

BNZ Dairy Business of the Year Competition

DAIRY BUSINESS
OF THE YEAR



RED SKY FARM BUSINESS PERFORMANCE REPORT

better off
bnz

Prepared for
Jim & Jill Smith



RED SKY FARM BUSINESS REPORT INDEX

The following information is included in this report:

- A. LETTER from BNZ
- B. WRITTEN FARM PERFORMANCE ANALYSIS REPORT
- C. OVERALL 'DOT' ASSESSMENT REPORT
- D. CHARTS OF PERFORMANCE
- E. RED SKY NUMERICAL REPORTS
- F. SPONSORS INFORMATION

DEFINITIONS of KEY PERFORMANCE INDICATORS can be viewed at 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

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

Red Sky Farm Performance Analysis



Red Sky Agricultural Pty Ltd

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22nd August 2008

Jim & Jill Smith

Walker Rd
P.O.Box 99
Masterton



Dear Jim & Jill

RE: RED SKY FARM PERFORMANCE ANALYSIS FOR YEAR END 31st MAY 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:

PROFITABILITY MEASURES	Your Farm	District Average	District Top 10%
Return on Assets	3.5 %	3.0 %	6.5 %
Operating Profit per Hectare	\$ 967	\$ 871	\$ 1,957
Return on Equity	-0.3 %	-1.3 %	5.8 %
Pasture DM Harvested (tDM/ha)	10.6	11.1	12.9
EFFICIENCY MEASURES			
Milk Production (kgMS/ha)	949	1,004	1,297
Average Cost of Consumed Feed (/tDM)	\$ 220	\$ 221	\$ 194
Forage Cost (\$/tDM)	\$ 313	\$ 315	\$ 272
Concentrate Cost (\$/tDM)	\$ 447	\$ 402	\$ 334
Cows per Full Time Staff Equivalent	131	112	147
Management & Staff Costs per Cow	\$ 308	\$ 354	\$ 290
Core per Cow Cost	\$ 442	\$ 418	\$ 374
Core per Hectare Cost	\$ 844	\$ 882	\$ 881
RISK MEASURES			
Operating Profit Margin	22 %	18 %	31 %
Cost of Production per kg Milksolids	\$ 3.10	\$ 3.48	\$ 2.84
Pasture as % of Diet Consumed	83 %	81 %	76 %
SOLVENCY MEASURE			
Equity %	56 %	56 %	54 %

KPI's – Profitability

<i>Return on Assets</i>	3.5%
<i>Operating Profit</i>	\$967/ha
<i>Return on Equity</i>	-0.3%
<i>Pasture Harvest</i>	10.6 tDM/ha

Red Sky Farm Performance Analysis

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 higher than the Average, though significantly lower than the Top 10%.

Operating Profit

Your **Operating Profit per Hectare** is also 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 **net 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 lower than your Return on Assets. It would be beneficial if your Return on Assets was consistently above your cost of funds (nett financing costs) as this would result in your Return on Equity being factored up on each dollar you 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 the Return on Equity is less than the Return on Assets then it generally means that the percentage cost of finance is greater than the percentage 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 10.6 tDM/ha is slightly below the Average. There is likely to be a number of possible reasons for this, but your low stocking rate is likely to be inhibiting your ability to increase your pasture harvest.

KPI's – Efficiency

Milk Production	949 kgMS/ha
Average Cost of Consumed Feed	\$220/tDM
Forage Cost	\$313/tDM
Concentrate Cost	\$447/tDM
Cows/Full Time staff Equivalent	131
Management & Staff Costs/cow	\$308 per cow
Core per Cow Costs	\$442 per cow
Core per Hectare Costs	\$844 per hectare

Milk Production

Your **Milk Production** per hectare is 5% below the Average. The factors contributing to this are:

- Milk production per cow of 361 kgsMS that is 5% above the Average and 9% below the Top 10%; and
- Stocking rate of 2.63 cows/ha that is 19% 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

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 Average Cost of Feed Consumed of \$220 per tonne dry matter is similar to the Average. This figure is heavily influenced by the Cost of Pasture, which itself is strongly influenced by a) the pasture harvest, and b) the value of land, which is outside of the control of the operator.

Your **Cost of Pasture** is being negatively influenced by your lower than average pasture harvest.

Your **Cost of Forage** is similar to the Average. This is due to your use of a mix of home-grown and purchased forages, with both sources being at a cost similar to your peers.

Your **Cost of Concentrates** is significantly higher than the Average. This is worthy of further analysis for cost saving strategies.

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 131 cows milked per full time staff equivalent (Cows/FTE) is significantly above the Average but below the Top 10%. This suggests there could still be an 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 also lower than the Average but higher than the 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.

Red Sky Farm Performance Analysis

Specific Core per Cow Costs that warrant further attention include:

- *Animal Health*: this is higher than the benchmarks and should offer some potential for cost-saving.
- *Repairs & Maintenance* and *Vehicles* and *Depreciation*: these are partly a “per cow” cost and partly a “per hectare” expense, however on a per cow basis they are higher than the benchmarks. *Repairs & Maintenance* in particular could be worth closer scrutiny.

Your Core per Hectare Cost is similar to 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

Equity %	56%
Operating Profit Margin	22%
Cost of Production	\$3.10/kgMS
Pasture as % Feed Consumed	83%

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 22% is a reasonable result compared to your peers for a low-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 \$3.10/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 83% indicates a system of low-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

Red Sky Farm Performance Analysis

- Supplement feed costs
- Core costs

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

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

Your Key Business Strengths:

- *Labour efficiency:* this is good 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.
- *Core per Hectare Costs:* overall your per hectare costs are sound.

