

Westpac Agribusiness
Dairy Business of the Year Competition

DAIRY BUSINESS
OF THE YEAR 

**RED SKY FARM BUSINESS
PERFORMANCE REPORT**



Prepared for
Jim & Jill Smith



RED SKY FARM BUSINESS REPORT INDEX

The following information is included in this report:

- A. WRITTEN FARM PERFORMANCE ANALYSIS REPORT
- B. OVERALL 'DOT' OPPORTUNITY 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

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



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1st January 2013

Jim & Jill Smith

Boondocks Rd
 Somewheretown
 VIC



Dear Jim & Jill,

RE: RED SKY FARM PERFORMANCE ANALYSIS FOR YEAR END 30th JUNE 2012

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	South-West Average	South-West Top 10%
Return on Capital	8.5 %	6.7 %	11.0 %
Operating Profit per Hectare	\$ 1,771	\$ 1,409	\$ 2,357
Return on Equity	8.8 %	6.1 %	13.7 %
Milk Price (cents/litre)	46.1	41.2	42.5
Milk Price (\$/kgMS)	\$ 5.30	\$ 5.36	\$5.54
Pasture Harvested (tDM/ha)	9.8	6.8	8.2
EFFICIENCY MEASURES			
Milk Production (litres/ha)	17,202	12,836	15,347
Milk Production (kgs milksolids/ha)	1,496	987	1,177
Average Cost of Consumed Feed (\$/tDM)	\$ 256	\$ 275	\$ 248
Forage Cost (\$/tDM)	\$ 290	\$ 219	\$ 219
Concentrate Cost (\$/tDM)	\$ 315	\$ 320	\$ 293
Cows per Full Time Staff Equivalent	134	141	171
Management & Staff Costs per Cow	\$ 465	\$ 448	\$ 405
Core per Cow Cost	\$ 476	\$ 525	\$ 529
Core per Hectare Cost/tDM Pasture Harvest	\$ 102	\$ 119	\$ 102
RISK MEASURES			
Operating Profit Margin	21 %	19 %	30 %
Cost of Production per Litre	35.8 cents	33.0 cents	29.0 cents
Cost of Production per kg Milksolids	\$ 4.12	\$ 4.30	\$ 3.78
Pasture as % of Diet Consumed	50 %	58 %	60 %
SOLVENCY MEASURE			
Equity %	59 %	69 %	67 %

KPI's – Profitability

<i>Return on Capital</i>	8.5%
<i>Operating Profit per Hectare</i>	\$1,771/ha
<i>Return on Equity</i>	8.8%
<i>Milk Price</i>	46.1 cents/litre & \$5.30/kgMS
<i>Pasture Harvest</i>	9.8 tDM/ha

Red Sky Farm Performance Analysis

Return on Capital

The most important measure of profitability is **Return on Capital**. This is calculated by dividing your Operating Profit by the total value of all assets under your control (both owned and leased). The lease costs associated with any leased assets are included in the Operating Profit calculation.

Your **Return on Capital** is marginally lower than the Top 10%.

Operating Profit

Your **Operating Profit per Hectare** is marginally lower than the Top 10%. This is not as sound a measure of profitability as Return on Capital, as Operating Profit per Hectare 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 Capital. Businesses that have a Return on Capital 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 (excluding capital gain) is greater than your Return on Capital, it generally means that your cost of finance is less than the operating return being made on your total assets.

Milk Price

***Milk price** can have a significant impact on profit. There are normally three significant factors that impact on milk price. These include the competitiveness of the price paid by your chosen processor, the seasonality of your milk supply (and the premiums/penalties levied by your processor for seasonality), and the quality of the milk supplied.*

When comparing milk prices on a litre basis then milk components, particularly milkfat and protein percentage, can have a significant impact.

Based on cents/litre, your milk price is significantly higher than the Top 10%.

Based on \$/kgMS, your milk price is marginally higher than the Average.

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 9.8 tDM/ha is higher than the Top 10%.

There are at least six critical factors that significantly impact on pasture harvest. These include weather (including water availability for irrigation), soil composition (including fertility status), pasture composition (including age and genetics), pasture management, stocking rate and nitrogen use. There has not been sufficient data collected for the impact of the first four factors to be assessed. With regards the final two factors:

1. Your stocking rate is significantly higher than the Top 10%. Please see comments on stocking rate in the next section under **Milk Production**.
2. Your average nitrogen application rate is higher than the Top 10%. This requires careful interpretation as there is not a strong positive correlation between nitrogen use and pasture harvest, and there is likely to be significant variations in rainfall, irrigation use, and soil quality across the benchmark farms.

Red Sky Farm Performance Analysis

KPIs – Efficiency

Milk Production	17,202 litres/ha & 1,496 kgsMS/ha
Average Cost of Consumed Feed	\$256/tDM
Forage Cost	\$290/tDM
Concentrate Cost	\$315/tDM
Cows/Full Time staff Equivalent	134
Management & Staff Costs/cow	\$465 per cow
Core per Cow Costs	\$476 per cow
Core per Ha Costs / tDM Pasture	\$102 per hectare per tDM pasture harvest

Milk Production

Your **Milk Production per Hectare** is 12% above the Top 10% when quantified as litres per hectare. For comparative purposes the more relevant comparison would be on kilograms of milksolids (milkfat+protein) per hectare. On this basis your **Milk Production per Hectare** is 27% above the Top 10%.

There are two critical components of this measure. One is milk production per cow and the other is stocking rate. Both of these measures can be assessed in a number of ways.

Milk Production per Cow:

1. Based on **Litres per Cow**; your milk production per cow is significantly lower than the Average.
2. Based on **Milksolids per Cow**; your milk production per cow is lower than the Average.
3. Based on **Milksolids as a Percentage of Cow Liveweight**; your milk production per cow is lower than the Average.

Stocking Rate:

1. Based on **Cows per Hectare**; your stocking rate is significantly higher than the Top 10%.
2. Based on **Liveweight of Cows per Hectare**; your stocking rate is significantly higher than the Top 10%.

All of these comparisons require careful interpretation. Firstly milk production per cow does not consistently and positively correlate with profitability. However at comparatively low levels of milk production per cow there is a positive correlation between increasing milk production and profitability.

Secondly there is a positive correlation between increasing stocking rate and profitability, although this appears to be due to the strong positive correlation between stocking rate and pasture harvest, and the similarly strong positive correlation between pasture harvest and profitability.

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 \$256 per tonne dry matter is midway between the Average and Top 10%. 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 the control of the operator.

