Standard Bank

Future proofing your dairy business for the 2020's

Presenter: David Beca (Australia)

Date: Thursday, 10 October 2019

Time: 9:30am – 4:30pm

Location: Fern Hill Hotel, R103, Howick, 3255

Entry: R300 per person (lunch included / payment at door)

Bookings must be confirmed by 20th September

Confirm attendance with Rob Stapylton-Smith at stapylton-smith@futurenet.co.za

*** Numbers limited so book early to avoid disappointment**

Organising team: Rob Stapylton-Smith, Rene Stubbs and David Beca

Agenda

Theme: "If increasing pasture harvest has been the key strategy to improvements in profitability over the last 15-20 years, what will be the key strategy for the next 10 years?"

9:30 – 10:00 Morning tea

10:00 – 11:55 Session 1

Evolution of dairy production systems in leading exporting countries plus South Africa, and what can be forecast for the next 5 years

11:55 – 12:05: Ken Pope, Standard Bank

12:05 – 1:15 Lunch

1:15 – 3:15 Session 2

Which are the critical dairy business performance characteristics that will provide profitability and sustainability for the next 5-10 years

3:15 – 3:45 Afternoon tea

3:45 – 4:30 Session 3: General discussion with Q&A

4:30pm Finish

*** sessions 1 & 2 will include approx 50-60 mins of presentation with the balance of the 2-hour session allocated to questions and discussion**

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Session 1 – Presentation outline

"Evolution of dairy production systems in leading exporting countries plus South Africa, and what can be forecast for the next 5 years"

This presentation covers the following areas:

- ❑ **Reviewing and comparing New Zealand, Australia, Argentina, Uruguay, United States and South Africa.**
- ❑ **Reviewing the trends for a group of ratios over the last 17 years; from 2002/03 to 2018/19.**
- ❑ **Supporting most ratios utilised for this comparison by confirming with statistical relevance why the 17 ratios are relevant to dairy farm profitability.**
- ❑ **Forecasting the trends for the next 5 years through to 2023/24.**
- ❑ **Drawing conclusions on the trends, and finally, summarising my conclusions.**

SHORT SUMMARY

I believe this presentation is the first time these countries have been compared in such a comprehensive way. In addition to milk production comparisons, the industries are compared on Return on Capital, Cost of Production, Profit per Cow and per Hectare, Operating Profit Margin, Milk Production per Cow and per Hectare, Pasture Harvest, Stocking Rate, Cost of Pasture, Pasture as Percent of Diet, Cost of Supplements per Litre, Core per Cow Costs, Core per Hectare Costs, Labour/People Costs, and Total Expenses per Litre.

Session 1 – Presentation outline continued…

SHORT SUMMARY continued…

These comparisons provide an extraordinarily clear and concise 'picture' of what has been happening in these six countries, including which countries are well established to continue to prosper and grow over the next 5+ years, and which countries are struggling and why.

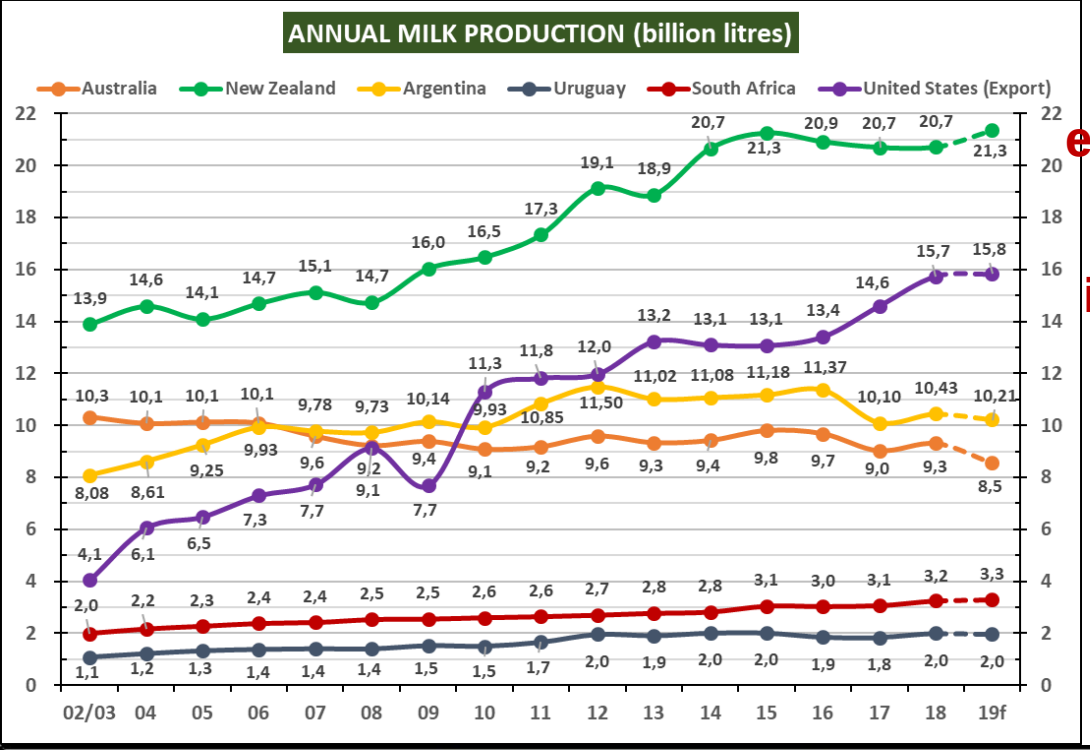
The comparisons between New Zealand as the leading low cost of production industry and United States as the most 'biologically efficient' industry provides insights into what the key business principles are that can be adopted by other industries like South Africa.