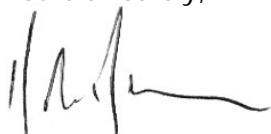
Areas for consideration and/or for further investigation:

- *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.
- *Concentrates Costs:* decreasing the cost of concentrates offers potential for improving profitability.
- *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

KEY PERFORMANCE INDICATORS (KPIs)	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						
KEY PROFIT DRIVERS (KPDs)	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 Exp excl. Supplements, Irr'n & N							

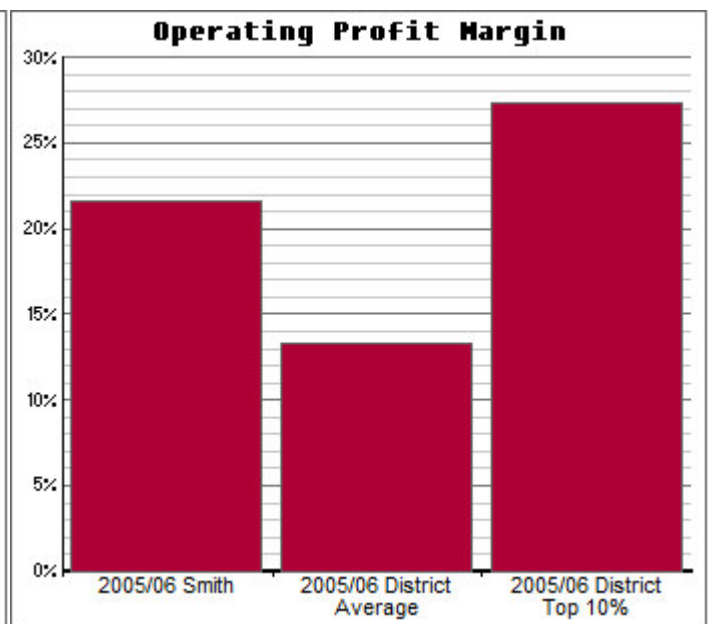
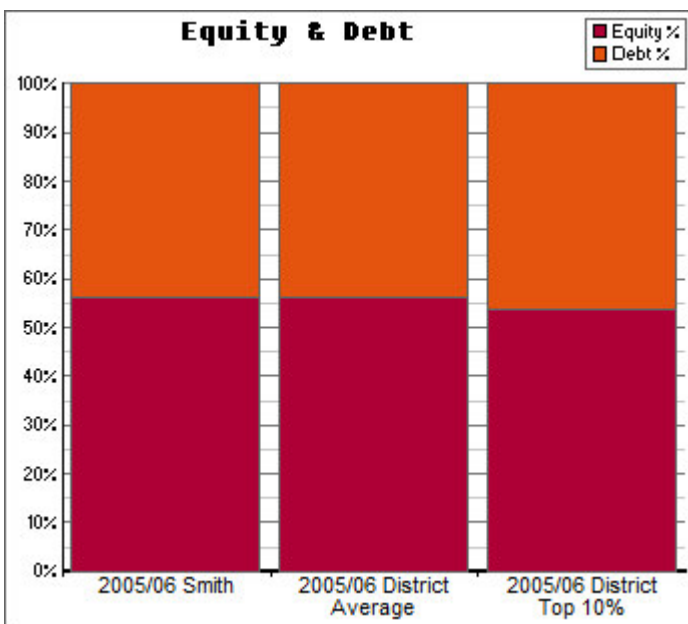
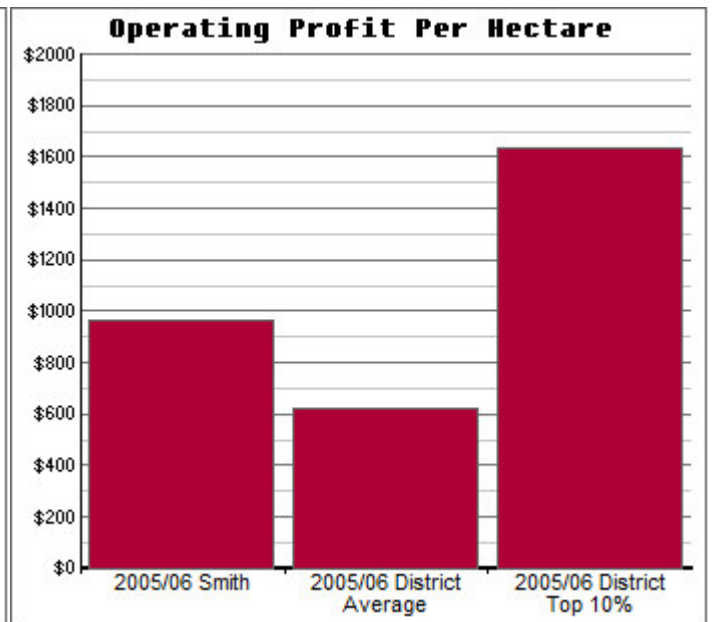
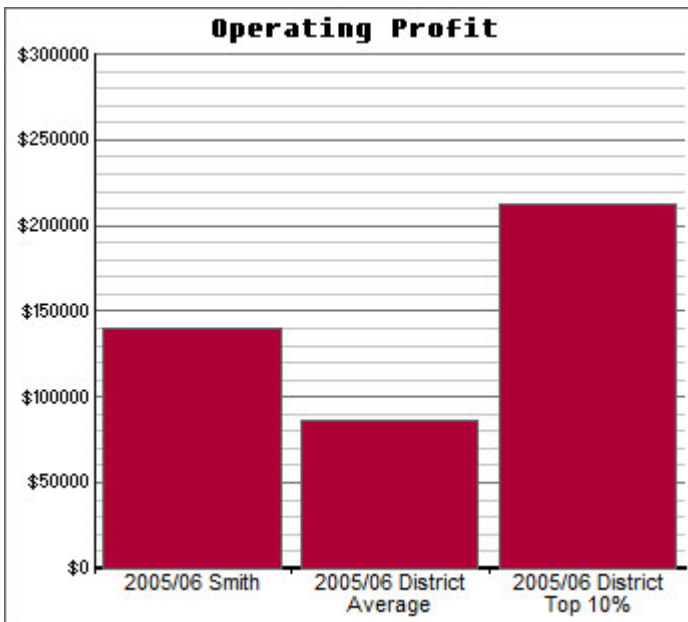
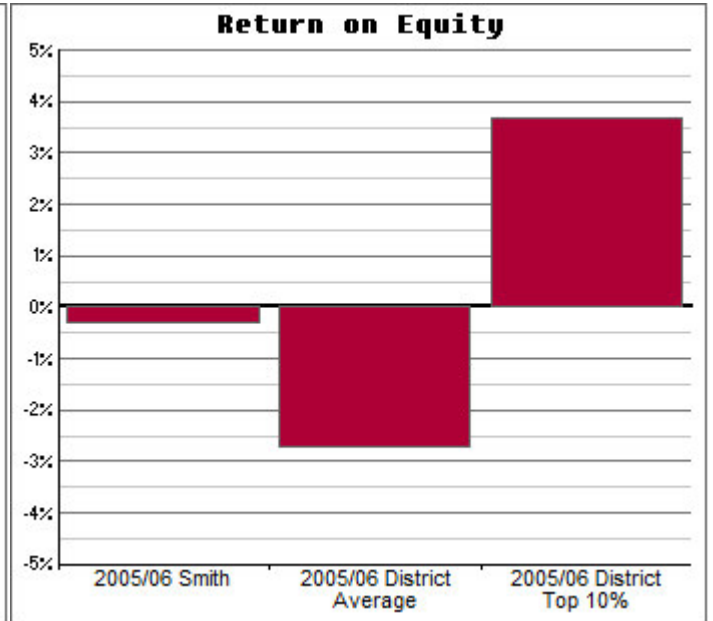
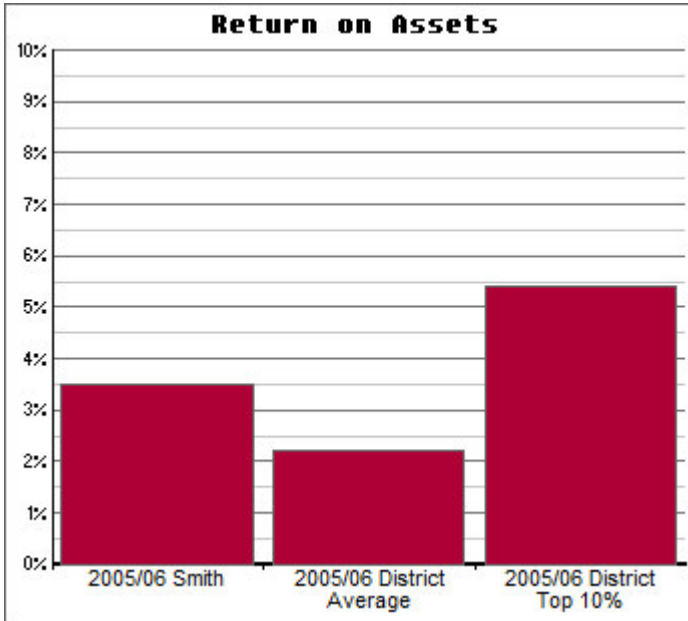
Core per Cow Cost = (Animal Health + Breeding + Dairy Shed Expenses + Electricity + Grazing/Agistment + Freight + Other Expenses + 50% Repairs & Maintenance + 30% Standing Charges + 70% Vehicle Expenses + 50% Depreciation) / Peak Milking Cow Numbers

