking Cow Numbers	271	254	354
Effective Milking Hectares	130.0	108.4	134.0
<b>Milking Cows per Milking Hectare</b>	<b>2.08</b>	<b>2.34</b>	<b>2.64</b>
<b>Litres per Cow</b>	<b>5,858</b>	<b>5,582</b>	<b>6,340</b>
Milkfat per Cow	245	235	260
<b>Milksolids per Cow</b>	<b>439</b>	<b>422</b>	<b>471</b>
<b>Litres per Milking Hectare</b>	<b>12,212</b>	<b>13,079</b>	<b>16,749</b>
Milkfat per Milking Hectare	511	551	687
<b>Milksolids per Milking Hectare</b>	<b>915</b>	<b>988</b>	<b>1,244</b>
<b>Litre Price (cents/litre)</b>	<b>32.58</b>	<b>32.69</b>	<b>32.57</b>
<b>Milkfat Price (\$/kgMF)</b>	<b>\$ 7.79</b>	<b>\$ 7.76</b>	<b>\$ 7.94</b>
<b>Milksolids Price (\$/kgMS)</b>	<b>\$ 4.35</b>	<b>\$ 4.33</b>	<b>\$ 4.39</b>
<b>Pasture Dry Matter Harvested (tDM/Ha)</b>	<b>8.0</b>	<b>7.9</b>	<b>9.5</b>
<b>KEY PERFORMANCE INDICATORS</b>			
<b>Operating Profit per Hectare</b>	<b>\$ 1,278</b>	<b>\$ 1,223</b>	<b>\$ 2,200</b>
Operating Profit per Cow	\$ 613	\$ 522	\$ 833
Total Assets per Ha at Start of Year (4-Yr Av Values)	\$ 15,077	\$ 15,209	\$ 15,354
<b>EQUITY % at 4-Yr Av Values</b>	<b>74.4 %</b>	<b>67.7 %</b>	<b>61.4 %</b>
<b>RETURN ON ASSETS (ROA) at 4-Yr Av Values</b>	<b>8.5 %</b>	<b>7.2 %</b>	<b>13.9 %</b>
ROA including Capital Gain at 4-Yr Av Values	20.0 %	13.8 %	19.8 %
<b>RETURN ON EQUITY (ROE) at 4-Yr Av Values</b>	<b>9.5 %</b>	<b>8.2 %</b>	<b>17.5 %</b>
ROE including Capital Gain at 4-Yr Av Values	26.9 %	18.4 %	27.8 %
<b>OPERATING PROFIT MARGIN</b>	<b>29.0 %</b>	<b>25.7 %</b>	<b>36.7 %</b>
Cost of Production per Litre	22.1	23.3	19.5
Cost of Production per kg Milkfat	\$ 5.29	\$ 5.55	\$ 4.74
Cost of Production per kg Milksolids	\$ 2.95	\$ 3.09	\$ 2.62
Total Operating Expenses as % Gross Revenue	56.2 %	62.7 %	54.4 %
Financing Costs as % Gross Revenue	10.4 %	10.6 %	12.9 %
<b>Core per Cow Cost</b>	<b>\$ 437</b>	<b>\$ 353</b>	<b>\$ 330</b>
<b>Core per Hectare Cost</b>	<b>\$ 579</b>	<b>\$ 604</b>	<b>\$ 680</b>
Management + Staff Costs per Cow	\$ 324	\$ 360	\$ 300
<b>Cows per Full Time Staff Equivalent</b>	<b>119</b>	<b>113</b>	<b>138</b>
Total Feed/Supplement Costs per Cow	\$ 535	\$ 565	\$ 540
<b>Pasture as % of Total Consumed</b>	<b>66.8 %</b>	<b>63.5 %</b>	<b>64.0 %</b>
<b>Average Cost of All Consumed Feed (/tDM)</b>	<b>\$ 187</b>	<b>\$ 195</b>	<b>\$ 183</b>
<b>Pasture Cost (Per tDM)</b>	<b>\$ 154</b>	<b>\$ 155</b>	<b>\$ 144</b>
<b>Forage Cost (/tDM Consumed incl.wastage)</b>	<b>\$ 214</b>	<b>\$ 203</b>	<b>\$ 178</b>
<b>Concentrate Cost (/tDM Consumed incl.wastage)</b>	<b>\$ 269</b>	<b>\$ 282</b>	<b>\$ 274</b>