The presentation will outline what might need to change for some countries to recover their international competitiveness, and what all pasture-based countries will need to do to sustain sound levels of profitability and growth. This will include commentary on what 'strengths' need to be retained by farmers and what new 'opportunities' and 'threats' may be imminent.

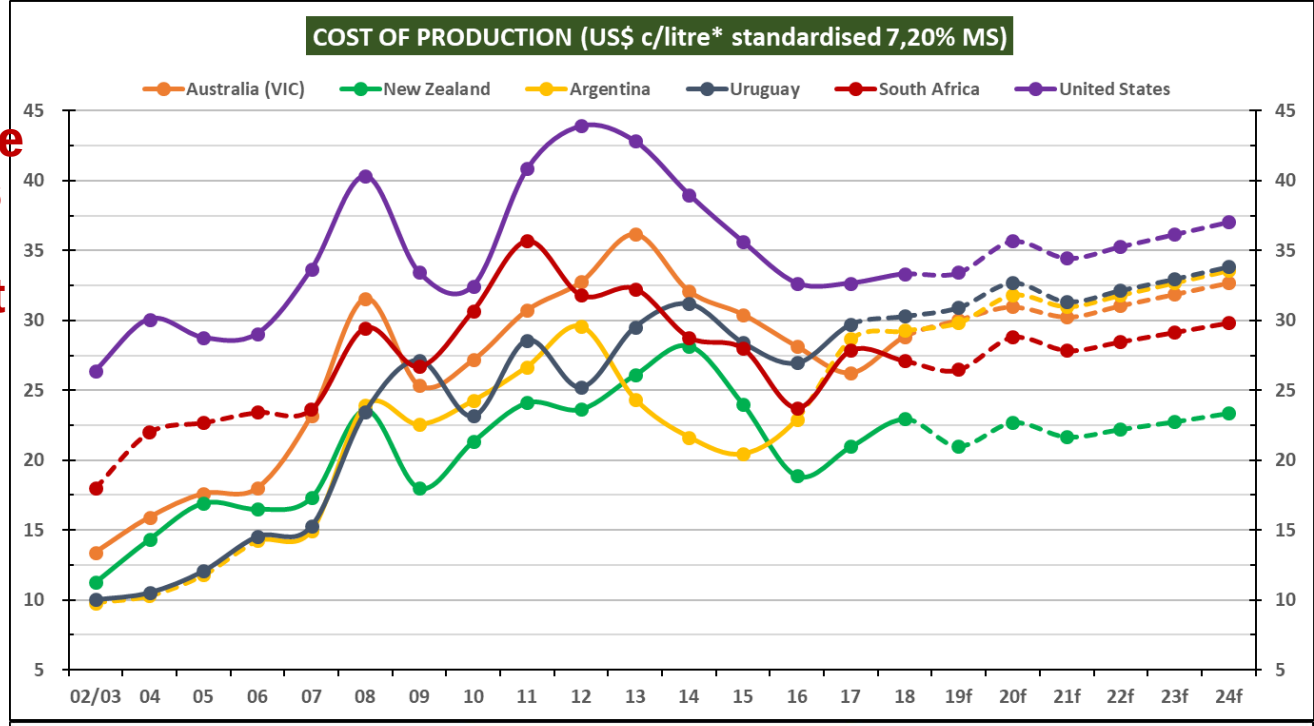
The inclusion of United States in these comparisons provides a range of insights, from what the impact is of adopting US production systems on a full range of economic indicators, to highlighting the "elephant in the room" impact from huge increases in their export milk volumes.

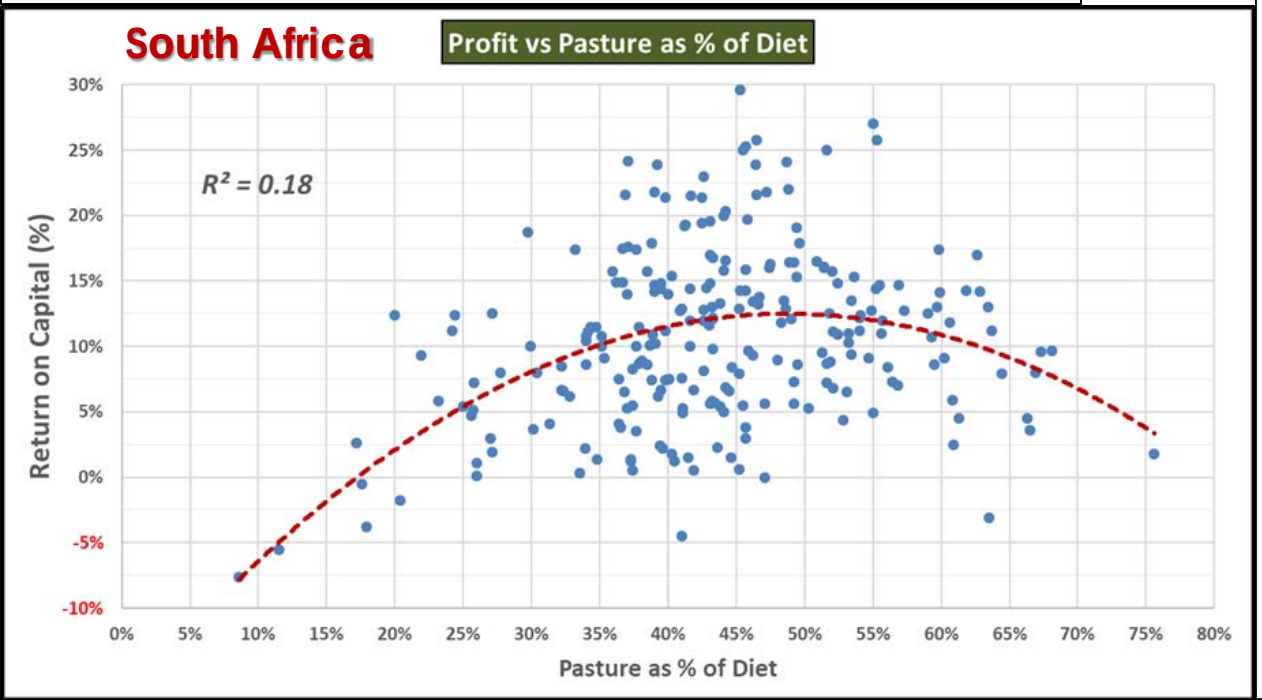
My intent is to generate discussion on the many interesting, challenging and even confronting aspects of these comparisons. My hope is that participants will have many questions.

