



**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](http://www.redskyagri.com/file/pdf/RedSkyKPIsDairy.pdf)

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

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

## Red Sky Farm Performance Analysis



### Red Sky Agricultural Pty Ltd

16 Grange Road, Warrnambool, VIC 3280  
Ph +61 3-5560 5891 Fax +61 3-5560 5892  
email : david@redskyagri.com

12<sup>th</sup> June 2009

**J. & J. Smith**

Smith Farming Partnership  
P.O.Box 123  
Howick  
KZN 3290



Dear Jim & Jill,

**RE: RED SKY FARM PERFORMANCE ANALYSIS FOR YEAR END 28<sup>th</sup> FEBRUARY 2008**

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

**Summary of Results:**

<b>PROFITABILITY MEASURES</b>	<b>Your Farm</b>	<b>KwaZulu Natal Average</b>	<b>KwaZulu Natal Top 10%</b>
Return on Capital	15.0 %	13.1 %	26.5 %
Operating Profit per Hectare	R 15,108	R 11,237	R 23,575
Return on Equity	14.2 %	12.1 %	27.9 %
Pasture Harvested – Irrigated (tDM/ha)	9.4	9.6	12.1
Pasture Harvested – Dryland (tDM/ha)	5.8	4.8	6.1
<b>EFFICIENCY MEASURES</b>			
Milk Production (litres/ha)	21,959	19,697	24,905
Average Cost of Consumed Feed (R/tDM)	R 1,870	R 1,762	R 1,603
Forage Cost (R/tDM)	R 1,065	R 1,282	R 1,191
Concentrate Cost (R/tDM)	R 2,851	R 2,634	R 2,679
Cows per Full Time Staff Equivalent	27	29	35
Management & Staff Costs per Cow	R 1,718	R 1,866	R 1,630
Core per Cow Cost	R 2,992	R 2,606	R 2,572
Core per Hectare Cost	R 6,713	R 6,694	R 7,355
<b>RISK MEASURES</b>			
Operating Profit Margin	23 %	20 %	32 %
Cost of Production per Litre	202 cents	211 cents	178 cents
Pasture as % of Diet Consumed	40 %	46 %	51 %
<b>SOLVENCY MEASURE</b>			
Equity %	68 %	84 %	83 %

**KPI's – Profitability**

<b><i>Return on Capital</i></b>	15.0%
<b><i>Operating Profit per Hectare</i></b>	R15,108/ha
<b><i>Return on Equity</i></b>	14.2%
<b><i>Pasture Harvest – Irrigated</i></b>	9.4 tDM/ha
<b><i>Pasture Harvest - Dryland</i></b>	5.8 tDM/ha

## Red Sky Farm Performance Analysis

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### 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 higher than the Average.

### Operating Profit

Your **Operating Profit per Hectare** is higher than the Average. 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 lower 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 less than your Return on Capital, it generally means that your cost of finance is greater than the operating return being made on your total assets.

### Pasture Harvest

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

The pasture harvest calculation for dryland versus irrigated pasture has been estimated by determining the likely proportional difference between these two figures. As a result the combined average pasture harvest for the entire dairy area will be a more reliable figure.

Your irrigated pasture harvest result of 9.4 tDM/ha and your dryland pasture harvest result of 5.8 tDM/ha are both similar to the Average. There are a number of possible reasons for this. Specifically, your relatively low stocking rate, relatively low level of nitrogen fertiliser use, and the potential for pasture production given your farm type and location could be impacting on these results. However your pasture management is likely to be one of the most significant factors.

### KPIs – Efficiency

<b>Milk Production</b>	21,959 litres/ha
<b>Average Cost of Consumed Feed</b>	R1,870/tDM
<b>Forage Cost</b>	R1,065/tDM
<b>Concentrate Cost</b>	R2,850/tDM
<b>Cows/Full Time staff Equivalent</b>	27
<b>Management &amp; Staff Costs/cow</b>	R1,718 per cow
<b>Core per Cow Costs</b>	R2,992 per cow
<b>Core per Hectare Costs</b>	R6,713 per hectare

### Milk Production

Your **Milk Production** per hectare is 11% above the Average, and 12% below the Top 10%. The factors contributing to this are:

- milk production per cow of 6,926 litres that is 5% above the Top 10%; and
- stocking rate of 3.17 cows/ha that is 7% below the Average.