Red Sky Farm Performance Analysis

Your **Cost of Pasture** is significantly lower than the Top 10%. This is being significantly influenced by the following factors:

- positively by your high pasture harvest
- positively by your low Direct Pasture Costs (which includes pasture renovation, greenfeed crops, fertiliser, weeds & pests, and hay & silage conservation on the dairy unit).

Your **Cost of Forage** is similar to the Average. Besides either purchasing or producing your own forage at a lower cost than other farmers, the greatest opportunity to reduce forage costs is to cost-effectively produce the highest percentage possible of forage yourself.

The proportion of your total forage produced on land you own or lease (excluding pasture silage and hay produced on the milking area) is 58%. This is marginally higher than the Average.

Your **Cost of Concentrates** is similar to the Average. This is one of the largest individual costs to your enterprise and is worthy of further analysis for cost saving strategies. A reduction in cost to the equivalent of the Top 10% could result in a saving of \$10,700.

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 134 cows milked per full time staff equivalent (Cows/FTE) is lower than the Average. This suggests there is a significant opportunity to improve this ratio, which will 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 higher than the Average. This is a potential area for substantial 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 per tDM** 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 divided by tonnes dry matter (tDM) of pasture harvested per hectare.*

Your **Core per Cow Cost** is significantly lower than the benchmarks, which is a result of tight cost control in most areas. This is a strong feature of your operation and a good base from which to increase production and profitability.

Specific Core per Cow Costs that warrant further attention include:

- *Dairy Shed Expense*: this is marginally higher than the Average.
- *Electricity*: this is significantly higher than the Average.
- *Depreciation*: this is partly a "per cow" cost and partly a "per hectare" expense, however on a per cow basis it is significantly higher than the Average.

Red Sky Farm Performance Analysis

Your **Core per Hectare Cost per tDM Pasture Harvest** is similar to the Top 10% (although where drought or other climatic issues significantly impact on pasture harvest then this comparison can lack relevance).

This is a positive feature of your operation and suggests there is a good balance between expenditure in this area and the most important outcome from this expenditure; pasture harvest.

Specific costs per hectare that warrant further attention include:

- *Cropping (green feed)*: this is significantly higher than the Average, although this could be due to a more aggressive pasture renovation program or the requirement for additional summer feed to supplement summer pasture production.
- *Phosphate & Other Fertilisers*: this is significantly higher than the Average, although the additional expense may be being 'repaid' in higher pasture harvest.
- *Standing Charges*: this code includes insurance, rates & milk levies, and as a result is partly a "per hectare" cost and partly a "per cow" cost. This is significantly higher than the Average and the individual expenses are worthy of closer examination.
- *Repairs & Maintenance*: this is partly a "per cow" cost and partly a "per hectare" expense, however on a per hectare basis it is significantly higher than the Average. Your comparatively high stocking rate is inflating these costs due to them having a component of variability based on cow numbers.
- *Vehicles Expenses*: this is partly a "per cow" cost and partly a "per hectare" expense, however on a per hectare basis it is significantly higher than the Average. Your comparatively high stocking rate is inflating these costs due to them having a component of variability based on cow numbers.
- *Depreciation*: this is partly a "per cow" cost and partly a "per hectare" expense, however on a per hectare basis it is significantly higher than the Average. Your comparatively high stocking rate is inflating these costs due to them having a component of variability based on cow numbers.

KPIs – Risk & Solvency

Equity %	59%
Operating Profit Margin	21%
Cost of Production	\$4.12/kgMS & 35.8 cents/litre
Pasture as % Feed Consumed	50%

Equity

Your **Equity %** is sound and indicates a satisfactory 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 21% is marginally higher than the Average. This represents a moderate 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.

Red Sky Farm Performance Analysis

Your Cost of Production of \$4.12/kgMS (35.8 cents/litre) is lower than the Average. This leaves a moderate 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 50% is lower than the Average and Top 10%. Farm systems with higher levels of supplementary feeding inherently carry higher levels of risk.

In general your risk/solvency measures are indicating a moderate-high level of risk, and a business that is in a comparatively marginal 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?

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

Your Key Business Strengths:

- *Milk Production per Hectare:* you have a high level of milk production per hectare. However there may still be opportunities to improve your milk production per cow or stocking rate (please see further comments directly below).
- *Stocking Rate:* your stocking rate is very good compared to your peers. Stocking rate can be set too high and result in a significant increase in cost of production where the percentage of pasture in the diet reduces to the extent that too high a proportion of supplementary feed needs to be allocated to the cows.
- *Pasture Production:* your level of pasture production is very good compared to your peers.
- *Core per Cow Costs:* your level of per cow costs is low.

Areas for consideration and/or for further investigation:

- *Milk Production per Cow:* your level of milk production per cow is comparatively low compared to your peers. Although this suggests there should be an opportunity to improve your level of profitability by increasing your milk production per cow, care would need to be taken to ensure there was no reduction in pasture harvest.
- *Concentrates Costs:* a significant reduction in your concentrate costs would have a major impact on your level of profitability.
- *Forages Costs:* decreasing the cost of forages offers considerable potential for improving profitability. This is most likely to be achieved through the cost-effective production of forages on land under your own control.
- *Labour efficiency:* this area of your business has significant scope for improvement. These improvements could come from cost savings and/or less demand on your time from the dairy business.
- *Core per Hectare Costs per tDM Pasture Harvest:* overall your costs per tDM pasture harvest are high. These should be examined as it is possible that cost-savings could be effected without reducing the productive capacity of your assets, or that the existing level of costs could provide a higher level of productivity through higher pasture harvest.

Red Sky Farm Performance Analysis

There are a number of opportunities identified within this report 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

RED SKY

OVERALL FARM BUSINESS ASSESSMENT

Key Performance Indicators (KPIs)