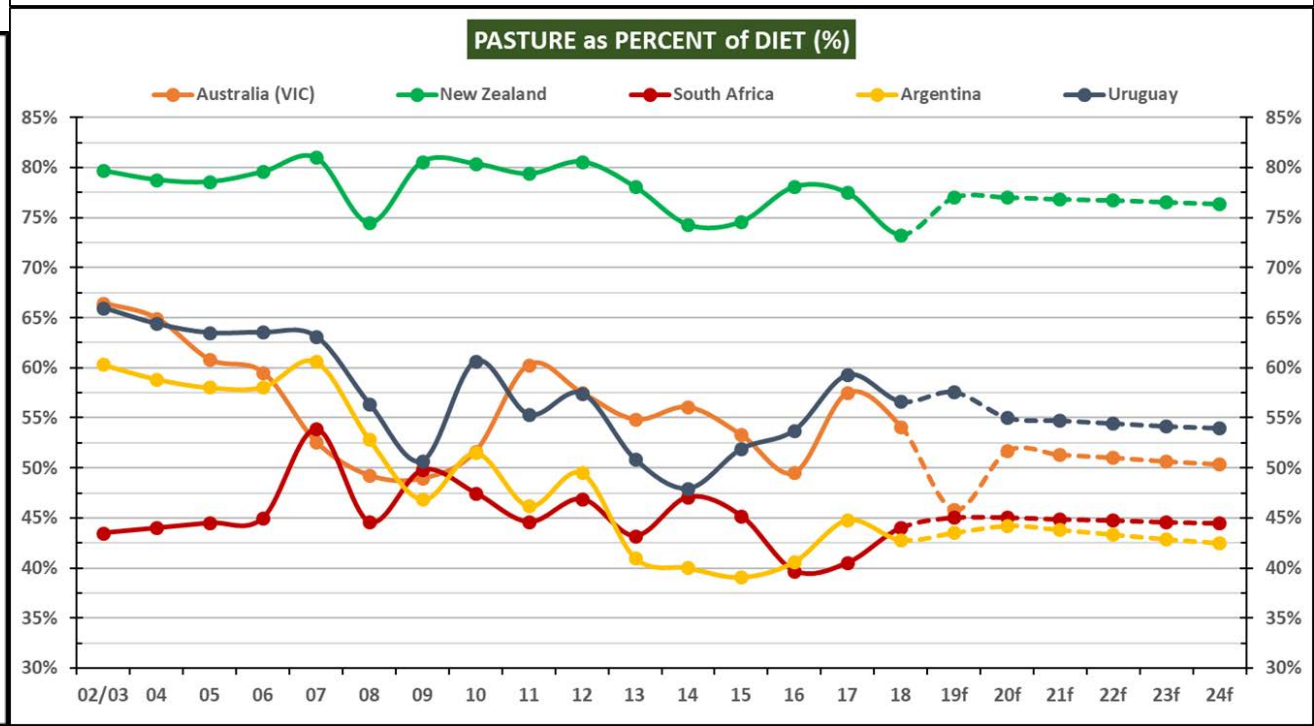
If you decide to attend, then please also feel free to email me questions on this subject and I will endeavour to incorporate them in the session. My email is david@redskyagri.com



Some example graphs of interest







Session 2 – Presentation outline

"Which are the critical dairy business performance characteristics that will provide profitability and sustainability for the next 5-10 years"

This presentation covers the following areas:

- ❑ **Review the statistical analysis for a wide group of farm performance ratios that impact on dairy profitability in Australia and South Africa (including actual South African data)**
- ❑ **Propose a group of questions about these ratios including why there might be differences between the Australian and South African data, and how the impact might change year-on-year**
- ❑ **Involve participants in answering these questions and developing farm management options**
- ❑ **Develop conclusions to questions with support from the available data and confirm key dairy business characteristics for sustainable profits over the next 10 years**

SHORT SUMMARY

This presentation is based on the full statistical analysis of 2 substantial datasets:

1) 207 Australian dairy farms from a unique unbiased dataset of a single year; and
2) 244 South African dairy farm datasets across 4 years from 2014/15 to 2017/18.