# Physical Summary - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
<b>PHYSICAL PARAMETERS</b>			
<b>Peak Milking Cow Numbers</b>	<b>271</b>	<b>254</b>	<b>354</b>
Effective Milking Hectares	130.0	108.4	134.0
<b>Milking Cows per Milking Hectare</b>	<b>2.08</b>	<b>2.34</b>	<b>2.64</b>
<b>Litre Price (cents/litre)</b>	<b>32.58</b>	<b>32.69</b>	<b>32.57</b>
<b>Milkfat Price (\$/kgMF)</b>	<b>\$ 7.79</b>	<b>\$ 7.76</b>	<b>\$ 7.94</b>
<b>Milksolids Price (\$/kgMS)</b>	<b>\$ 4.35</b>	<b>\$ 4.33</b>	<b>\$ 4.39</b>
<b>Total Litres</b>	<b>1,587,553</b>	<b>1,417,815</b>	<b>2,244,412</b>
Total Milkfat	66,401	59,690	92,063
Total Milksolids (Milkfat + Protein)	118,928	107,075	166,648
<b>Litres per Cow</b>	<b>5,858</b>	<b>5,582</b>	<b>6,340</b>
Milkfat per Cow	245	235	260
<b>Milksolids per Cow</b>	<b>439</b>	<b>422</b>	<b>471</b>
<b>Litres per Milking Hectare</b>	<b>12,212</b>	<b>13,079</b>	<b>16,749</b>
Milkfat per Milking Hectare	511	551	687
<b>Milksolids per Milking Hectare</b>	<b>915</b>	<b>988</b>	<b>1,244</b>
Milkfat Percentage	4.18 %	4.21 %	4.10 %
Protein Percentage	3.31 %	3.34 %	3.32 %
Protein as a Percentage of Milkfat	79.2 %	79.3 %	81.0 %
<b>PASTURE &amp; SUPPLEMENTS</b>			
<b>Pasture Dry Matter Harvested (tDM/Ha)</b>	<b>8.0</b>	<b>7.9</b>	<b>9.5</b>
Nitrogen Applied per Hectare	235.0	132.9	174.8
<b>Pasture as % of Total Consumed</b>	<b>66.8 %</b>	<b>63.5 %</b>	<b>64.0 %</b>
Supplement as % of Total Consumed	33.2 %	36.5 %	36.0 %
- Forage as % of Total Consumed	10.5 %	7.7 %	8.1 %
- Concentrate as % of Total Consumed	22.7 %	28.7 %	28.0 %
Pasture Consumed Per Cow (estimated per tDM)	3.46	3.16	3.43
Forage Consumed Per Cow (estimated per tDM)	0.63	0.45	0.50
Concentrate Consumed Per Cow (estimated /tAF)	1.15	1.40	1.46
Total Feed/Supplement Costs per Cow	\$ 535	\$ 565	\$ 540
<b>Average Cost of All Consumed Feed (/tDM)</b>	<b>\$ 187</b>	<b>\$ 195</b>	<b>\$ 183</b>
<b>Pasture Cost (Per tDM)</b>	<b>\$ 154</b>	<b>\$ 155</b>	<b>\$ 144</b>
- Direct Pasture Cost (Per tDM)	\$ 57	\$ 53	\$ 57
- Variable Pasture Cost (Per tDM)	\$ 36	\$ 36	\$ 31
- Capital Pasture Cost (Per tDM)	\$ 62	\$ 65	\$ 55
Average Cost of All Supplements (/tDM Consumed)	\$ 252	\$ 265	\$ 252
<b>Forage Cost (/tDM Consumed incl.wastage)</b>	<b>\$ 214</b>	<b>\$ 203</b>	<b>\$ 178</b>
- Purchased Forage Cost (Per tDM)	\$ 138	\$ 123	\$ 107
- Variable Forage Cost (Per tDM)	\$ 34	\$ 31	\$ 33
- Capital Forage Cost (Per tDM)	\$ 17	\$ 17	\$ 12
<b>Concentrate Cost (/tDM Consumed incl.wastage)</b>	<b>\$ 269</b>	<b>\$ 282</b>	<b>\$ 274</b>
- Purchased Concentrate Cost (Per tDM)	\$ 239	\$ 261	\$ 255
- Variable Concentrate Cost (Per tDM)	\$ 9	\$ 9	\$ 7
- Capital Concentrate Cost (Per tDM)	\$ 8	\$ 7	\$ 5
Pasture Cost (Cents Per MJ ME)	1.40	1.41	1.31
Forage Cost (Cents Per MJ ME Consumed)	2.04	2.12	1.90
Concentrate Cost (Cents Per MJ ME Consumed)	2.07	2.33	2.26

