

New competition recognises dairy excellence

ENTRIES have opened for a new competition that recognises business excellence among dairyfarmers.

The Dairy Business of the Year competition, which features a major prize of \$6000, was developed by Red Sky Agricultural and Intelact Australia, and is being sponsored by the dairy industry's services organisation Dairy Australia and National Australia Bank (NAB) Agribusiness. *The Australian Dairyfarmer* is the primary media sponsor.

The competition is open to farmers in Victoria, southern New South Wales and south-east South Australia and will expand to other states and regions from next year.

Red Sky director David Beca said the competition was unique in its focus on dairy business management and absolute profitability, and would seek to promote positive change on dairy farms. "A combination of rewarding excellence in business and providing information to allow entrants to benchmark their performance will help the industry as a whole to become more successful," Mr Beca said.

As well as the major prize, awards will be presented to the best farms in each of the five districts and in three farm system categories. There is also a sharefarmer category and a young farmer category.

Finalists will be invited to a weekend retreat to meet with experts in business performance.

Dairy Australia managing director Mike Ginnivan said the competition was a

KEY POINTS

DAIRY BUSINESS OF THE YEAR

- ✓ Entries now open
- Based on financial performance for 2005-06 year
- ✓ Return on assets key criteria
- ✓ Five regional winners, three farm system winners
- ✓ Young farmer and sharefarmer categories

chance to recognise the nation's best dairyfarmers. "It's great to be able to highlight profitable businesses and to understand what makes them profitable under different conditions and management systems," he said.

"Benchmarking and training are some of the tools that help them make better business decisions and this competition provides a great opportunity to tap into those benefits."

He said that by supporting business excellence in dairyfarming, the competition would improve the business culture of the industry and increase the demand for business management information services by generating interest through opportunities such as regional field days associated with the competition.

NAB general manager agribusiness Wayne Carlson said one of the signs of a good farm business was a willingness to benchmark and see how other successful operations were being managed.

"The business analysis being done for each entrant as part of the competition will include the strengths and weaknesses of the business and identify some key areas where improvement is possible," he said.

"This is an ideal opportunity for dairyfarmers to review their performance against best industry standards, just by entering."

Participants will need to provide a set of their 2005/06 annual accounts plus about one page of supplementary data on their land, herd and feed use.

Finalists will also be required to provide accounts for the previous financial year.

A Helpdesk is available to assist with the questionnaire, and for a small fee dairyfarmers can have someone come out to their farm to assist them to complete the entry form.

The key judging criteria is Return on Assets. Other factors to be considered include profit per hectare, cost of production, milk production per hectare, pasture harvest per hectare, cost of feed, labour efficiency and core cost structure.

The entry fee of \$285 plus GST covers the Red Sky Farm Performance Analysis. It will be discounted for existing Red Sky customers and NAB Agribusiness clients. Entries close February 28, 2007.

A preliminary entry form follows on page 47-48 or can be downloaded from websites <www.redskyagri.com>, <www.national.com.au/agribusiness> or <www.dairyaustralia.com.au>. **D**

Business analysis key to minimising drought impact

Each entrant in the Dairy Business of the Year competition will receive an analysis of their farm business. Here we look at how Victorian dairyfarmers the Francis family use this information to help minimise the impact of the drought.

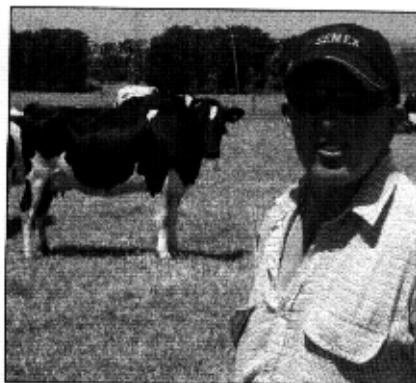
KEY POINTS

EXPANSION

- ✓ Family plans expansion of herd to 500 cows
- ✓ Major changes undertaken
- ✓ Business analysis identified key areas for improvement

THE FRANCIS family are dairy-farming stalwarts who have been consistently building a stronger business. They hail from the high rainfall area of Beech Forrest, and in May 2000 they bought a property at Terang in south-west Victoria.

The family has been increasing cow numbers in recent years from 320 to 435 ▶



Brett Francis is working to improve pasture consumption after Red Sky analysis identified that as a key area for his dairy farm business.