## Red Sky Farm Performance Analysis

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In this situation stocking rate is the most significant limiting component of the “per hectare” equation and should be addressed first to increase total milk production.

### 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 R1,870 per tonne dry matter is marginally higher than 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 the control of the operator.

Your **Cost of Pasture** is being negatively influenced by your higher land value and overall level of capital investment, and low pasture harvest.

Your **Cost of Forage** is lower than the Top 10%. The main reason for this is that a large proportion of the forage is grown on land under your control for a comparatively low cost and is purchased for a comparatively high cost.

Your **Cost of Concentrates** is higher than 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 Average could result in a saving of R380,000.

### 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 27 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 midway between the Average and Top 10%. This is a potential area for further profitability gains.

### Core Costs

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

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

***Core per Hectare Cost** is calculated from (Administration + Cropping [green feed] + Phosphate & All Other Fertiliser + Pasture Maintenance & Renovation + 50% Repairs &*

## Red Sky Farm Performance Analysis

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*Maintenance + 70% Standing Charges + 30% Vehicle Expenses + Weed & Pest + 50% Depreciation) divided by Effective Milking Area.*

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

Specific Core per Cow Costs that warrant further attention include:

- *Animal Health and Breeding:* these are higher than the benchmarks and should offer some potential for cost-saving.
- *Repairs & Maintenance, Vehicles and Depreciation:* these are partly a "per cow" cost and partly a "per hectare" expense, however on a per cow basis they are significantly higher than the benchmarks.

Your Core per Hectare Cost is significantly 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.

Specific Core per Hectare Costs that warrant further attention include:

- *Administration:* this is above the benchmarks, however this can be high in some years due to one-off professional fees.
- *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 above the benchmarks and the individual expenses are worthy of closer examination.
- *Repairs & Maintenance:* this is partly a "per hectare" cost and partly a "per cow" cost, however on a per hectare basis it is significantly higher than the benchmarks.

### **KPIs – Risk & Solvency**

<b>Equity %</b>	68%
<b>Operating Profit Margin</b>	23%
<b>Cost of Production</b>	202 cents/litre
<b>Pasture as % Feed Consumed</b>	40%

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 23% is a reasonable result compared to your peers for a high supplement operation. This represents a moderate margin available for debt servicing or to absorb changes in milk or feed prices, although it would be advisable to look at options to improve this ratio.

#### **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 202 cents/litre is a reasonable result compared to your peers, and is lower than the Average. This leaves a satisfactory margin for debt servicing or to absorb changes in milk or feed prices, although it would be advisable to look at options to lower this ratio.

## Red Sky Farm Performance Analysis

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### Pasture as % of Feed consumed

Your **Pasture as % of Feed Consumed** of 40% indicates a system of high supplementation. Systems with higher levels of supplementary feeding inherently carry higher levels of risk.

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

### **SUMMARY**

The main profit drivers of any farm system are:

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

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

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

### Your Key Business Strengths:

- *Milk Production:* you have a high level of milk production, with this being assisted by your higher per cow production. However there may still be opportunities to increase milk production further through increasing the stocking rate. By increasing the stocking rate, there is likely (although not guaranteed) to be an improvement in pasture production.
- *Forages Costs:* these are being sourced at a competitive price. This is primarily a result of growing the bulk of forages on land under your own control.
- *Core per Hectare Costs:* overall your per hectare costs are low.

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

- *Milk Production:* a key component/the key components of milk production to look at
- *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:* a significant reduction in your concentrate costs would have a major impact on your level of profitability.
- *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 Cow Costs:* a number of the "per cow" costs are significantly 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.

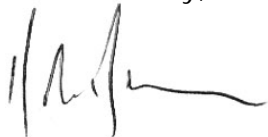
There are a number of opportunities identified here to improve the profitability of your system. Some may or may not be appropriate due to circumstance not obvious from a financial viewpoint. These opportunities should be discussed with your farm consultant or accountant, and then you should be in a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

## Red Sky Farm Performance Analysis

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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