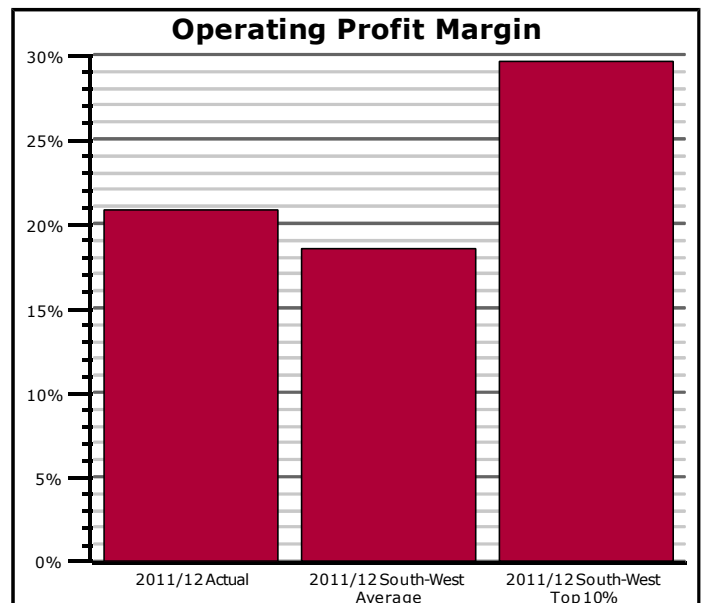
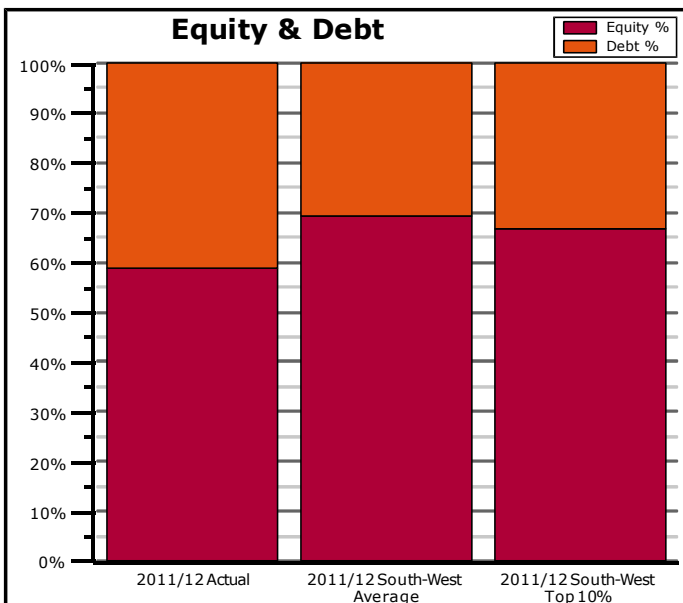
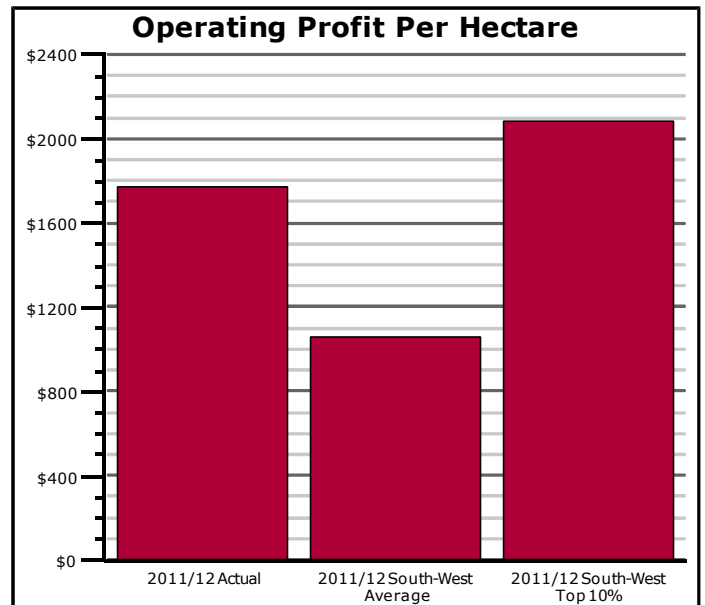
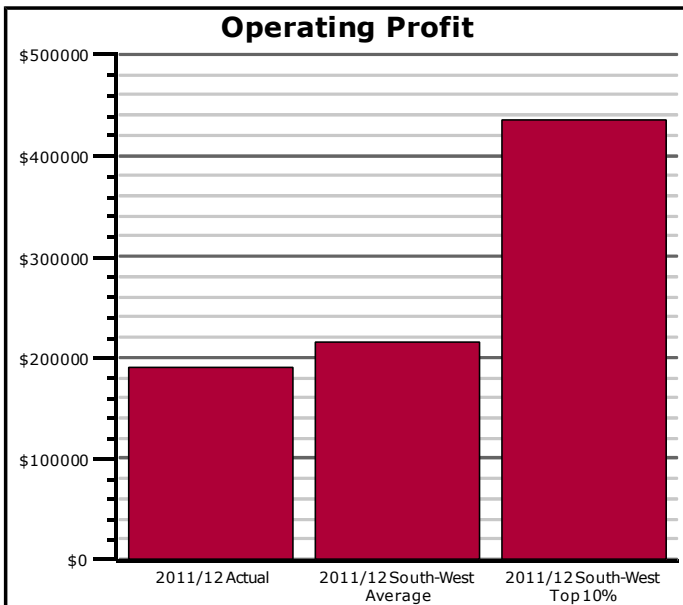
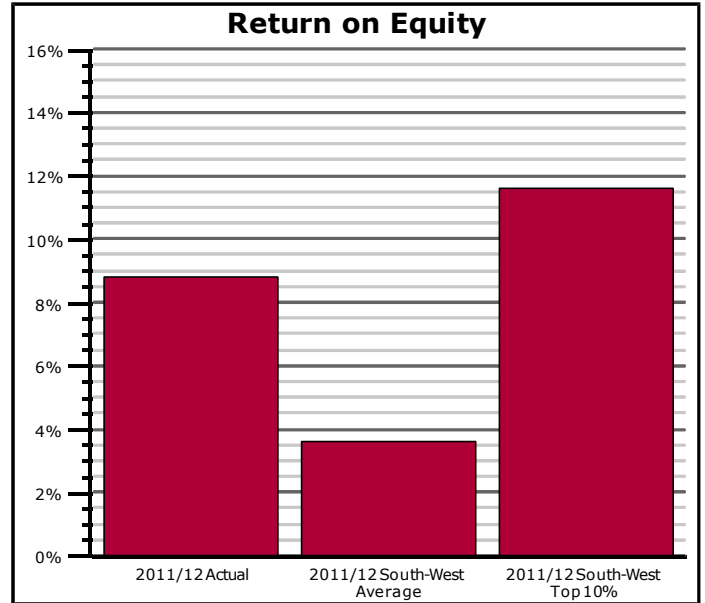
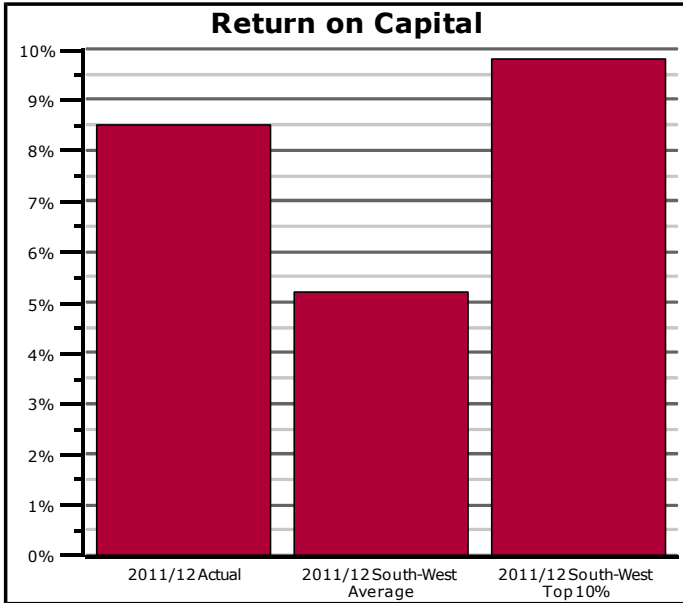
Ratio	Definition	Poor or Very Risky	Lower Quartile or High Risk	Median Quartile or Average Risk	Upper Quartile or Low Risk	Excellent or Very Low Risk
PROFIT	Return on Capital & Operating Profit per Ha					
RISK	Operating Profit Margin & Cost of Production					
SOLVENCY	Equity Percentage					