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

Financial Farm Performance - Dairy

J. & J. Smith Farming Ltd

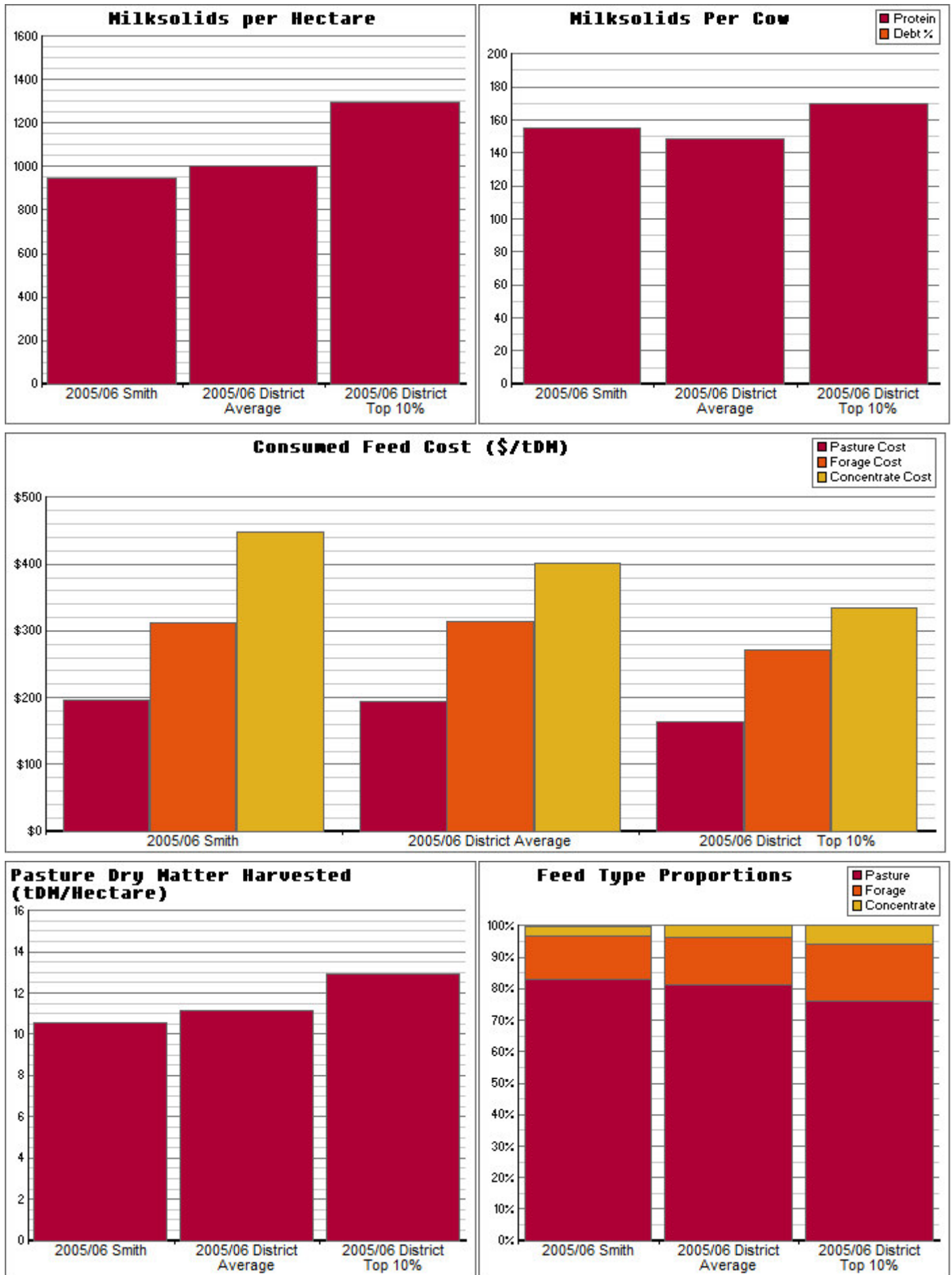
Jim & Jill Smith



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%
PHYSICAL PARAMETERS			
Peak Milking Cow Numbers	381	403	427
Effective Milking Hectares	145.0	138.2	130.0
Cows per Milking Hectare	2.63	2.92	3.28
Milksolids per Cow	361	344	395
Milksolids per Milking Hectare	949	1,004	1,297
Milksolids Price (\$/kgMS)	\$ 4.12	\$ 4.10	\$ 4.10
Pasture Dry Matter Harvested (tDM/Ha)	10.6	11.1	12.9
KEY PERFORMANCE INDICATORS			
Operating Profit per Hectare	\$ 967	\$ 620	\$ 1,632
Operating Profit per Cow	\$ 368	\$ 213	\$ 497
Total Assets per Ha at Start of Year (4-Yr Av Values)	\$ 27,924	\$ 27,443	\$ 27,653
EQUITY % at 4-Yr Av Values	56.0 %	56.0 %	53.7 %
Return on Capital (ROC) at 4-Yr Av Values	3.7 %	2.5 %	5.6 %
RETURN ON ASSETS (ROA) at 4-Yr Av Values	3.5 %	2.2 %	5.4 %
ROA including Capital Gain at 4-Yr Av Values	4.9 %	6.0 %	11.4 %
RETURN ON EQUITY (ROE) at 4-Yr Av Values	-0.3 %	-2.7 %	3.7 %
ROE including Capital Gain at 4-Yr Av Values	2.1 %	3.9 %	15.3 %
OPERATING PROFIT MARGIN	21.6 %	13.3 %	27.3 %
Cost of Production per kg Milksolids	\$ 3.10	\$ 3.48	\$ 2.84
Total Operating Expenses as % Gross Revenue	64.9 %	71.0 %	62.8 %
Financing Costs as % Gross Revenue	26.1 %	26.7 %	19.5 %
Core per Cow Cost	\$ 442	\$ 418	\$ 374
Core per Ha Cost	\$ 844	\$ 882	\$ 881
Management + Staff Costs per Cow	\$ 308	\$ 354	\$ 290
Cows per Full Time Staff Equivalent	131	112	147
Total Feed/Supplement Costs per Cow	\$ 306	\$ 353	\$ 439
Pasture as % of Total Consumed	83.1 %	81.2 %	76.2 %
Average Cost of All Consumed Feed (/tDM)	\$ 220	\$ 221	\$ 194
Pasture Cost (Per tDM)	\$ 196	\$ 195	\$ 165
Forage Cost (/tDM Consumed incl.wastage)	\$ 313	\$ 315	\$ 272
Concentrate Cost (/tDM Consumed incl.wastage)	\$ 447	\$ 402	\$ 334