Approximately 140 relationships were statistically reviewed to determine what underpins profitability in these countries, as well as where there may be differences between the countries. This presentation will also endeavour to explain why there may be differences in key relationships and how this might be interpreted for farm management, with hopefully all participants contributing to the discussion.

Session 2 – Presentation outline continued…

A sample of the questions include the following (with some 'contradictory' graphs on next 2 pages):

- Why might pasture harvest predict a greater proportion of variance in profit in AUS (& NZ) vs SA?
- What might be the relevance or application of profit per hectare vs profit per cow?
- Might milk production per cow be a significant predictor of variance in profit in SA where it is not in AUS (or NZ)…and if so then why?
- Why might pasture as % of diet be a significant predictor of variance in profit in SA where it is not in AUS (or NZ)…and if so then why?
- How reliable or relevant are litres ratios vs milksolids ratios in SA?
- What are the ratios that most reliably predict variance in profit? This is relevant to what ratios farmers should consistently monitor over the years.
- How important is variance in size of farm in predicting variance in profit?
- How important is variance in milk price in predicting variance in profit?
- Which relationships change significantly when milk price or feed price (including pasture harvest) change significantly year-on-year…and how might farmers react to take advantage of this?
- How relevant are ratios like 'Grams concentrate per litre', 'Milk production per cow as % of liveweight' or 'Income over feed costs'?
- …and many more questions…**expect to be surprised and even shocked by some of these!**