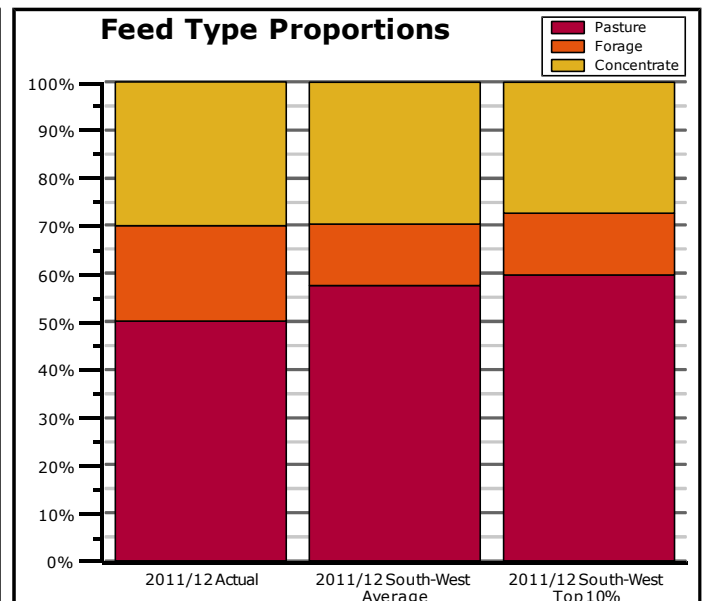
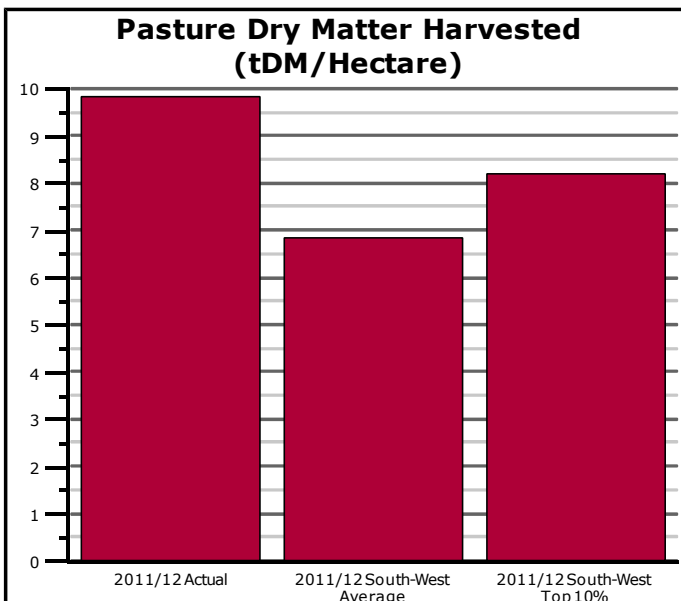
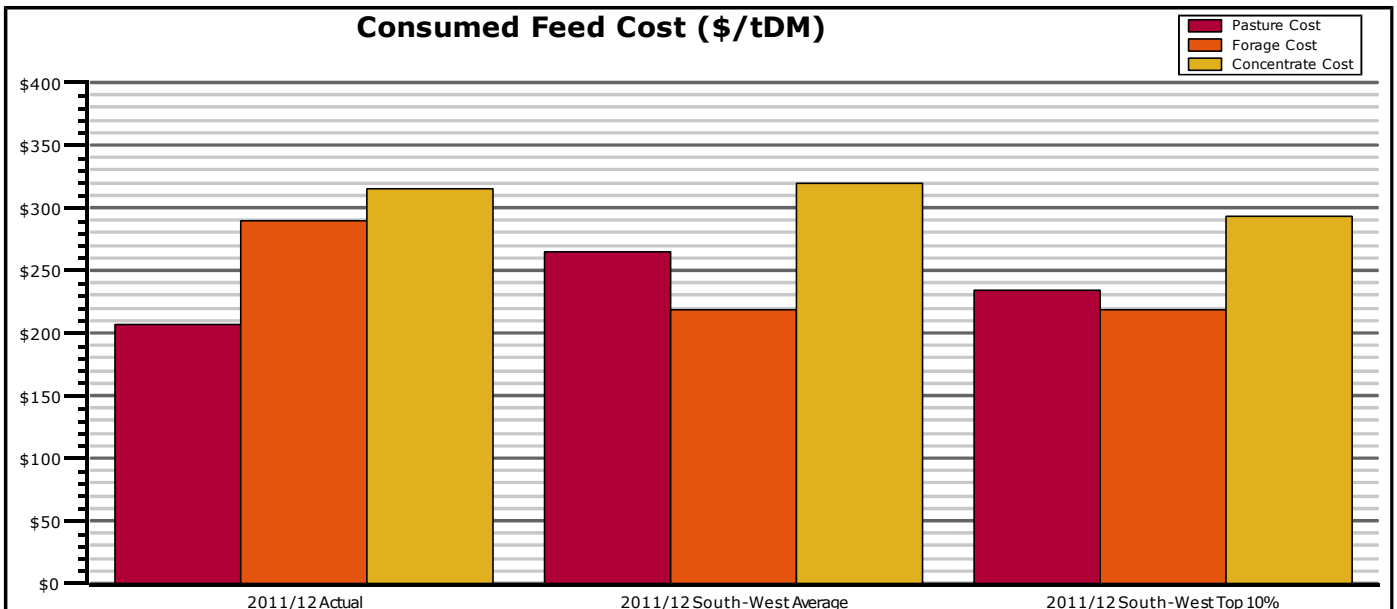
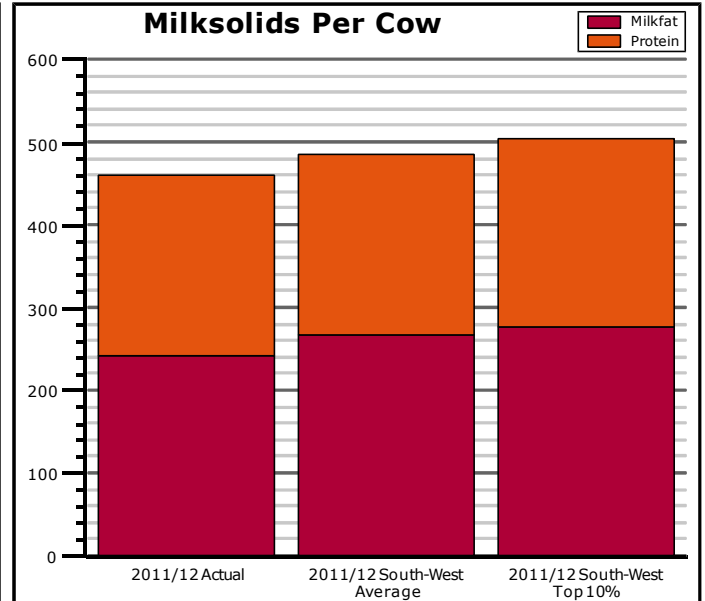
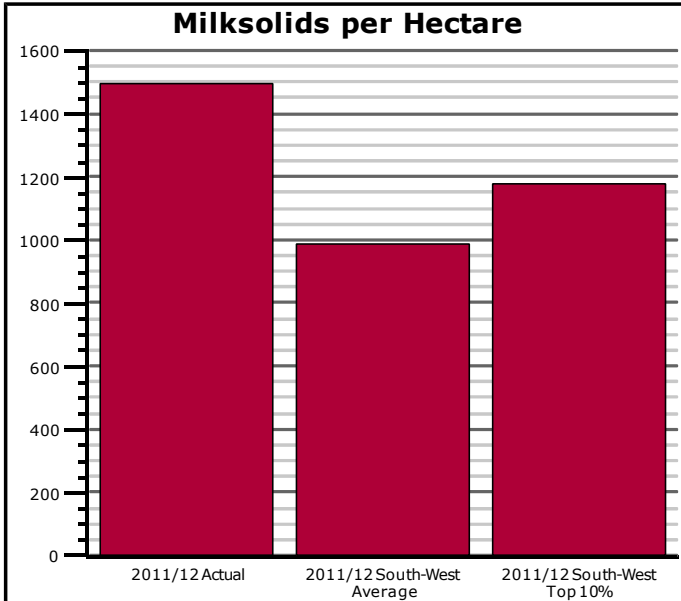
Key Profit Drivers (KPDs)