# Operating Profit - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

**DAIRY BUSINESS**  
OF THE YEAR



	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
<b>REVENUE</b>			
Manufacturing Milk Sales	\$ 517,337	\$ 463,613	\$ 731,585
Quota/Contract/Winter Milk	\$ 0	\$ 0	\$ 0
Livestock Sales	\$ 92,539	\$ 32,910	\$ 39,054
- Less Livestock Purchases	(\$ 11,560)	(\$ 4,354)	(\$ 1,567)
Other Revenue	\$ 7,737	\$ 4,453	\$ 7,865
<b>Total Operating Revenue</b>	<b>\$ 606,053</b>	<b>\$ 496,622</b>	<b>\$ 776,937</b>
<b>EXPENSES</b>			
Administration	\$ 9,152	\$ 8,403	\$ 11,062
Animal Health	\$ 18,179	\$ 11,293	\$ 14,747
Breeding & Herd Testing	\$ 10,148	\$ 10,689	\$ 17,631
Dairy Shed Expenses	\$ 5,678	\$ 5,478	\$ 7,385
Electricity	\$ 7,144	\$ 6,888	\$ 9,034
Feeds / Supplements (Total)	\$ 133,110	\$ 136,420	\$ 191,944
- Grazing / Agistment	\$ 27,222	\$ 14,941	\$ 21,958
- Cropping (green feed)	\$ 2,696	\$ 2,089	\$ 1,691
- Grains, Pellets & Concentrates	\$ 67,080	\$ 96,123	\$ 135,802
- Forages (incl. hay, silages, byproducts)	\$ 36,112	\$ 23,267	\$ 32,493
Fertiliser (Total)	\$ 42,978	\$ 33,391	\$ 50,891
- Nitrogen	\$ 22,974	\$ 15,405	\$ 25,825
- Phosphate & All Other Fertiliser	\$ 20,004	\$ 17,986	\$ 25,066
Freight	\$ 392	\$ 1,063	\$ 1,237
Irrigation	\$ 0	\$ 3,452	\$ 6,556
Other Expenses	\$ 2,804	\$ 1,888	\$ 2,441
Pasture Maintenance & Renovation	\$ 4,543	\$ 5,252	\$ 11,629
Repairs & Maintenance	\$ 21,231	\$ 18,794	\$ 25,763
Standing charges	\$ 15,896	\$ 15,796	\$ 20,617
Vehicle Expenses (including fuel & oil)	\$ 12,306	\$ 11,694	\$ 13,241
Weed & Pest Control	\$ 2,505	\$ 1,715	\$ 2,098
Wages, Salaries & Employment Exp.	\$ 36,612	\$ 50,842	\$ 50,779
<b>Total Operating Expenses</b>	<b>\$ 322,678</b>	<b>\$ 323,058</b>	<b>\$ 437,054</b>
<b>OPERATING SURPLUS</b>	<b>\$ 283,375</b>	<b>\$ 173,564</b>	<b>\$ 339,883</b>
<b>ADJUSTMENTS</b>			
+ Change in Livestock Numbers	(\$ 32,212)	\$ 19,059	\$ 26,706
+ Change in Feeds/Supplements on Hand	\$ 0	\$ 1,817	\$ 6,019
- Imputed Labour & Management	\$ 51,170	\$ 40,626	\$ 55,593
- Depreciation	\$ 21,934	\$ 16,812	\$ 22,941
+ Other Revenue Adjustments	\$ 0	\$ 0	\$ 0
- Other Expenses Adjustments	\$ 11,912	\$ 4,405	(\$ 776)
<b>Total Adjustments</b>	<b>(\$ 117,228)</b>	<b>(\$ 40,968)</b>	<b>(\$ 45,032)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>\$ 166,146</b>	<b>\$ 132,596</b>	<b>\$ 294,850</b>