Physical Summary - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
PHYSICAL PARAMETERS			
Peak Milking Cow Numbers	381	403	427
Effective Milking Hectares	145.0	138.2	130.0
Cows per Milking Hectare	2.63	2.92	3.28
Milksolids Price (\$/kgMS)	\$ 4.12	\$ 4.10	\$ 4.10
Total Milksolids (Milkfat + Protein)	137,593	138,703	168,665
Milksolids per Cow	361	344	395
Milksolids per Milking Hectare	949	1,004	1,297
Milkfat Percentage	4.86 %	4.86 %	4.84 %
Protein Percentage	3.67 %	3.67 %	3.67 %
Protein as a Percentage of Milkfat	75.5 %	75.5 %	75.8 %
PASTURE & SUPPLEMENTS			
Pasture Dry Matter Harvested (tDM/Ha)	10.6	11.1	12.9
Nitrogen Applied per Hectare	142.4	151.3	188.3
Pasture as % of Total Consumed	83.1 %	81.2 %	76.2 %
Supplement as % of Total Consumed	16.9 %	18.9 %	23.8 %
- Forage as % of Total Consumed	13.8 %	14.9 %	17.9 %
- Concentrate as % of Total Consumed	3.0 %	3.9 %	6.0 %
Pasture Consumed Per Cow (estimated per tDM)	3.76	3.57	3.63
Forage Consumed Per Cow (estimated per tDM)	0.73	0.76	0.99
Concentrate Consumed Per Cow (estimated /tAF)	0.13	0.17	0.28
Total Feed/Supplement Costs per Cow	\$ 306	\$ 353	\$ 439
Average Cost of All Consumed Feed (/tDM)	\$ 220	\$ 221	\$ 194
Pasture Cost (Per tDM)	\$ 196	\$ 195	\$ 165
- Direct Pasture Cost (Per tDM)	\$ 47	\$ 47	\$ 46
- Variable Pasture Cost (Per tDM)	\$ 43	\$ 45	\$ 35
- Capital Pasture Cost (Per tDM)	\$ 106	\$ 103	\$ 84
Average Cost of All Supplements (/tDM Consumed)	\$ 337	\$ 333	\$ 288
Forage Cost (/tDM Consumed incl.wastage)	\$ 313	\$ 315	\$ 272
- Purchased Forage Cost (Per tDM)	\$ 197	\$ 196	\$ 182
- Variable Forage Cost (Per tDM)	\$ 40	\$ 43	\$ 31
- Capital Forage Cost (Per tDM)	\$ 27	\$ 27	\$ 17
Concentrate Cost (/tDM Consumed incl.wastage)	\$ 447	\$ 402	\$ 334
- Purchased Concentrate Cost (Per tDM)	\$ 401	\$ 360	\$ 304
- Variable Concentrate Cost (Per tDM)	\$ 10	\$ 10	\$ 8
- Capital Concentrate Cost (Per tDM)	\$ 15	\$ 12	\$ 6
Pasture Cost (Cents Per MJ ME)	1.79	1.77	1.50
Forage Cost (Cents Per MJ ME Consumed)	3.07	3.09	2.73
Concentrate Cost (Cents Per MJ ME Consumed)	3.73	3.35	2.78

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%
REVENUE			
Manufacturing Milk Sales	\$ 566,885	\$ 568,682	\$ 691,527
Quota/Contract/Winter Milk	\$ 6,892	\$ 7,316	\$ 9,217
Livestock Sales	\$ 62,056	\$ 60,450	\$ 54,132
- Less Livestock Purchases	(\$ 17,294)	(\$ 18,244)	(\$ 9,121)
Other Revenue	\$ 12,995	\$ 13,244	\$ 6,744
Total Operating Revenue	\$ 631,534	\$ 631,448	\$ 752,499
EXPENSES			
Administration	\$ 13,012	\$ 13,111	\$ 13,495
Animal Health	\$ 24,352	\$ 24,036	\$ 18,638
Breeding & Herd Testing	\$ 16,384	\$ 16,533	\$ 18,303
Dairy Shed Expenses	\$ 8,562	\$ 8,618	\$ 7,826
Electricity	\$ 9,642	\$ 9,718	\$ 9,827
Feeds / Supplements (Total)	\$ 122,633	\$ 135,125	\$ 190,770
- Grazing / Agistment	\$ 29,041	\$ 28,866	\$ 39,491
- Cropping (green feed)	\$ 2,499	\$ 2,584	\$ 3,301
- Grains, Pellets & Concentrates	\$ 13,250	\$ 27,381	\$ 40,682
- Forages (incl. hay, silages, byproducts)	\$ 77,843	\$ 76,294	\$ 107,296
Fertiliser (Total)	\$ 57,697	\$ 57,677	\$ 57,992
- Nitrogen	\$ 23,364	\$ 23,742	\$ 27,921
- Phosphate & All Other Fertiliser	\$ 34,333	\$ 33,935	\$ 30,071
Freight	\$ 3,692	\$ 3,811	\$ 2,715
Irrigation	\$ 2,758	\$ 2,699	\$ 2,288
Other Expenses	\$ 3,416	\$ 3,315	\$ 1,073
Pasture Maintenance & Renovation	\$ 7,967	\$ 8,019	\$ 10,902
Repairs & Maintenance	\$ 41,408	\$ 41,823	\$ 36,068
Standing charges	\$ 20,346	\$ 19,968	\$ 18,416
Vehicle Expenses (including fuel & oil)	\$ 20,558	\$ 20,760	\$ 18,981
Weed & Pest Control	\$ 3,481	\$ 3,563	\$ 1,821
Wages, Salaries & Employment Exp.	\$ 64,617	\$ 88,813	\$ 79,871
Total Operating Expenses	\$ 420,525	\$ 457,589	\$ 488,986
OPERATING SURPLUS	\$ 211,009	\$ 173,859	\$ 263,513
ADJUSTMENTS			
+ Change in Livestock Numbers	\$ 16,569	\$ 12,793	\$ 25,589
+ Change in Feeds/Supplements on Hand	\$ 17,502	\$ 4,554	\$ 9,991
- Imputed Labour & Management	\$ 52,695	\$ 53,894	\$ 43,806
- Depreciation	\$ 50,933	\$ 53,257	\$ 44,441
+ Other Revenue Adjustments	\$ 0	\$ 0	\$ 0
- Other Expenses Adjustments	\$ 1,288	(\$ 1,655)	(\$ 1,352)
Total Adjustments	(\$ 70,846)	(\$ 88,149)	(\$ 51,315)
OPERATING PROFIT (LOSS)	\$ 140,163	\$ 85,710	\$ 212,198