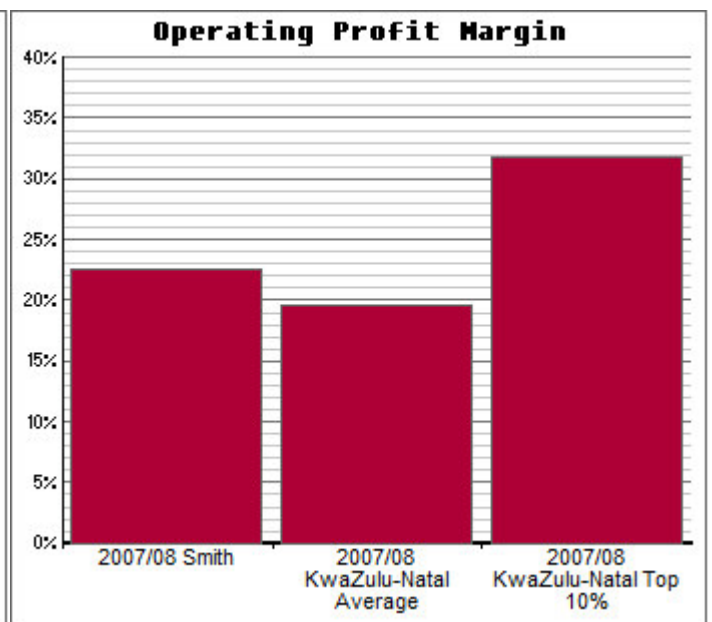
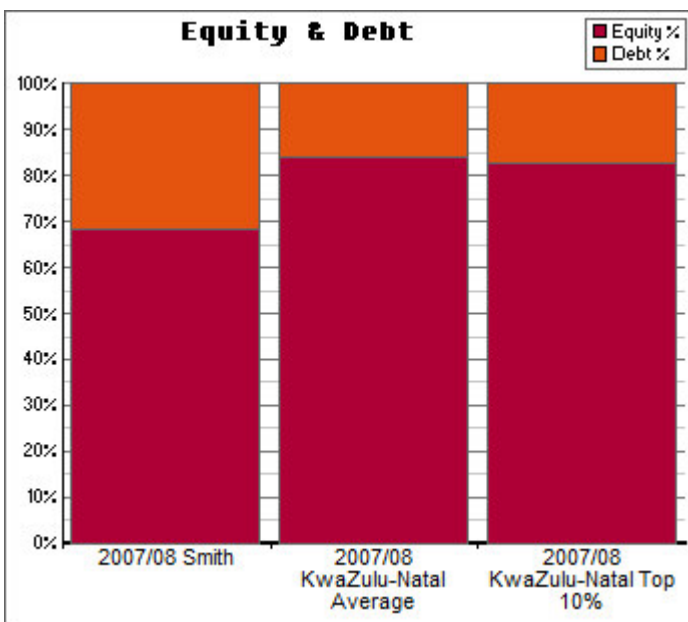
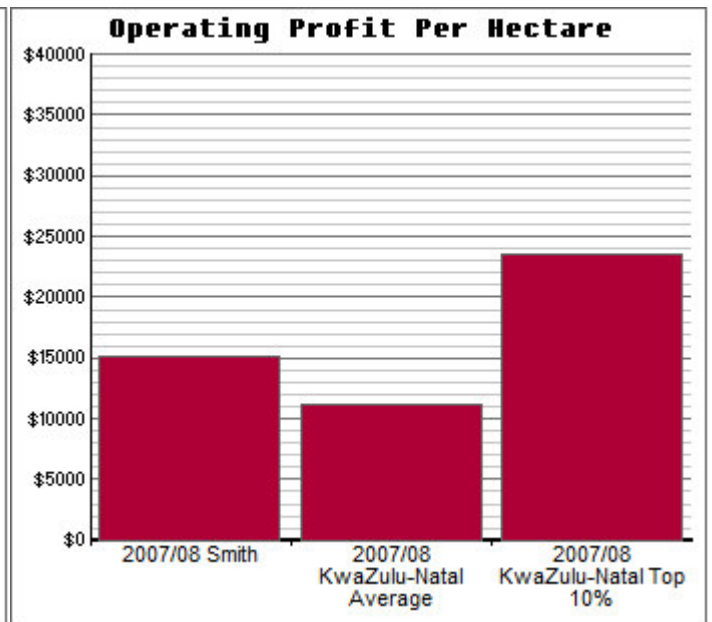