# Operating Profit Per Cow - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
<b>REVENUE</b>			
Manufacturing Milk Sales	\$ 1,909	\$ 1,825	\$ 2,067
Quota/Contract/Winter Milk	\$ 0	\$ 0	\$ 0
Livestock Revenue	\$ 180	\$ 187	\$ 181
Other Revenue	\$ 29	\$ 18	\$ 22
<b>Gross Revenue</b>	<b>\$ 2,117</b>	<b>\$ 2,030</b>	<b>\$ 2,270</b>
<b>EXPENSES</b>			
Administration	\$ 34	\$ 33	\$ 31
Animal Health	\$ 67	\$ 44	\$ 42
Breeding & Herd Testing	\$ 37	\$ 42	\$ 50
Dairy Shed Expenses	\$ 21	\$ 22	\$ 21
Electricity	\$ 26	\$ 27	\$ 26
Feeds / Supplements (Total)	\$ 535	\$ 565	\$ 540
- Grazing / Agistment	\$ 144	\$ 94	\$ 77
- Cropping (green feed)	\$ 10	\$ 8	\$ 5
- Grains, Pellets & Concentrates	\$ 248	\$ 377	\$ 376
- Forages (incl. hay, silages, byproducts)	\$ 133	\$ 86	\$ 82
Fertiliser (Total)	\$ 159	\$ 131	\$ 143
- Nitrogen	\$ 85	\$ 61	\$ 73
- Phosphate & All Other Fertiliser	\$ 74	\$ 70	\$ 70
Freight	\$ 1	\$ 4	\$ 3
Irrigation	\$ 0	\$ 14	\$ 19
Other Expenses	\$ 10	\$ 7	\$ 7
Pasture Maintenance & Renovation	\$ 17	\$ 21	\$ 33
Repairs & Maintenance	\$ 78	\$ 57	\$ 57
Standing charges	\$ 59	\$ 62	\$ 58
Vehicle Expenses (including fuel & oil)	\$ 45	\$ 46	\$ 37
Weed & Pest Control	\$ 9	\$ 7	\$ 6
Management & Staff Expenses	\$ 324	\$ 360	\$ 300
- Wages, Salaries & Employment Exp.	\$ 135	\$ 200	\$ 143
- Imputed Labour & Management	\$ 189	\$ 160	\$ 157
Depreciation	\$ 81	\$ 66	\$ 65
<b>Gross Expenses</b>	<b>\$ 1,504</b>	<b>\$ 1,508</b>	<b>\$ 1,437</b>
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 1,235	\$ 1,282	\$ 1,215
Core per Cow Cost	\$ 437	\$ 353	\$ 330
<b>OPERATING PROFIT (LOSS)</b>	<b>\$ 613</b>	<b>\$ 522</b>	<b>\$ 833</b>