Operating Profit Per Cow - 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%
REVENUE			
Manufacturing Milk Sales	\$ 1,488	\$ 1,411	\$ 1,620
Quota/Contract/Winter Milk	\$ 18	\$ 18	\$ 22
Livestock Revenue	\$ 161	\$ 136	\$ 165
Other Revenue	\$ 34	\$ 33	\$ 16
Gross Revenue	\$ 1,701	\$ 1,599	\$ 1,822
EXPENSES			
Administration	\$ 34	\$ 33	\$ 32
Animal Health	\$ 64	\$ 60	\$ 44
Breeding & Herd Testing	\$ 43	\$ 41	\$ 43
Dairy Shed Expenses	\$ 22	\$ 21	\$ 18
Electricity	\$ 25	\$ 24	\$ 23
Feeds / Supplements (Total)	\$ 306	\$ 353	\$ 439
- Grazing / Agistment	\$ 106	\$ 101	\$ 108
- Cropping (green feed)	\$ 7	\$ 6	\$ 8
- Grains, Pellets & Concentrates	\$ 18	\$ 67	\$ 94
- Forages (incl. hay, silages, byproducts)	\$ 176	\$ 179	\$ 229
Fertiliser (Total)	\$ 149	\$ 141	\$ 136
- Nitrogen	\$ 61	\$ 59	\$ 65
- Phosphate & All Other Fertiliser	\$ 88	\$ 82	\$ 70
Freight	\$ 10	\$ 9	\$ 6
Irrigation	\$ 7	\$ 7	\$ 5
Other Expenses	\$ 9	\$ 8	\$ 3
Pasture Maintenance & Renovation	\$ 21	\$ 20	\$ 26
Repairs & Maintenance	\$ 84	\$ 73	\$ 66
Standing charges	\$ 53	\$ 50	\$ 43
Vehicle Expenses (including fuel & oil)	\$ 54	\$ 52	\$ 44
Weed & Pest Control	\$ 9	\$ 9	\$ 4
Management & Staff Expenses	\$ 308	\$ 354	\$ 290
- Wages, Salaries & Employment Exp.	\$ 170	\$ 220	\$ 187
- Imputed Labour & Management	\$ 138	\$ 134	\$ 103
Depreciation	\$ 134	\$ 132	\$ 104
Gross Expenses	\$ 1,333	\$ 1,386	\$ 1,325
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 1,061	\$ 1,120	\$ 1,119
Core per Cow Cost	\$ 442	\$ 418	\$ 374
OPERATING PROFIT (LOSS)	\$ 368	\$ 213	\$ 497