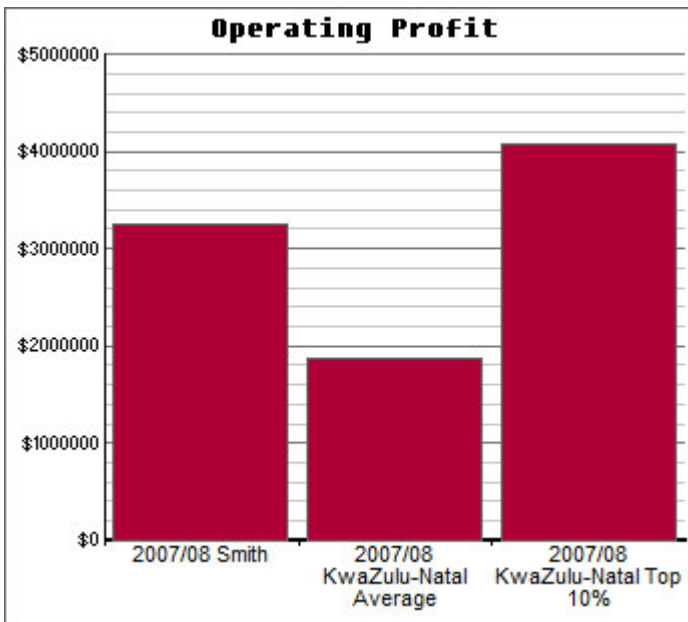
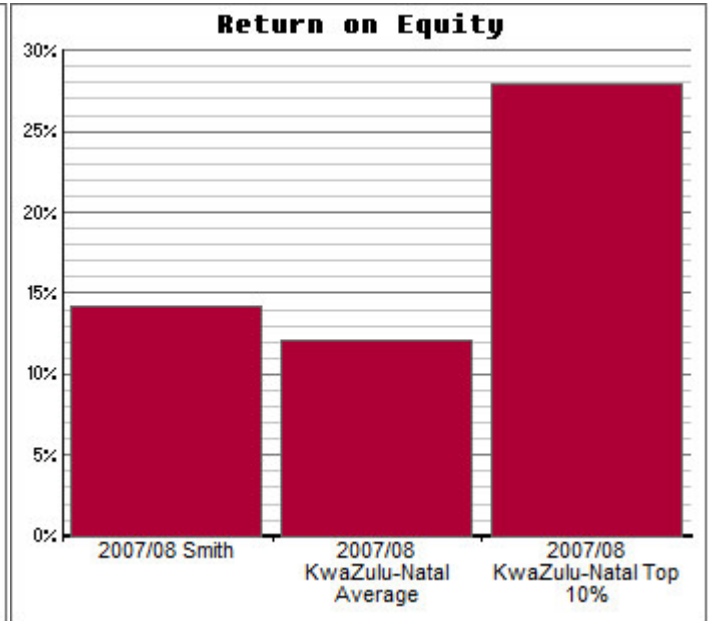
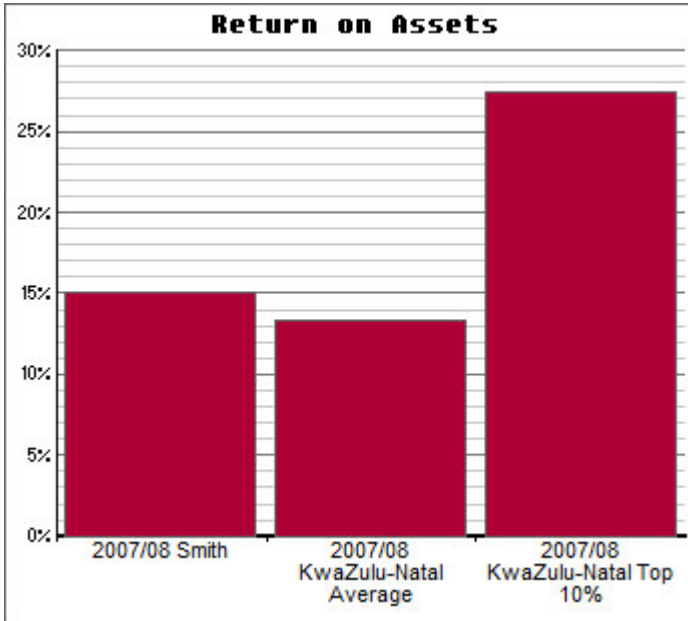
Director