# Operating Profit Per Hectare - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

**DAIRY BUSINESS**  
OF THE YEAR



	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
<b>REVENUE</b>			
Manufacturing Milk Sales	\$ 3,980	\$ 4,277	\$ 5,460
Quota/Contract/Winter Milk	\$ 0	\$ 0	\$ 0
Livestock Revenue	\$ 375	\$ 439	\$ 479
Other Revenue	\$ 60	\$ 41	\$ 59
<b>Gross Revenue</b>	<b>\$ 4,414</b>	<b>\$ 4,757</b>	<b>\$ 5,997</b>
<b>EXPENSES</b>			
Administration	\$ 70	\$ 78	\$ 83
Animal Health	\$ 140	\$ 104	\$ 110
Breeding & Herd Testing	\$ 78	\$ 99	\$ 132
Dairy Shed Expenses	\$ 44	\$ 51	\$ 55
Electricity	\$ 55	\$ 64	\$ 67
Feeds / Supplements (Total)	\$ 1,116	\$ 1,324	\$ 1,427
- Grazing / Agistment	\$ 301	\$ 221	\$ 203
- Cropping (green feed)	\$ 21	\$ 19	\$ 13
- Grains, Pellets & Concentrates	\$ 516	\$ 884	\$ 994
- Forages (incl. hay, silages, byproducts)	\$ 278	\$ 201	\$ 217
Fertiliser (Total)	\$ 331	\$ 306	\$ 377
- Nitrogen	\$ 177	\$ 142	\$ 193
- Phosphate & All Other Fertiliser	\$ 154	\$ 164	\$ 185
Freight	\$ 3	\$ 10	\$ 9
Irrigation	\$ 0	\$ 32	\$ 49
Other Expenses	\$ 22	\$ 17	\$ 18
Pasture Maintenance & Renovation	\$ 35	\$ 48	\$ 87
Repairs & Maintenance	\$ 163	\$ 133	\$ 149
Standing charges	\$ 122	\$ 146	\$ 154
Vehicle Expenses (including fuel & oil)	\$ 95	\$ 108	\$ 99
Weed & Pest Control	\$ 19	\$ 16	\$ 16
Management & Staff Expenses	\$ 675	\$ 844	\$ 794
- Wages, Salaries & Employment Exp.	\$ 282	\$ 469	\$ 379
- Imputed Labour & Management	\$ 394	\$ 375	\$ 415
Depreciation	\$ 169	\$ 155	\$ 171
<b>Gross Expenses</b>	<b>\$ 3,136</b>	<b>\$ 3,534</b>	<b>\$ 3,797</b>
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 2,574	\$ 3,004	\$ 3,211
Core per Hectare Cost	\$ 579	\$ 604	\$ 680
<b>OPERATING PROFIT (LOSS)</b>	<b>\$ 1,278</b>	<b>\$ 1,223</b>	<b>\$ 2,200</b>

# Operating Profit Per Litre

Jim & Jill Smith

J. & J. Smith Farming Ltd

**DAIRY BUSINESS**  
OF THE YEAR



	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
<b>REVENUE</b>			
Manufacturing Milk Sales	32.59	32.70	32.60
Quota/Contract/Winter Milk	0.00	0.00	0.00
Livestock Revenue	3.07	3.36	2.86
Other Revenue	0.49	0.31	0.35
<b>Gross Revenue</b>	<b>36.15</b>	<b>36.37</b>	<b>35.81</b>
<b>EXPENSES</b>			
Administration	0.58	0.59	0.49
Animal Health	1.15	0.80	0.66
Breeding & Herd Testing	0.64	0.75	0.79
Dairy Shed Expenses	0.36	0.39	0.33
Electricity	0.45	0.49	0.40
Feeds / Supplements (Total)	9.14	10.13	8.52
- Grazing / Agistment	2.47	1.69	1.21
- Cropping (green feed)	0.17	0.15	0.08
- Grains, Pellets & Concentrates	4.23	6.76	5.93
- Forages (incl. hay, silages, byproducts)	2.27	1.54	1.30
Fertiliser (Total)	2.71	2.34	2.25
- Nitrogen	1.45	1.09	1.15
- Phosphate & All Other Fertiliser	1.26	1.25	1.10
Freight	0.02	0.07	0.06
Irrigation	0.00	0.24	0.29
Other Expenses	0.18	0.13	0.11
Pasture Maintenance & Renovation	0.29	0.37	0.52
Repairs & Maintenance	1.34	1.02	0.89
Standing charges	1.00	1.11	0.92
Vehicle Expenses (including fuel & oil)	0.78	0.82	0.59
Weed & Pest Control	0.16	0.12	0.09
Management & Staff Expenses	5.53	6.45	4.74
- Wages, Salaries & Employment Exp.	2.31	3.59	2.26
- Imputed Labour & Management	3.22	2.87	2.48
Depreciation	1.38	1.19	1.02
<b>Gross Expenses</b>	<b>25.68</b>	<b>27.02</b>	<b>22.67</b>
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	21.08	22.97	19.17
Core Cost Structure per Litre	17.73	17.40	14.00
<b>OPERATING PROFIT (LOSS)</b>	<b>10.47</b>	<b>9.35</b>	<b>13.14</b>