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%
REVENUE			
Manufacturing Milk Sales	\$ 3,910	\$ 4,115	\$ 5,319
Quota/Contract/Winter Milk	\$ 48	\$ 53	\$ 71
Livestock Revenue	\$ 423	\$ 398	\$ 543
Other Revenue	\$ 90	\$ 96	\$ 52
Gross Revenue	\$ 4,470	\$ 4,662	\$ 5,985
EXPENSES			
Administration	\$ 90	\$ 95	\$ 104
Animal Health	\$ 168	\$ 174	\$ 143
Breeding & Herd Testing	\$ 113	\$ 120	\$ 141
Dairy Shed Expenses	\$ 59	\$ 62	\$ 60
Electricity	\$ 66	\$ 70	\$ 76
Feeds / Supplements (Total)	\$ 804	\$ 1,029	\$ 1,441
- Grazing / Agistment	\$ 279	\$ 293	\$ 354
- Cropping (green feed)	\$ 17	\$ 19	\$ 25
- Grains, Pellets & Concentrates	\$ 46	\$ 196	\$ 309
- Forages (incl. hay, silages, byproducts)	\$ 461	\$ 521	\$ 752
Fertiliser (Total)	\$ 392	\$ 411	\$ 446
- Nitrogen	\$ 161	\$ 172	\$ 215
- Phosphate & All Other Fertiliser	\$ 230	\$ 239	\$ 231
Freight	\$ 25	\$ 28	\$ 21
Irrigation	\$ 19	\$ 20	\$ 18
Other Expenses	\$ 24	\$ 24	\$ 8
Pasture Maintenance & Renovation	\$ 55	\$ 58	\$ 84
Repairs & Maintenance	\$ 222	\$ 213	\$ 216
Standing charges	\$ 140	\$ 144	\$ 142
Vehicle Expenses (including fuel & oil)	\$ 142	\$ 150	\$ 146
Weed & Pest Control	\$ 24	\$ 26	\$ 14
Management & Staff Expenses	\$ 809	\$ 1,033	\$ 951
- Wages, Salaries & Employment Exp.	\$ 446	\$ 643	\$ 614
- Imputed Labour & Management	\$ 363	\$ 390	\$ 337
Depreciation	\$ 351	\$ 385	\$ 342
Gross Expenses	\$ 3,503	\$ 4,041	\$ 4,353
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 2,788	\$ 3,266	\$ 3,674
Core per Ha Cost	\$ 844	\$ 882	\$ 881
OPERATING PROFIT (LOSS)	\$ 967	\$ 620	\$ 1,632

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%
REVENUE			
Manufacturing Milk Sales	\$ 4.12	\$ 4.10	\$ 4.10
Quota/Contract/Winter Milk	\$ 0.05	\$ 0.05	\$ 0.05
Livestock Revenue	\$ 0.45	\$ 0.40	\$ 0.42
Other Revenue	\$ 0.09	\$ 0.10	\$ 0.04
Gross Revenue	\$ 4.71	\$ 4.64	\$ 4.61
EXPENSES			
Administration	\$ 0.09	\$ 0.09	\$ 0.08
Animal Health	\$ 0.18	\$ 0.17	\$ 0.11
Breeding & Herd Testing	\$ 0.12	\$ 0.12	\$ 0.11
Dairy Shed Expenses	\$ 0.06	\$ 0.06	\$ 0.05
Electricity	\$ 0.07	\$ 0.07	\$ 0.06
Feeds / Supplements (Total)	\$ 0.85	\$ 1.03	\$ 1.11
- Grazing / Agistment	\$ 0.29	\$ 0.29	\$ 0.27
- Cropping (green feed)	\$ 0.02	\$ 0.02	\$ 0.02
- Grains, Pellets & Concentrates	\$ 0.05	\$ 0.20	\$ 0.24
- Forages (incl. hay, silages, byproducts)	\$ 0.49	\$ 0.52	\$ 0.58
Fertiliser (Total)	\$ 0.41	\$ 0.41	\$ 0.34
- Nitrogen	\$ 0.17	\$ 0.17	\$ 0.17
- Phosphate & All Other Fertiliser	\$ 0.24	\$ 0.24	\$ 0.18
Freight	\$ 0.03	\$ 0.03	\$ 0.02
Irrigation	\$ 0.02	\$ 0.02	\$ 0.01
Other Expenses	\$ 0.02	\$ 0.02	\$ 0.01
Pasture Maintenance & Renovation	\$ 0.06	\$ 0.06	\$ 0.06
Repairs & Maintenance	\$ 0.23	\$ 0.21	\$ 0.17
Standing charges	\$ 0.15	\$ 0.14	\$ 0.11
Vehicle Expenses (including fuel & oil)	\$ 0.15	\$ 0.15	\$ 0.11
Weed & Pest Control	\$ 0.03	\$ 0.03	\$ 0.01
Management & Staff Expenses	\$ 0.85	\$ 1.03	\$ 0.73
- Wages, Salaries & Employment Exp.	\$ 0.47	\$ 0.64	\$ 0.47
- Imputed Labour & Management	\$ 0.38	\$ 0.39	\$ 0.26
Depreciation	\$ 0.37	\$ 0.38	\$ 0.26
Gross Expenses	\$ 3.69	\$ 4.03	\$ 3.36
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 2.94	\$ 3.25	\$ 2.83
Core Cost Structure per kg MilkSolid	\$ 2.97	\$ 3.12	\$ 2.36
OPERATING PROFIT (LOSS)	\$ 1.02	\$ 0.62	\$ 1.26

Irrigation - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
IRRIGATION PARAMETERS			
Effective Dairy Hectares	148.0	140.9	134.2
Effective Hectares Irrigated	4.2	4.2	6.2
Percentage Hectares Irrigated	2.8 %	3.0 %	4.6 %
Percentage Increase in Pasture Production on Irrigation vs Dryland	40.0 %	40.0 %	30.0 %
Total Farm Pasture Dry Matter Harvested (tDM/Ha)	10.6	11.1	12.9
Estimated Irrigated Perennial Pasture Harvest (tDM/Ha)	14.6	15.4	16.6
Estimated Dryland Pasture Harvest (tDM/Ha)	10.5	11.0	12.8
Pasture Dry Matter Harvested / Megalitre (tDM)	1.5	1.6	1.4
Megalitres Used per Hectare	9.8	9.8	11.9
Total Useful Rainfall (mm)	500	500	500
Nitrogen Applied per Hectare	142.4	151.3	188.3
Pasture Cost (Per tDM)	\$ 196	\$ 195	\$ 165
- Direct Pasture Cost (Per tDM)	\$ 47	\$ 47	\$ 46
- Variable Pasture Cost (Per tDM)	\$ 43	\$ 45	\$ 35
- Capital Pasture Cost (Per tDM)	\$ 106	\$ 103	\$ 84
Pasture Cost (Cents Per MJ ME)	1.79	1.77	1.50
Irrigation Expenses per Hectare	\$ 19	\$ 20	\$ 18
Irrigation Expenses per Cow	\$ 7	\$ 7	\$ 5
Cows per Full Time Staff Equivalent	131	112	147
Management + Staff Costs per Cow	\$ 308	\$ 354	\$ 290
Pasture as % of Total Consumed	83.1 %	81.2 %	76.2 %
Pasture Consumed Per Cow (estimated per tDM)	3.76	3.57	3.63