MILK PRODUCTION	Milk Production per Hectare					
	- Stocking Rate (Cows/ha)					
	- Milk Production per Cow					
PASTURE HARVESTED	tDM 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 tDM	Per Ha Exp. divided by tDM Pasture Harvested					

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 per tDM Pasture Harvested = (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 / tDM Pasture Harvested per Hectare





Summary Farm Performance - Dairy
Jim & Jill Smith
J. & J. Smith Aus Ltd



	2011/12 Actual	2011/12 South-West Average	2011/12 South-West Top 10%
PHYSICAL PARAMETERS			
Number of Cows in Herd	349	414	488
Total Effective Dairy Hectares	110.8	213.9	216.1
Effective Milking Hectares	107.3	203.5	208.9
Cows per Milking Hectare	3.25	2.03	2.34
Litres per Cow	5,290	6,308	6,570
Milksolids per Cow	460	485	504
Litres per Milking Hectare	17,202	12,836	15,347
Milksolids per Milking Hectare	1,496	987	1,177
Litre Price (cents/Litre)	46.11	41.22	42.49
Milksolids Price (\$/kgMS)	\$ 5.30	\$ 5.36	\$ 5.54
Pasture Dry Matter Harvested (tDM/Ha)	9.8	6.8	8.2
KEY PERFORMANCE INDICATORS			
Operating Profit per Hectare	\$ 1,771	\$ 1,057	\$ 2,083
Operating Profit per Cow	\$ 545	\$ 520	\$ 892
Total Assets per Ha at Start of Year (4-Yr Av Values)	\$ 20,417	\$ 22,798	\$ 22,212
EQUITY % at 4-Yr Av Values	58.8 %	69.3 %	66.7 %
RETURN ON CAPITAL (ROC) at 4-Yr Av Values	8.5 %	5.2 %	9.8 %
Return on Assets (ROA) at 4-Yr Av Values	8.5 %	5.4 %	10.5 %
ROA including Capital Gain at 4-Yr Av Values	4.0 %	2.8 %	12.8 %
RETURN ON EQUITY (ROE) at 4-Yr Av Values	8.8 %	3.6 %	11.6 %
ROE including Capital Gain at 4-Yr Av Values	1.5 %	0.0 %	15.2 %
OPERATING PROFIT MARGIN	20.8 %	18.5 %	29.6 %
Cost of Production per Litre	35.8	33.0	29.0
Financing Costs per Litre	3.8	5.7	4.5
Cost of Prod'n + Financing Cost per Litre	39.5	37.2	32.4
Cost of Production per kg Milksolids	\$ 4.12	\$ 4.30	\$ 3.78
Financing Costs per kg Milksolids	\$ 0.44	\$ 0.74	\$ 0.59
Cost of Prod'n + Financing Cost per kgMS	\$ 4.55	\$ 4.84	\$ 4.22
Total Operating Expenses as % Gross Revenue	65.9 %	75.3 %	63.2 %
Financing Costs as % Gross Revenue	7.7 %	12.8 %	9.8 %
Core per Cow Cost	\$ 476	\$ 525	\$ 529
Core per Hectare Cost	\$ 1,001	\$ 816	\$ 833
Core per Hectare Cost per tDM Pasture Harvest	\$ 102	\$ 119	\$ 102
Management + Staff Costs per Cow	\$ 465	\$ 448	\$ 405
Cows per Full Time Staff Equivalent	134	141	171
Total Feed/Supplement Costs per Cow	\$ 803	\$ 893	\$ 829
Pasture as % of Total Consumed	50.1 %	57.5 %	59.7 %
Average Cost of All Consumed Feed (/tDM)	\$ 256	\$ 275	\$ 248
Pasture Cost (Per tDM)	\$ 207	\$ 265	\$ 234
Forage Cost (/tDM Consumed incl.wastage)	\$ 290	\$ 219	\$ 219
Concentrate Cost (/tDM Consumed incl.wastage)	\$ 315	\$ 320	\$ 293