# Operating Profit Per MilkSolids

Jim & Jill Smith

J. & J. Smith Farming Ltd

**DAIRY BUSINESS**  
OF THE YEAR 

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
<b>REVENUE</b>			
Manufacturing Milk Sales	\$ 4.35	\$ 4.33	\$ 4.39
Quota/Contract/Winter Milk	\$ 0.00	\$ 0.00	\$ 0.00
Livestock Revenue	\$ 0.41	\$ 0.44	\$ 0.39
Other Revenue	\$ 0.07	\$ 0.04	\$ 0.05
<b>Gross Revenue</b>	<b>\$ 4.83</b>	<b>\$ 4.82</b>	<b>\$ 4.82</b>
<b>EXPENSES</b>			
Administration	\$ 0.08	\$ 0.08	\$ 0.07
Animal Health	\$ 0.15	\$ 0.11	\$ 0.09
Breeding & Herd Testing	\$ 0.09	\$ 0.10	\$ 0.11
Dairy Shed Expenses	\$ 0.05	\$ 0.05	\$ 0.04
Electricity	\$ 0.06	\$ 0.06	\$ 0.05
Feeds / Supplements (Total)	\$ 1.22	\$ 1.34	\$ 1.15
- Grazing / Agistment	\$ 0.33	\$ 0.22	\$ 0.16
- Cropping (green feed)	\$ 0.02	\$ 0.02	\$ 0.01
- Grains, Pellets & Concentrates	\$ 0.56	\$ 0.89	\$ 0.80
- Forages (incl. hay, silages, byproducts)	\$ 0.30	\$ 0.20	\$ 0.17
Fertiliser (Total)	\$ 0.36	\$ 0.31	\$ 0.30
- Nitrogen	\$ 0.19	\$ 0.14	\$ 0.15
- Phosphate & All Other Fertiliser	\$ 0.17	\$ 0.17	\$ 0.15
Freight	\$ 0.00	\$ 0.01	\$ 0.01
Irrigation	\$ 0.00	\$ 0.03	\$ 0.04
Other Expenses	\$ 0.02	\$ 0.02	\$ 0.01
Pasture Maintenance & Renovation	\$ 0.04	\$ 0.05	\$ 0.07
Repairs & Maintenance	\$ 0.18	\$ 0.13	\$ 0.12
Standing charges	\$ 0.13	\$ 0.15	\$ 0.12
Vehicle Expenses (including fuel & oil)	\$ 0.10	\$ 0.11	\$ 0.08
Weed & Pest Control	\$ 0.02	\$ 0.02	\$ 0.01
Management & Staff Expenses	\$ 0.74	\$ 0.85	\$ 0.64
- Wages, Salaries & Employment Exp.	\$ 0.31	\$ 0.47	\$ 0.30
- Imputed Labour & Management	\$ 0.43	\$ 0.38	\$ 0.33
Depreciation	\$ 0.18	\$ 0.16	\$ 0.14
<b>Gross Expenses</b>	<b>\$ 3.43</b>	<b>\$ 3.58</b>	<b>\$ 3.05</b>
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 2.81	\$ 3.04	\$ 2.58
Core Cost Structure per kg MilkSolid	\$ 2.37	\$ 2.30	\$ 1.89
<b>OPERATING PROFIT (LOSS)</b>	<b>\$ 1.40</b>	<b>\$ 1.24</b>	<b>\$ 1.77</b>