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%
ASSETS AT START OF YEAR			
Land & Buildings	\$ 2,848,530	\$ 2,748,530	\$ 2,540,864
Livestock	\$ 464,305	\$ 467,985	\$ 501,290
Vehicles, Plant & Machinery	\$ 176,492	\$ 172,292	\$ 105,973
Dairy Company Shares	\$ 763,214	\$ 772,056	\$ 833,413
Other Assets	\$ 252,645	\$ 270,771	\$ 136,214
TOTAL ASSETS AT START OF YEAR	\$ 4,505,186	\$ 4,431,634	\$ 4,117,754
Total Assets per Acre	\$ 11,924	\$ 11,730	\$ 11,912
Land, Bldgs & Dairy Co. Shares per Acre	\$ 9,560	\$ 9,318	\$ 9,761
Total Assets per Hectare	\$ 29,465	\$ 28,984	\$ 29,434
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 23,622	\$ 23,025	\$ 24,119
Total Assets per Cow	\$ 11,825	\$ 10,997	\$ 9,643
ASSETS AT END OF YEAR			
Land & Buildings	\$ 3,117,907	\$ 3,017,907	\$ 2,792,417
Livestock	\$ 498,285	\$ 498,037	\$ 564,105
Vehicles, Plant & Machinery	\$ 199,279	\$ 195,079	\$ 144,087
Dairy Company Shares	\$ 768,135	\$ 875,824	\$ 941,392
Other Assets	\$ 301,778	\$ 318,520	\$ 142,913
TOTAL ASSETS AT END OF YEAR	\$ 4,885,384	\$ 4,905,367	\$ 4,584,914
Total Assets per Acre	\$ 12,914	\$ 12,967	\$ 13,159
Land, Bldgs & Dairy Co. Shares per Acre	\$ 10,272	\$ 10,292	\$ 10,717
Total Assets per Hectare	\$ 31,910	\$ 32,040	\$ 32,517
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 25,382	\$ 25,433	\$ 26,481
Total Assets per Cow	\$ 12,823	\$ 12,172	\$ 10,738
LIABILITIES AT START OF YEAR			
Current Liabilities less Current Assets	\$ 62,140	\$ 64,598	\$ 11,050
Long Term Liabilities	\$ 1,750,118	\$ 1,758,438	\$ 1,843,185
Total Liabilities at Start of Year	\$ 1,812,258	\$ 1,823,036	\$ 1,854,235
Total Liabilities per Cow	\$ 4,757	\$ 4,524	\$ 4,342
Total Liabilities per kg Milksolids	\$ 13.17	\$ 13.14	\$ 10.99
LIABILITIES AT END OF YEAR			
Current Liabilities less Current Assets	\$ 56,495	\$ 58,615	\$ 4,918
Long Term Liabilities	\$ 1,935,393	\$ 1,943,505	\$ 1,955,367
Total Liabilities at End of Year	\$ 1,991,888	\$ 2,002,120	\$ 1,960,285
Total Liabilities per Cow	\$ 5,228	\$ 4,968	\$ 4,591
Total Liabilities per kg Milksolids	\$ 14.48	\$ 14.43	\$ 11.62
EQUITY			
Equity at Start of Year	\$ 2,692,928	\$ 2,608,598	\$ 2,263,519
Equity at End of Year	\$ 2,893,496	\$ 2,903,247	\$ 2,624,629
Equity % at Start of Year	59.8 %	58.9 %	55.0 %
Equity % at End of Year	59.2 %	59.2 %	57.2 %
FINANCING COSTS			
Bank Charges & Loan Fees	\$ 1,024	\$ 1,054	\$ 948
Interest	\$ 153,721	\$ 156,914	\$ 132,694
Lease Fees & Rentals	\$ 14,281	\$ 14,315	\$ 18,053
TOTAL FINANCING COSTS	\$ 169,026	\$ 172,283	\$ 151,695
Financing Costs as % Gross Revenue	26.1 %	26.7 %	19.5 %
Financing Costs per Hectare	\$ 1,166	\$ 1,247	\$ 1,167
Financing Costs per Cow	\$ 444	\$ 428	\$ 355
Financing Costs per kg Milksolids	\$ 1.23	\$ 1.24	\$ 0.90
Principal Repayments	\$ 60,620	\$ 66,161	\$ 56,426
TOTAL DEBT SERVICING COSTS	\$ 229,646	\$ 238,444	\$ 208,121
Total Debt Servicing Costs as % Revenue	35.4 %	37.0 %	26.7 %