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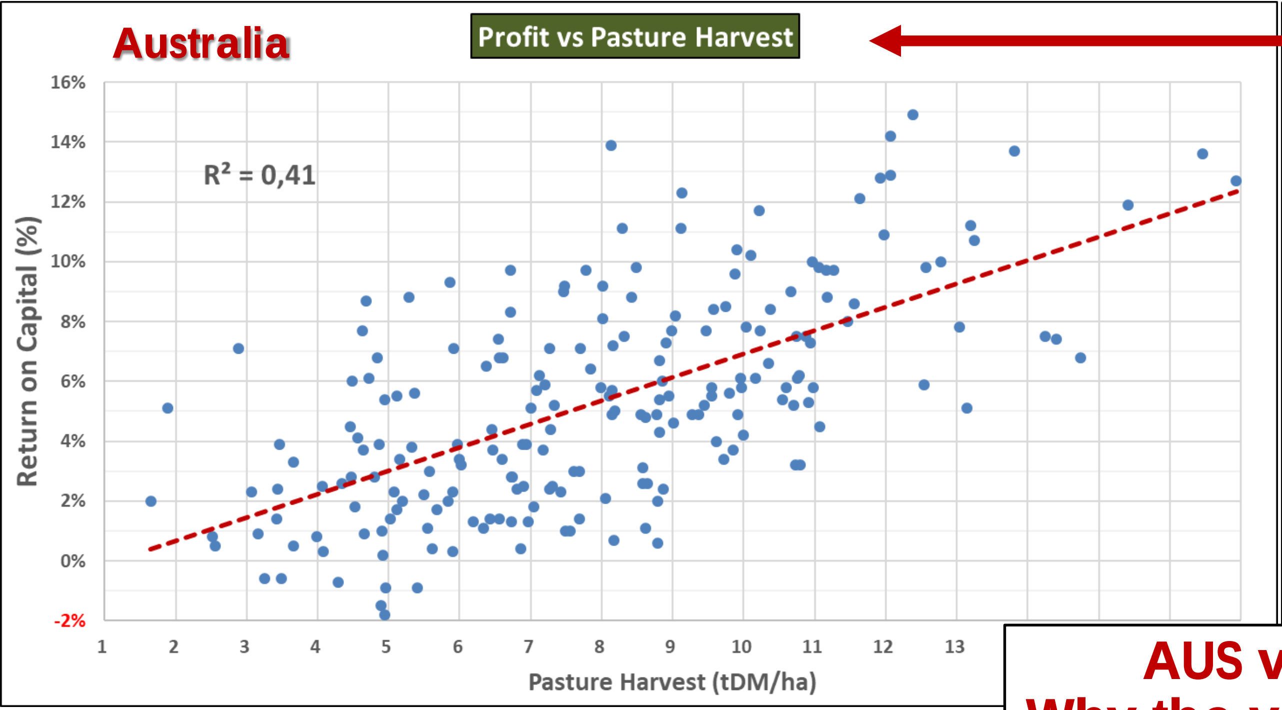
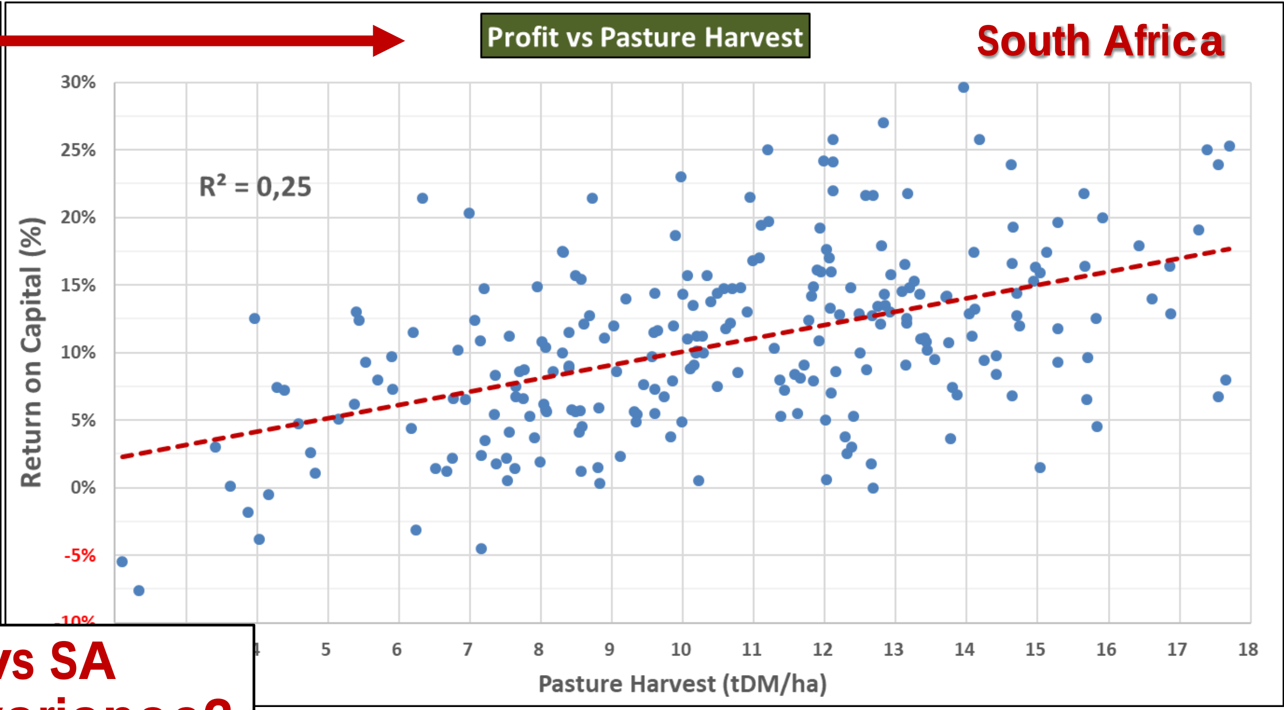