# Balance Sheet (Market Values) - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

**DAIRY BUSINESS**  
OF THE YEAR



	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
<b>ASSETS AT START OF YEAR</b>			
Land & Buildings	\$ 1,407,236	\$ 1,187,856	\$ 1,489,290
Livestock	\$ 338,157	\$ 283,488	\$ 416,049
Vehicles, Plant & Machinery	\$ 77,351	\$ 158,674	\$ 153,045
Dairy Company Shares	\$ 58,720	\$ 29,208	\$ 42,013
Other Assets	\$ 217,736	\$ 159,119	\$ 95,625
<b>TOTAL ASSETS AT START OF YEAR</b>	<b>\$ 2,099,200</b>	<b>\$ 1,818,345</b>	<b>\$ 2,196,022</b>
Total Assets per Acre	\$ 6,112	\$ 6,300	\$ 6,449
Land, Bldgs & Dairy Co. Shares per Acre	\$ 4,268	\$ 4,217	\$ 4,497
Total Assets per Hectare	\$ 15,102	\$ 15,568	\$ 15,936
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 10,546	\$ 10,420	\$ 11,113
Total Assets per Cow	\$ 7,746	\$ 7,159	\$ 6,203
<b>ASSETS AT END OF YEAR</b>			
Land & Buildings	\$ 1,477,598	\$ 1,264,816	\$ 1,568,907
Livestock	\$ 324,814	\$ 312,736	\$ 447,029
Vehicles, Plant & Machinery	\$ 77,351	\$ 171,163	\$ 172,354
Dairy Company Shares	\$ 58,720	\$ 35,247	\$ 45,386
Other Assets	\$ 227,736	\$ 170,856	\$ 105,355
<b>TOTAL ASSETS AT END OF YEAR</b>	<b>\$ 2,166,219</b>	<b>\$ 1,954,818</b>	<b>\$ 2,339,030</b>
Total Assets per Acre	\$ 6,307	\$ 6,676	\$ 6,830
Land, Bldgs & Dairy Co. Shares per Acre	\$ 4,473	\$ 4,440	\$ 4,714
Total Assets per Hectare	\$ 15,584	\$ 16,496	\$ 16,876
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 11,053	\$ 10,971	\$ 11,647
Total Assets per Cow	\$ 7,993	\$ 7,696	\$ 6,607
<b>LIABILITIES AT START OF YEAR</b>			
Current Liabilities less Current Assets	\$ 38,133	\$ 47,565	\$ 56,486
Long Term Liabilities	\$ 664,591	\$ 576,383	\$ 829,070
<b>Total Liabilities at Start of Year</b>	<b>\$ 702,724</b>	<b>\$ 623,948</b>	<b>\$ 885,556</b>
Total Liabilities per Cow	\$ 2,593	\$ 2,456	\$ 2,502
Total Liabilities per kg Milksolids	\$ 5.91	\$ 5.83	\$ 5.31
<b>LIABILITIES AT END OF YEAR</b>			
Current Liabilities less Current Assets	\$ 38,133	\$ 42,071	\$ 36,681
Long Term Liabilities	\$ 514,591	\$ 572,981	\$ 836,604
<b>Total Liabilities at End of Year</b>	<b>\$ 552,724</b>	<b>\$ 615,052</b>	<b>\$ 873,285</b>
Total Liabilities per Cow	\$ 2,040	\$ 2,421	\$ 2,467
Total Liabilities per kg Milksolids	\$ 4.65	\$ 5.74	\$ 5.24
<b>EQUITY</b>			
Equity at Start of Year	\$ 1,396,476	\$ 1,194,397	\$ 1,310,465
<b>Equity at End of Year</b>	<b>\$ 1,613,495</b>	<b>\$ 1,339,766</b>	<b>\$ 1,465,745</b>
Equity % at Start of Year	66.5 %	65.7 %	59.7 %
<b>Equity % at End of Year</b>	<b>74.5 %</b>	<b>68.5 %</b>	<b>62.7 %</b>
<b>FINANCING COSTS</b>			
Bank Charges & Loan Fees	\$ 227	\$ 2,112	\$ 5,032
Interest	\$ 45,153	\$ 30,305	\$ 72,672
Lease Fees & Rentals	\$ 14,236	\$ 22,260	\$ 26,059
<b>TOTAL FINANCING COSTS</b>	<b>\$ 59,616</b>	<b>\$ 54,677</b>	<b>\$ 103,763</b>
<b>Financing Costs as % Gross Revenue</b>	<b>10.4 %</b>	<b>10.6 %</b>	<b>12.9 %</b>
Financing Costs per Hectare	\$ 459	\$ 504	\$ 774
Financing Costs per Cow	\$ 220	\$ 215	\$ 293
Financing Costs per kg Milksolids	\$ 0.50	\$ 0.51	\$ 0.62
Principal Repayments	\$ 52,616	\$ 43,984	\$ 40,063
<b>TOTAL DEBT SERVICING COSTS</b>	<b>\$ 112,232</b>	<b>\$ 98,661</b>	<b>\$ 143,826</b>
<b>Total Debt Servicing Costs as % Revenue</b>	<b>19.6 %</b>	<b>19.1 %</b>	<b>17.9 %</b>