**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

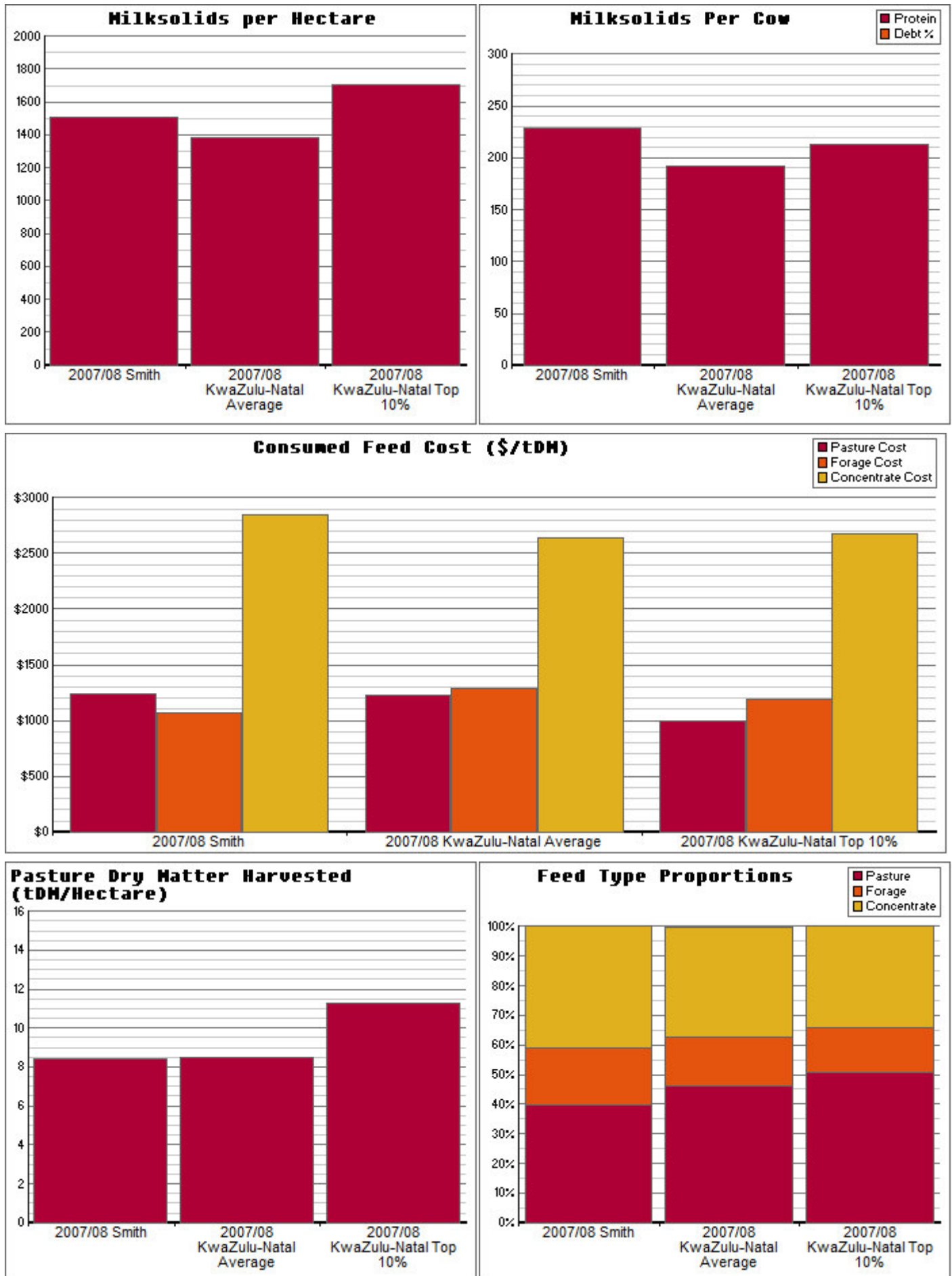
**Core per Hectare Cost** = (Administration + Cropping (green feed) + Phosphate & All Other Fertiliser + Pasture Maintenance & Renovation + 50% R&M + 70% Standing Charges + 30% Vehicle Expenses + Weed & Pest + 50% Depreciation) / Effective Milking Hectares