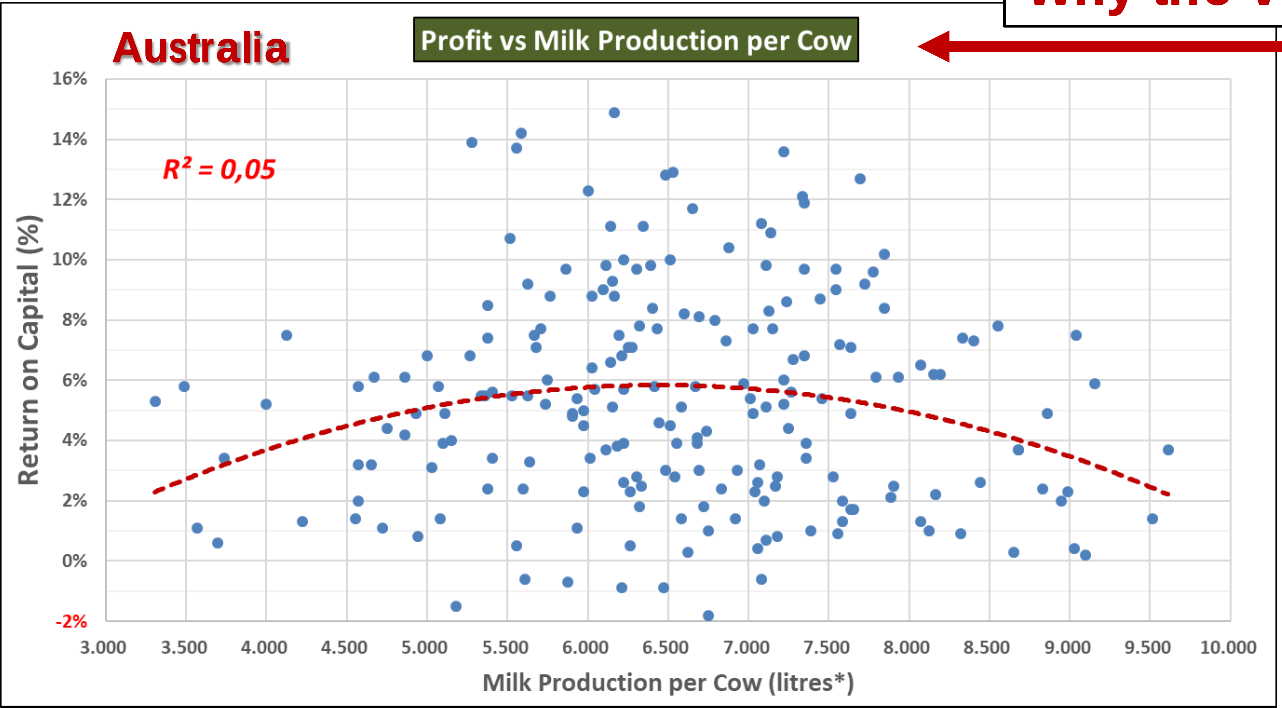
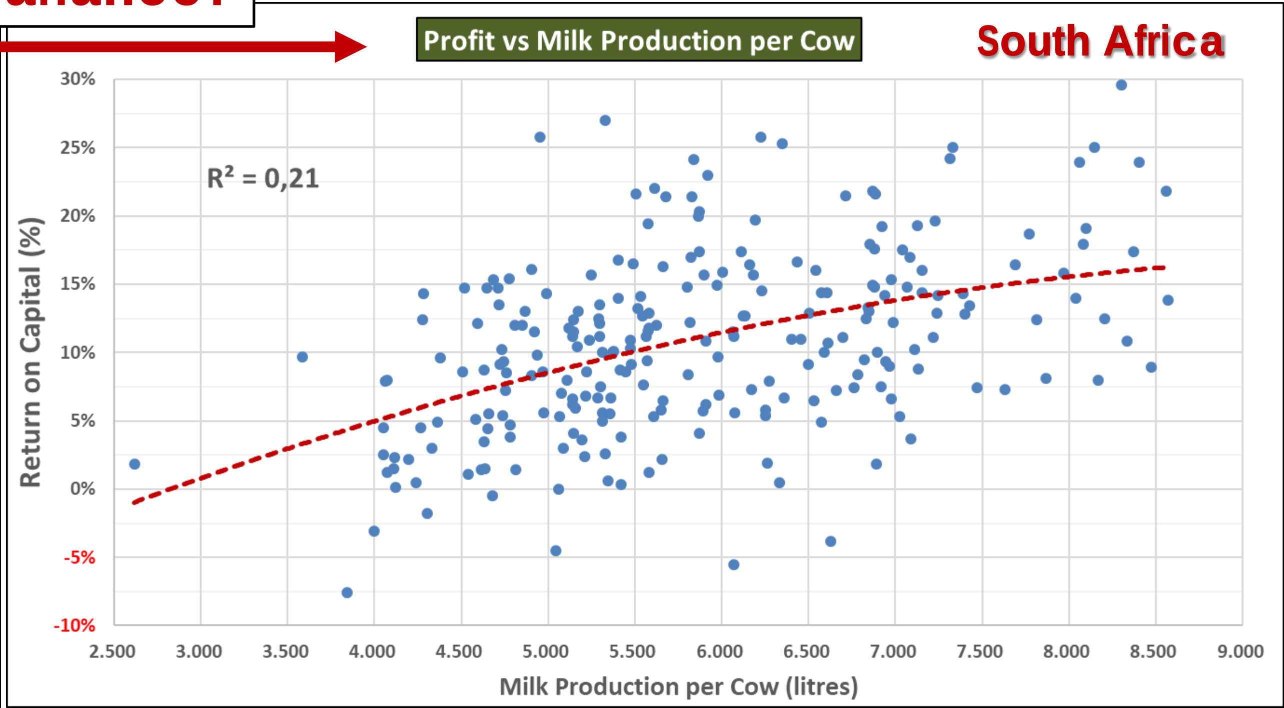
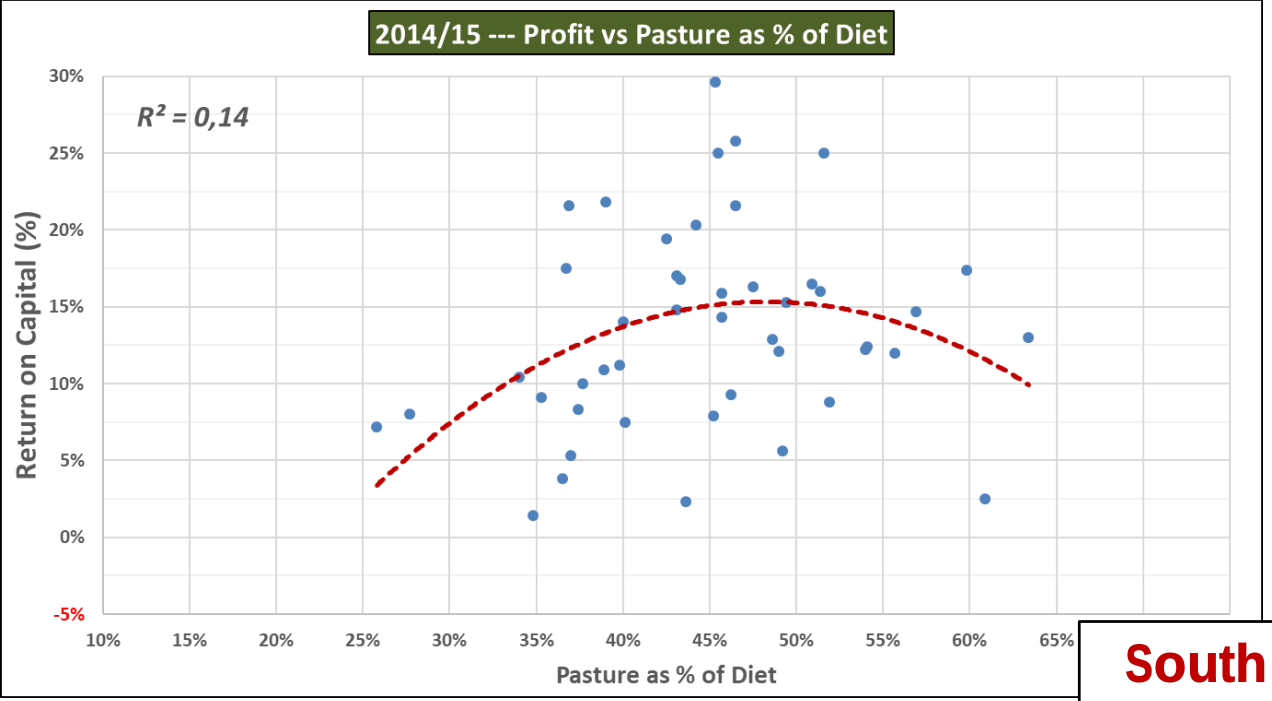