Physical Summary - Dairy

Jim & Jill Smith

J. & J. Smith Aus Ltd

DAIRY BUSINESS
OF THE YEAR 

	2011/12 Actual	2011/12 South-West Average	2011/12 South-West Top 10%
PHYSICAL PARAMETERS			
Number of Cows in Herd	349	414	488
Effective Milking Hectares	107.3	203.5	208.9
Cows per Milking Hectare	3.25	2.03	2.34
Cow Liveweight per Milking Hectare	1,691	1,083	1,226
Litre Price (cents/Litre)	46.11	41.22	42.49
Milksolids Price (\$/kgMS)	\$ 5.30	\$ 5.36	\$ 5.54
Total Litres	1,846,210	2,611,541	3,206,346
Total Milksolids (Milkfat + Protein)	160,540	200,775	245,963
Litres per Cow	5,290	6,308	6,570
Milksolids per Cow	460	485	504
Milksolids as Percent of Cow Liveweight	88.5 %	91.2 %	96.0 %
Litres per Milking Hectare	17,202	12,836	15,347
Milksolids per Milking Hectare	1,496	987	1,177
Milkfat Percentage	4.57 %	4.23 %	4.21 %
Protein Percentage	4.13 %	3.46 %	3.46 %
Protein as a Percentage of Milkfat	90.4 %	81.8 %	82.2 %
PASTURE & SUPPLEMENTS			
Pasture Dry Matter Harvested (tDM/Ha)	9.8	6.8	8.2
Estimated Dryland Pasture Harvest (tDM/Ha)	9.8	6.5	7.5
Estimated Irrigated Pasture Harvest (tDM/Ha)	0.0	11.0	12.8
Nitrogen Applied per Hectare	235.0	159.5	207.6
Pasture as % of Total Consumed	50.1 %	57.5 %	59.7 %
Supplement as % of Total Consumed	49.9 %	42.5 %	40.3 %
- Forage as % of Total Consumed	19.9 %	12.8 %	12.9 %
- Concentrate as % of Total Consumed	30.0 %	29.6 %	27.3 %
Pasture Consumed Per Cow (estimated tDM)	2.71	3.23	3.41
Forage Consumed Per Cow (estimated tDM)	1.25	0.83	0.85
Concentrate Consumed Per Cow (estimated tAF)	1.59	1.63	1.52
Total Consumed Per Cow (estimated tDM)	5.39	5.53	5.63
Feed Conversion Efficiency (kgsDM/kgMS)	11.53	11.37	11.11
Total Feed/Supplement Costs per Cow	\$ 803	\$ 893	\$ 829
Average Cost of All Consumed Feed (/tDM)	\$ 256	\$ 275	\$ 248
Pasture Cost (Per tDM)	\$ 207	\$ 265	\$ 234
- Direct Pasture Cost (Per tDM)	\$ 91	\$ 117	\$ 103
- Variable Pasture Cost (Per tDM)	\$ 45	\$ 47	\$ 44
- Capital Pasture Cost (Per tDM)	\$ 71	\$ 101	\$ 88
Average Cost of All Supplements (/tDM Consumed)	\$ 305	\$ 289	\$ 269
Forage Cost (/tDM Consumed incl.wastage)	\$ 290	\$ 219	\$ 219
- Purchased Forage Cost (Per tDM)	\$ 192	\$ 138	\$ 143
- Variable Forage Cost (Per tDM)	\$ 43	\$ 36	\$ 33
- Capital Forage Cost (Per tDM)	\$ 20	\$ 14	\$ 14
Concentrate Cost (/tDM Consumed incl.wastage)	\$ 315	\$ 320	\$ 293
- Purchased Concentrate Cost (Per tDM)	\$ 283	\$ 294	\$ 270
- Variable Concentrate Cost (Per tDM)	\$ 12	\$ 11	\$ 10
- Capital Concentrate Cost (Per tDM)	\$ 4	\$ 7	\$ 6
Pasture Cost (Cents Per MJ ME)	1.88	2.41	2.13
Forage Cost (Cents Per MJ ME Consumed)	2.76	2.37	2.36
Concentrate Cost (Cents Per MJ ME Consumed)	2.42	2.62	2.41

Operating Profit Per Cow - Dairy

Jim & Jill Smith

J. & J. Smith Aus Ltd

DAIRY BUSINESS
OF THE YEAR 

	2011/12 Actual	2011/12 South-West Average	2011/12 South-West Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 2,438	\$ 2,599	\$ 2,792
Quota/Contract/Dividends for Milk	\$ 0	\$ 4	\$ 5
Livestock Revenue	\$ 179	\$ 188	\$ 202
Other Revenue	\$ 7	\$ 16	\$ 15
Gross Revenue	\$ 2,624	\$ 2,808	\$ 3,015
EXPENSES			
Administration	\$ 24	\$ 42	\$ 38
Animal Health	\$ 67	\$ 65	\$ 66
Breeding & Herd Testing	\$ 44	\$ 48	\$ 50
Dairy Shed Expenses	\$ 33	\$ 29	\$ 26
Electricity	\$ 49	\$ 38	\$ 36
Feeds / Supplements (Total)	\$ 803	\$ 893	\$ 829
- Grazing / Agistment	\$ 102	\$ 159	\$ 178
- Cropping (green feed)	\$ 17	\$ 3	\$ 3
- Grains, Pellets & Concentrates	\$ 438	\$ 511	\$ 448
- Forages (incl. hay, silages, byproducts)	\$ 246	\$ 220	\$ 199
Fertiliser (Total)	\$ 228	\$ 266	\$ 243
- Nitrogen	\$ 146	\$ 154	\$ 143
- Phosphate & All Other Fertiliser	\$ 82	\$ 112	\$ 101
Freight	\$ 7	\$ 7	\$ 8
Irrigation	\$ 0	\$ 29	\$ 41
Other Expenses	\$ 9	\$ 5	\$ 3
Pasture Maintenance & Renovation	\$ 13	\$ 51	\$ 34
Repairs & Maintenance	\$ 91	\$ 102	\$ 97
Standing charges	\$ 55	\$ 69	\$ 64
Vehicle Expenses (including fuel & oil)	\$ 47	\$ 56	\$ 49
Weed & Pest Control	\$ 4	\$ 15	\$ 12
Management & Staff Expenses	\$ 465	\$ 448	\$ 405
- Wages, Salaries & Employment Exp.	\$ 253	\$ 299	\$ 238
- Imputed Labour & Management	\$ 212	\$ 150	\$ 168
Depreciation	\$ 140	\$ 123	\$ 121
Gross Expenses	\$ 2,079	\$ 2,288	\$ 2,123
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 1,728	\$ 2,015	\$ 1,834
Core per Cow Cost	\$ 476	\$ 525	\$ 529
OPERATING PROFIT (LOSS)	\$ 545	\$ 520	\$ 892