# Physical Farm Performance - Dairy

Smith Farming Partnership

Jim & Jill Smith



# Summary Farm Performance - Dairy

Jim & Jill Smith

Smith Farming Partnership



	2007/08 Smith	2007/08 KwaZulu-Natal Average	2007/08 KwaZulu-Natal Top 10%
<b>PHYSICAL PARAMETERS</b>			
Number of Cows in Herd	681	565	654
Effective Milking Hectares	214.8	166.8	173.1
Cows per Milking Hectare	3.17	3.39	3.78
Litres per Cow	6,926	5,818	6,593
Milksolids per Cow	474	409	452
Litres per Milking Hectare	21,959	19,697	24,905
Milksolids per Milking Hectare	1,504	1,385	1,706
Litre Price (cents/litre)	271.15	267.45	272.95
Milksolids Price (R/kgMS)	R 39.58	R 38.04	R 39.85
Pasture Dry Matter Harvested (tDM/Ha)	8.4	8.5	11.3
<b>KEY PERFORMANCE INDICATORS</b>			
Operating Profit per Hectare	R 15,108	R 11,237	R 23,575
Operating Profit per Cow	R 4,765	R 3,319	R 6,241
Total Assets per Ha at Start of Year (4-Yr Av Values)	R 98,165	R 77,871	R 73,609
<b>EQUITY % at 4-Yr Av Values</b>	<b>68.2 %</b>	<b>84.2 %</b>	<b>82.9 %</b>
<b>Return on Capital (ROC) at 4-Yr Av Values</b>	<b>15.0 %</b>	<b>13.1 %</b>	<b>26.5 %</b>
<b>RETURN ON ASSETS (ROA) at 4-Yr Av Values</b>	<b>15.0 %</b>	<b>13.3 %</b>	<b>27.4 %</b>
ROA including Capital Gain at 4-Yr Av Values	17.6 %	16.9 %	31.2 %
<b>RETURN ON EQUITY (ROE) at 4-Yr Av Values</b>	<b>14.2 %</b>	<b>12.1 %</b>	<b>27.9 %</b>
ROE including Capital Gain at 4-Yr Av Values	18.0 %	16.2 %	32.2 %
<b>OPERATING PROFIT MARGIN</b>	<b>22.6 %</b>	<b>19.6 %</b>	<b>31.7 %</b>
Cost of Production per Litre	202.2	210.5	178.3
Financing Costs per Litre	27.1	12.7	14.2
Cost of Production per kg Milksolids	R 29.54	R 29.93	R 26.03
Total Operating Expenses as % Gross Revenue	71.8 %	74.4 %	64.0 %
Financing Costs as % Gross Revenue	8.9 %	4.3 %	4.8 %
<b>Core per Cow Cost</b>	<b>R 2,992</b>	<b>R 2,606</b>	<b>R 2,572</b>
<b>Core per Ha Cost</b>	<b>R 6,713</b>	<b>R 6,694</b>	<b>R 7,355</b>
Management + Staff Costs per Cow	R 1,718	R 1,866	R 1,630
<b>Cows per Full Time Staff Equivalent</b>	<b>27</b>	<b>29</b>	<b>35</b>
Total Feed/Supplement Costs per Cow	R 8,487	R 6,475	R 6,743
<b>Pasture as % of Total Consumed</b>	<b>39.9 %</b>	<b>46.0 %</b>	<b>50.7 %</b>
<b>Average Cost of All Consumed Feed (/tDM)</b>	<b>R 1,870</b>	<b>R 1,762</b>	<b>R 1,603</b>
<b>Pasture Cost (Per tDM)</b>	<b>R 1,235</b>	<b>R 1,228</b>	<b>R 998</b>
<b>Forage Cost (/tDM Consumed incl.wastage)</b>	<b>R 1,065</b>	<b>R 1,282</b>	<b>R 1,191</b>
<b>Concentrate Cost (/tDM Consumed incl.wastage)</b>	<b>R 2,851</b>	<b>R 2,634</b>	<b>R 2,679</b>