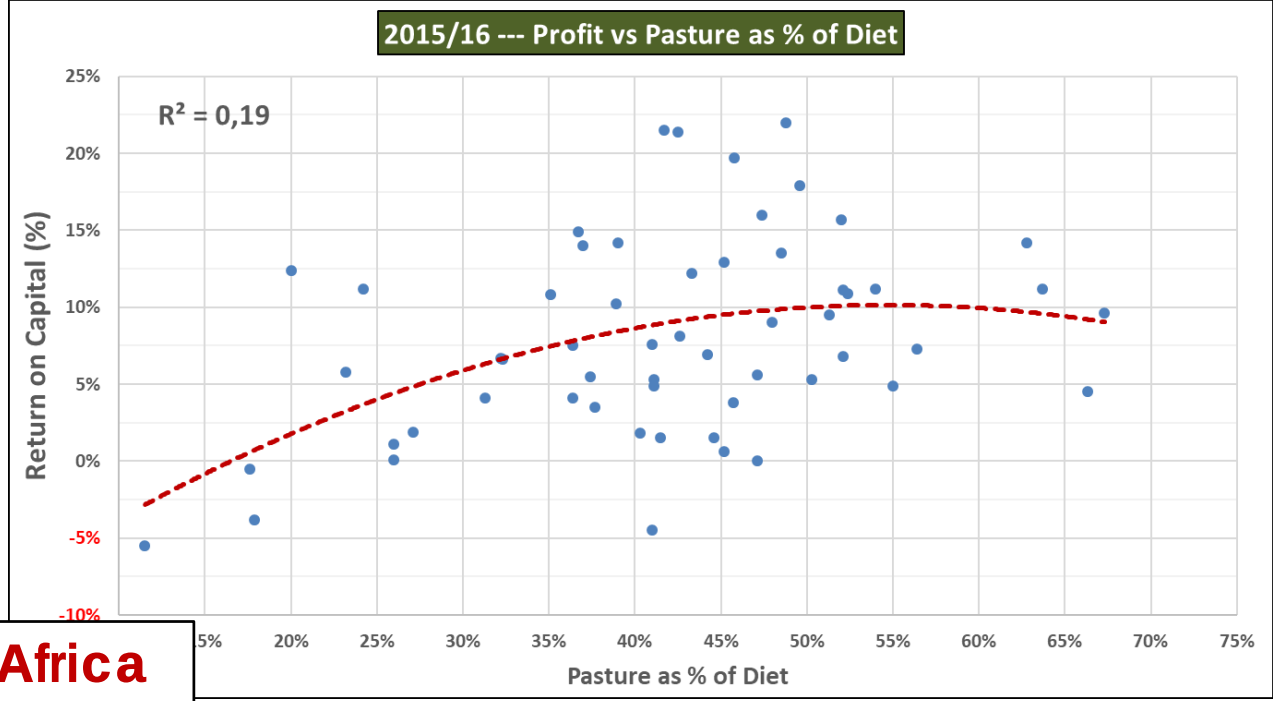


AUS vs SA
Why the variance?