Table 1: The Francis family's business performance

	2004/05 Actual Results	2005/06 Actual Results	500-cow Budget	Red Sky 2004/05 Sth West Average	Red Sky 2004/05 Sth West Top 10%
Operating profit/ha	\$605	\$988	\$1170	\$994	\$1770
Return on assets	7.0%	9.7%	10.4%	7.8%	13.6%
Milksolids per cow	397	493	500	437	480
Milksolids per hectare	592	794	983	830	1045
Pasture consumption/ha	6.2	7.2	8.5	6.8	8.1
Operating profit margin	26%	25%	27%	24%	36%
Cost of production (\$/kgMS)	\$3.18	\$3.04	\$3.02	\$3.20	\$2.66
Core per cow costs	\$439	\$453	\$364	\$351	\$336
Labour efficiency (cows per full time staff equivalent)	127	121	135	117	145

◀ this year, and they intend moving up to 500 cows in the not too distant future.

In the past 18 months the daily management of the dairy business has been handed over to Brett and Esther Francis.

It has been during this transition phase that the Francis family has found that an in-depth analysis of their business has been invaluable.

"Understanding how we were presently performing in terms of profitability and efficiency, and where the opportunities were for us to make progress, has given us the confidence to make some major changes," Brett Francis said.

There have certainly been some significant changes to the business since the Francis took over the Terang property. These include:

- leasing of the neighbouring property, which had irrigation (centre pivots and pop-ups);
- building a 50-unit rotary dairy;
- parents Bob and Joan Francis handing over management of the business to Brett and Esther;
- Brett and Esther attracting quality staff to make the day-to-day running of the farm smoother;
- steadily increasing cow numbers, milk production and pasture harvest; and
- developing a strategy to keep core costs down in the business (particularly herd health and repairs and maintenance).

In the past couple of years, this evolving process has been monitored with the use of Red Sky farm performance analysis. This in-depth examination of their business was undertaken by Intelact consultant Sam Dunbar, which ensured a fresh set of eyes looked over the business to see what was working well and what was not working.

What was working was that the business had low core costs and was using minimal bought-in supplements. But there were opportunities to increase pasture harvest, milk production per cow and stocking rate.

"Using Red Sky illustrated to us that we were harvesting less grass than the properties' potential. It was not so much a matter of growing more grass for us, it was a matter of having more cows to eat it," Brett said.

The ability to compare the Francis farm with the average farms and more importantly the best farms in the district made setting goals for the business straightforward.

The target set was to build numbers to 500 cows on the 254 hectare effective milking area. Targets for pasture harvest were set at 7.5-8.0 tonnes dry matter/ha, and cow performance at 500 kilograms milksolids per cow, with this combination producing a return on assets (ROA) of more than 10%.

"We have a target of getting to 500 cows and keeping the young stock at home, while still being largely self sufficient when it comes to bought-in fodder. With the young stock we have on hand, we should give the 500 cows a nudge next year," Brett said.

Although the business is not yet at these levels, they are well on the way. Before attaining these goals, a couple of infrastructure issues needed to be addressed.

This included an increase in the dairy yard area to handle the extra number of cows, and the sourcing of an experienced and willing staff member to share the management and workload.

This has been accomplished with the yards being completed by Greencon Aus and the appointment of Daniel Pennefather.

"We have been increasing cow numbers and to be honest the yard space and the work load was causing some headaches. We have addressed these issues now with the yards, and we have also been fortunate to find Daniel," Brett said.

"He is continually coming up with new ideas and looking for areas where we can

improve. He has purchased some heifers this year and is running them in the herd. Daniel also takes a keen interest in the Red Sky analysis, and it was very timely that we looked at our 2005/06 performance together prior to coming into the drought."

Sitting down around the table with Mr Dunbar showed that the farm had made significant improvements in lifting pasture harvest (from 6.2 to 7.2 tonnes DM/ha) and increasing cow production.

This had resulted in a significantly higher profit (moving from 2.4% ROA in 2003/04 to 9.7% ROA 2005/06), but some core per cow costs that had been tight were creeping up slightly.

"The latest Red Sky analysis showed that we were generating more income, but that our core costs have increased," Brett said, after looking at the 2005/06 results.

"We need to be tighter on our animal health and watch our reproduction and mating (R&M) costs in particular. It certainly was a timely exercise for us to complete back in the winter, as we had no idea that this drought was creeping up on us back then.

"In moving forward, our aim is to continue increasing the productivity of pastures and cows, while trying to keep our business as low cost as possible. We also want to continue to enjoy our farming and keep in control of our business."

One of the key messages that is highlighted with a farm like the Francis is the importance of knowing exactly how the business is performing.

This information gives the confidence to make positive change when times are relatively good, just as it highlights the critical management decisions that need to be made and areas where costs need to be minimised when conditions turn down.

Making good decisions when times are really tough can then pay handsome dividends when conditions improve and the opportunities return to build a stronger business. **D**