Operating Profit Per Hectare - Dairy
Jim & Jill Smith
J. & J. Smith Aus Ltd



	2011/12 Actual	2011/12 South-West Average	2011/12 South-West Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 7,928	\$ 5,289	\$ 6,522
Quota/Contract/Dividends for Milk	\$ 0	\$ 9	\$ 13
Livestock Revenue	\$ 581	\$ 383	\$ 472
Other Revenue	\$ 23	\$ 32	\$ 34
Gross Revenue	\$ 8,532	\$ 5,713	\$ 7,042
EXPENSES			
Administration	\$ 77	\$ 85	\$ 89
Animal Health	\$ 218	\$ 132	\$ 154
Breeding & Herd Testing	\$ 143	\$ 98	\$ 116
Dairy Shed Expenses	\$ 107	\$ 59	\$ 60
Electricity	\$ 160	\$ 78	\$ 84
Feeds / Supplements (Total)	\$ 2,612	\$ 1,817	\$ 1,937
- Grazing / Agistment	\$ 330	\$ 324	\$ 416
- Cropping (green feed)	\$ 56	\$ 5	\$ 8
- Grains, Pellets & Concentrates	\$ 1,426	\$ 1,040	\$ 1,048
- Forages (incl. hay, silages, byproducts)	\$ 800	\$ 448	\$ 466
Fertiliser (Total)	\$ 743	\$ 542	\$ 569
- Nitrogen	\$ 475	\$ 313	\$ 333
- Phosphate & All Other Fertiliser	\$ 268	\$ 228	\$ 235
Freight	\$ 23	\$ 15	\$ 18
Irrigation	\$ 0	\$ 60	\$ 96
Other Expenses	\$ 29	\$ 10	\$ 8
Pasture Maintenance & Renovation	\$ 41	\$ 105	\$ 79
Repairs & Maintenance	\$ 296	\$ 208	\$ 227
Standing charges	\$ 180	\$ 140	\$ 150
Vehicle Expenses (including fuel & oil)	\$ 154	\$ 114	\$ 115
Weed & Pest Control	\$ 12	\$ 31	\$ 28
Management & Staff Expenses	\$ 1,512	\$ 912	\$ 946
- Wages, Salaries & Employment Exp.	\$ 823	\$ 608	\$ 555
- Imputed Labour & Management	\$ 689	\$ 304	\$ 391
Depreciation	\$ 454	\$ 250	\$ 283
Gross Expenses	\$ 6,761	\$ 4,656	\$ 4,959
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 5,618	\$ 4,101	\$ 4,285
Core per Hectare Cost	\$ 1,001	\$ 816	\$ 833
OPERATING PROFIT (LOSS)	\$ 1,771	\$ 1,057	\$ 2,083

Operating Profit Per MilkSolids

Jim & Jill Smith

J. & J. Smith Aus Ltd

DAIRY BUSINESS
OF THE YEAR 

	2011/12 Actual	2011/12 South-West Average	2011/12 South-West Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 5.30	\$ 5.36	\$ 5.54
Quota/Contract/Dividends for Milk	\$ 0.00	\$ 0.01	\$ 0.01
Livestock Revenue	\$ 0.39	\$ 0.39	\$ 0.40
Other Revenue	\$ 0.02	\$ 0.03	\$ 0.03
Gross Revenue	\$ 5.70	\$ 5.79	\$ 5.98
EXPENSES			
Administration	\$ 0.05	\$ 0.09	\$ 0.08
Animal Health	\$ 0.15	\$ 0.13	\$ 0.13
Breeding & Herd Testing	\$ 0.10	\$ 0.10	\$ 0.10
Dairy Shed Expenses	\$ 0.07	\$ 0.06	\$ 0.05
Electricity	\$ 0.11	\$ 0.08	\$ 0.07
Feeds / Supplements (Total)	\$ 1.75	\$ 1.84	\$ 1.65
- Grazing / Agistment	\$ 0.22	\$ 0.33	\$ 0.35
- Cropping (green feed)	\$ 0.04	\$ 0.01	\$ 0.01
- Grains, Pellets & Concentrates	\$ 0.95	\$ 1.05	\$ 0.89
- Forages (incl. hay, silages, byproducts)	\$ 0.53	\$ 0.45	\$ 0.40
Fertiliser (Total)	\$ 0.50	\$ 0.55	\$ 0.48
- Nitrogen	\$ 0.32	\$ 0.32	\$ 0.28
- Phosphate & All Other Fertiliser	\$ 0.18	\$ 0.23	\$ 0.20
Freight	\$ 0.02	\$ 0.02	\$ 0.02
Irrigation	\$ 0.00	\$ 0.06	\$ 0.08
Other Expenses	\$ 0.02	\$ 0.01	\$ 0.01
Pasture Maintenance & Renovation	\$ 0.03	\$ 0.11	\$ 0.07
Repairs & Maintenance	\$ 0.20	\$ 0.21	\$ 0.19
Standing charges	\$ 0.12	\$ 0.14	\$ 0.13
Vehicle Expenses (including fuel & oil)	\$ 0.10	\$ 0.12	\$ 0.10
Weed & Pest Control	\$ 0.01	\$ 0.03	\$ 0.02
Management & Staff Expenses	\$ 1.01	\$ 0.92	\$ 0.80
- Wages, Salaries & Employment Exp.	\$ 0.55	\$ 0.62	\$ 0.47
- Imputed Labour & Management	\$ 0.46	\$ 0.31	\$ 0.33
Depreciation	\$ 0.30	\$ 0.25	\$ 0.24
Gross Expenses	\$ 4.52	\$ 4.72	\$ 4.21
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 3.76	\$ 4.16	\$ 3.64
Core Cost Structure per kg MilkSolid	\$ 2.71	\$ 2.83	\$ 2.56
OPERATING PROFIT (LOSS)	\$ 1.18	\$ 1.07	\$ 1.77