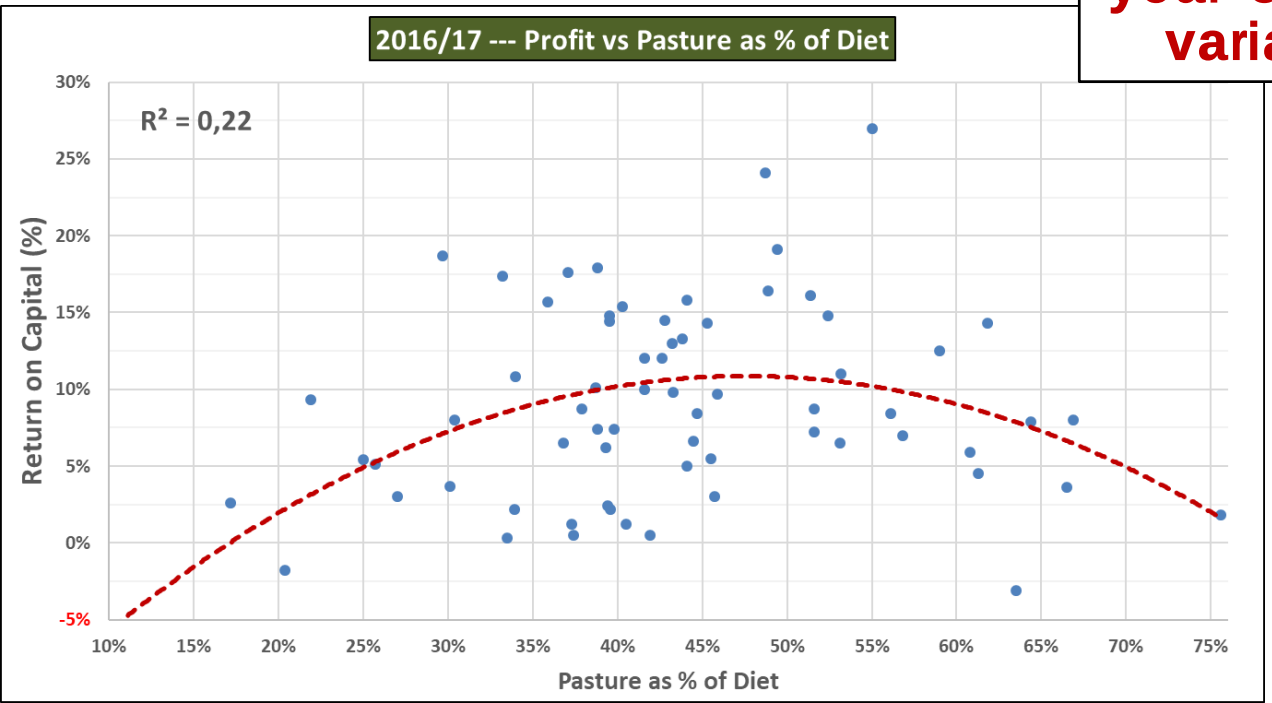


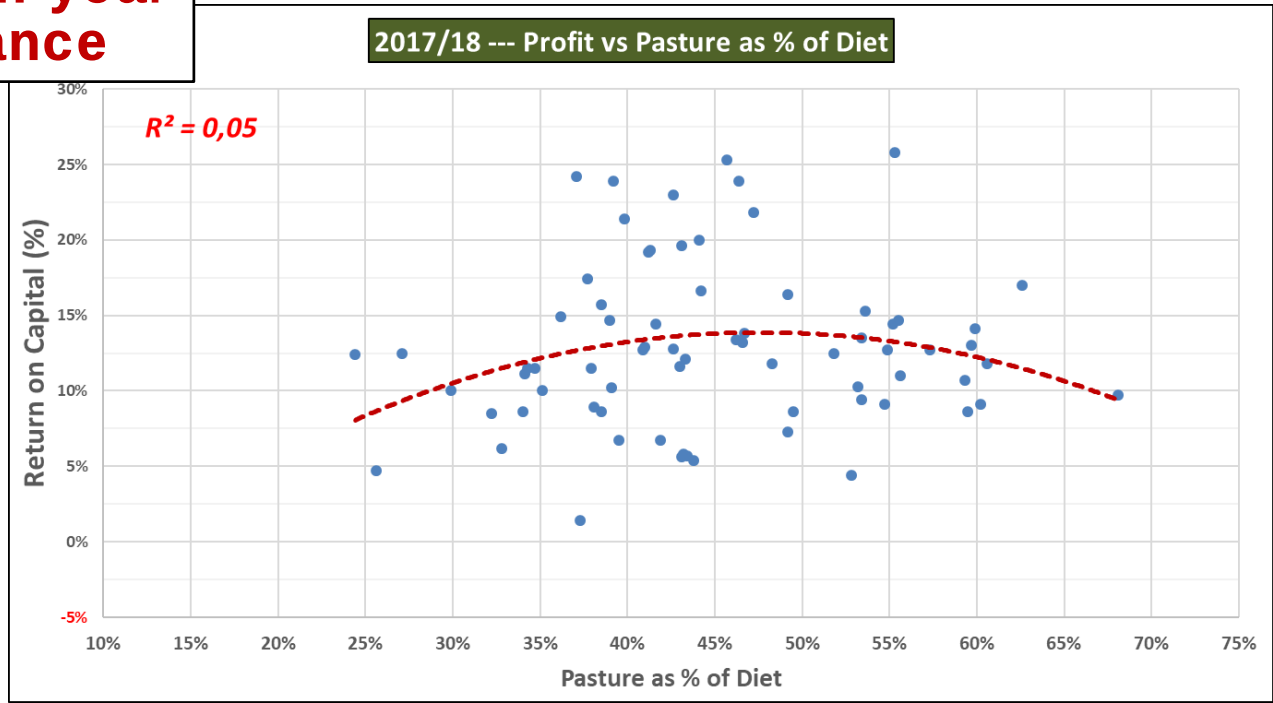






South Africa year-on-year variance





Short bio – David Beca

David started his career in the beef and sheep industry, moving from general farm work to management, and then onto farm ownership with his wife Carlien, and equity partnerships with investors. He then moved into the dairy industry by converting some of the beef land into dairy farms, which subsequently led to him becoming a director of a cooperative dairy company. After this he became a principal in an agricultural consultancy business start-up that developed operations throughout New Zealand, Australia and South Africa. Over this time David developed Red Sky, an agricultural business analysis and benchmarking software application, that had wide use across these three countries.

Over the last 9 years he has held leadership positions in large corporate dairy, beef and cropping businesses with operations based in Australia, New Zealand, Uruguay, Chile, Romania, Poland and Russia. This included 3 years living in Uruguay as CEO of publicly listed NZ Farming Systems Uruguay (now Olam Uruguay), and 2 years in Tasmania as CEO of Australia's largest dairy farming business.

David has specialised in the areas of agribusiness management and production systems, including identifying and reporting on the primary drivers of productivity and profitability. He has co-authored a number of scientific papers in Australia and New Zealand, with these largely based on pasture production, farm production systems, and farm business profitability, as well as completing a range of significant projects and benchmarking studies in relation to dairy, beef and sheep production.