Operating Profit Per Litre
Jim & Jill Smith
J. & J. Smith Aus Ltd

DAIRY BUSINESS
OF THE YEAR 

	2011/12 Actual	2011/12 South-West Average	2011/12 South-West Top 10%
REVENUE			
Manufacturing Milk Sales	46.09	41.21	42.50
Quota/Contract/Dividends for Milk	0.00	0.07	0.08
Livestock Revenue	3.38	2.99	3.08
Other Revenue	0.14	0.25	0.22
Gross Revenue	49.60	44.51	45.88
EXPENSES			
Administration	0.45	0.66	0.58
Animal Health	1.27	1.03	1.00
Breeding & Herd Testing	0.83	0.76	0.75
Dairy Shed Expenses	0.62	0.46	0.39
Electricity	0.93	0.60	0.55
Feeds / Supplements (Total)	15.19	14.15	12.62
- Grazing / Agistment	1.92	2.52	2.71
- Cropping (green feed)	0.33	0.04	0.05
- Grains, Pellets & Concentrates	8.29	8.10	6.83
- Forages (incl. hay, silages, byproducts)	4.65	3.49	3.04
Fertiliser (Total)	4.32	4.22	3.71
- Nitrogen	2.76	2.44	2.17
- Phosphate & All Other Fertiliser	1.56	1.78	1.53
Freight	0.14	0.12	0.12
Irrigation	0.00	0.47	0.62
Other Expenses	0.17	0.08	0.05
Pasture Maintenance & Renovation	0.24	0.82	0.52
Repairs & Maintenance	1.72	1.62	1.48
Standing charges	1.05	1.09	0.97
Vehicle Expenses (including fuel & oil)	0.89	0.89	0.75
Weed & Pest Control	0.07	0.24	0.18
Management & Staff Expenses	8.79	7.11	6.17
- Wages, Salaries & Employment Exp.	4.78	4.74	3.62
- Imputed Labour & Management	4.01	2.37	2.55
Depreciation	2.64	1.95	1.84
Gross Expenses	39.30	36.27	32.31
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	32.66	31.95	27.92
Core Cost Structure per Litre	23.60	21.78	19.65
OPERATING PROFIT (LOSS)	10.30	8.24	13.57

Balance Sheet (Market Values) - Dairy

Jim & Jill Smith

J. & J. Smith Aus Ltd



	2011/12 Actual	2011/12 South-West Average	2011/12 South-West Top 10%
ASSETS AT START OF YEAR			
Land & Buildings	\$ 1,674,750	\$ 2,962,403	\$ 3,022,175
Livestock	\$ 471,366	\$ 618,314	\$ 719,372
Vehicles, Plant & Machinery	\$ 91,053	\$ 125,231	\$ 112,783
Dairy Company Shares	\$ 20,000	\$ 25,681	\$ 31,636
Other Assets	\$ 5,000	\$ 359,328	\$ 479,088
TOTAL ASSETS AT START OF YEAR	\$ 2,262,169	\$ 4,090,958	\$ 4,365,054
Total Assets per Acre	\$ 7,926	\$ 7,657	\$ 8,189
Land, Bldgs & Dairy Co. Shares per Acre	\$ 5,938	\$ 5,593	\$ 5,729
Total Assets per Hectare	\$ 19,586	\$ 18,921	\$ 20,235
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 14,673	\$ 13,820	\$ 14,157
Total Assets per Cow	\$ 6,482	\$ 9,882	\$ 8,945
ASSETS AT END OF YEAR			
Land & Buildings	\$ 1,573,250	\$ 2,942,566	\$ 3,019,460
Livestock	\$ 471,366	\$ 623,563	\$ 736,872
Vehicles, Plant & Machinery	\$ 91,053	\$ 136,231	\$ 148,286
Dairy Company Shares	\$ 20,000	\$ 27,696	\$ 35,689
Other Assets	\$ 5,500	\$ 421,912	\$ 478,840
TOTAL ASSETS AT END OF YEAR	\$ 2,161,169	\$ 4,151,969	\$ 4,419,147
Total Assets per Acre	\$ 8,063	\$ 7,823	\$ 8,453
Land, Bldgs & Dairy Co. Shares per Acre	\$ 5,944	\$ 5,596	\$ 5,844
Total Assets per Hectare	\$ 19,925	\$ 19,331	\$ 20,887
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 14,689	\$ 13,829	\$ 14,440
Total Assets per Cow	\$ 6,192	\$ 10,029	\$ 9,056
LIABILITIES AT START OF YEAR			
Current Liabilities less Current Assets	\$ 40,712	\$ 82,320	\$ 84,403
Long Term Liabilities	\$ 849,591	\$ 1,022,923	\$ 1,444,084
Total Liabilities at Start of Year	\$ 890,303	\$ 1,105,243	\$ 1,528,487
Total Liabilities per Cow	\$ 2,551	\$ 2,670	\$ 3,132
Total Liabilities per kg Milksolids	\$ 5.55	\$ 5.50	\$ 6.21
LIABILITIES AT END OF YEAR			
Current Liabilities less Current Assets	\$ 40,712	\$ 106,327	\$ 135,021
Long Term Liabilities	\$ 849,591	\$ 1,150,568	\$ 1,323,223
Total Liabilities at End of Year	\$ 890,303	\$ 1,256,895	\$ 1,458,244
Total Liabilities per Cow	\$ 2,551	\$ 3,036	\$ 2,988
Total Liabilities per kg Milksolids	\$ 5.55	\$ 6.26	\$ 5.93
EQUITY			
Equity at Start of Year	\$ 1,371,866	\$ 2,985,715	\$ 2,836,568
Equity at End of Year	\$ 1,270,866	\$ 2,895,074	\$ 2,960,903
Equity % at Start of Year	60.6 %	73.0 %	65.0 %
Equity % at End of Year	58.8 %	69.7 %	67.0 %
FINANCING COSTS			
Bank Charges & Loan Fees	\$ 248	\$ 6,572	\$ 5,946
Interest	\$ 70,522	\$ 106,476	\$ 121,760
Lease Fees & Rentals	\$ 0	\$ 35,329	\$ 16,200
TOTAL FINANCING COSTS	\$ 70,771	\$ 148,377	\$ 143,906
Financing Costs as % Gross Revenue	7.7 %	12.8 %	9.8 %
Financing Costs per Hectare	\$ 659	\$ 729	\$ 689
Financing Costs per Cow	\$ 203	\$ 358	\$ 295
Financing Costs per kg Milksolids	\$ 0.44	\$ 0.74	\$ 0.59
Principal Repayments	\$ 45,634	\$ 123,442	\$ 241,173
TOTAL DEBT SERVICING COSTS	\$ 116,405	\$ 271,819	\$ 385,079
Total Debt Servicing Costs as % Revenue	12.7 %	23.4 %	26.2 %