# Physical Summary - Dairy

Jim & Jill Smith

Smith Farming Partnership



	2007/08 Smith	2007/08 KwaZulu-Natal Average	2007/08 KwaZulu-Natal Top 10%
<b>PHYSICAL PARAMETERS</b>			
<b>Number of Cows in Herd</b>	<b>681</b>	<b>565</b>	<b>654</b>
Effective Milking Hectares	214.8	166.8	173.1
<b>Cows per Milking Hectare</b>	<b>3.17</b>	<b>3.39</b>	<b>3.78</b>
<b>Litre Price (cents/litre)</b>	<b>271.15</b>	<b>267.45</b>	<b>272.95</b>
<b>Milksolids Price (R/kgMS)</b>	<b>R 39.58</b>	<b>R 38.04</b>	<b>R 39.85</b>
Total Litres	4,716,696	3,285,400	4,311,040
Total Milksolids (Milkfat + Protein)	322,960	231,035	295,294
<b>Litres per Cow</b>	<b>6,926</b>	<b>5,818</b>	<b>6,593</b>
<b>Milksolids per Cow</b>	<b>474</b>	<b>409</b>	<b>452</b>
<b>Litres per Milking Hectare</b>	<b>21,959</b>	<b>19,697</b>	<b>24,905</b>
<b>Milksolids per Milking Hectare</b>	<b>1,504</b>	<b>1,385</b>	<b>1,706</b>
Milkfat Percentage	3.54 %	3.74 %	3.63 %
Protein Percentage	3.31 %	3.29 %	3.22 %
Protein as a Percentage of Milkfat	93.5 %	88.0 %	88.7 %
<b>PASTURE &amp; SUPPLEMENTS</b>			
<b>Pasture Dry Matter Harvested (tDM/Ha)</b>	<b>8.4</b>	<b>8.5</b>	<b>11.3</b>
Nitrogen Applied per Hectare	299.0	375.0	436.2
<b>Pasture as % of Total Consumed</b>	<b>39.9 %</b>	<b>46.0 %</b>	<b>50.7 %</b>
Supplement as % of Total Consumed	60.2 %	54.0 %	49.3 %
- Forage as % of Total Consumed	18.9 %	16.6 %	15.0 %
- Concentrate as % of Total Consumed	41.3 %	37.3 %	34.3 %
Pasture Consumed Per Cow (estimated per tDM)	2.29	2.39	2.77
Forage Consumed Per Cow (estimated per tDM)	1.20	0.95	0.91
Concentrate Consumed Per Cow (estimated /tAF)	2.22	1.81	1.75
Total Feed/Supplement Costs per Cow	R 8,487	R 6,475	R 6,743
<b>Average Cost of All Consumed Feed (/tDM)</b>	<b>R 1,870</b>	<b>R 1,762</b>	<b>R 1,603</b>
<b>Pasture Cost (Per tDM)</b>	<b>R 1,235</b>	<b>R 1,228</b>	<b>R 998</b>
- Direct Pasture Cost (Per tDM)	R 697	R 712	R 558
- Variable Pasture Cost (Per tDM)	R 217	R 218	R 192
- Capital Pasture Cost (Per tDM)	R 321	R 297	R 248
Average Cost of All Supplements (/tDM Consumed)	R 2,291	R 2,217	R 2,225
<b>Forage Cost (/tDM Consumed incl.wastage)</b>	<b>R 1,065</b>	<b>R 1,282</b>	<b>R 1,191</b>
- Purchased Forage Cost (Per tDM)	R 566	R 710	R 667
- Variable Forage Cost (Per tDM)	R 232	R 238	R 204
- Capital Forage Cost (Per tDM)	R 129	R 133	R 124
<b>Concentrate Cost (/tDM Consumed incl.wastage)</b>	<b>R 2,851</b>	<b>R 2,634</b>	<b>R 2,679</b>
- Purchased Concentrate Cost (Per tDM)	R 2,710	R 2,494	R 2,534
- Variable Concentrate Cost (Per tDM)	R 54	R 53	R 46
- Capital Concentrate Cost (Per tDM)	R 30	R 34	R 32
Pasture Cost (Cents Per MJ ME)	11.76	11.69	9.50
Forage Cost (Cents Per MJ ME Consumed)	10.14	12.47	11.47
Concentrate Cost (Cents Per MJ ME Consumed)	23.76	22.06	22.48

**Operating Profit - Dairy**  
**Jim & Jill Smith**  
**Smith Farming Partnership**



	2007/08 Smith	2007/08 KwaZulu-Natal Average	2007/08 KwaZulu-Natal Top 10%
<b>REVENUE</b>			
Manufacturing Milk Sales	R 12,784,016	R 8,789,472	R 11,766,403
Quota/Contract/Winter Milk	R 0	R 0	R 0
Livestock Sales	R 484,402	R 377,059	R 456,939
- Less Livestock Purchases	(R 907,180)	(R 131,700)	(R 323,390)
Other Revenue	R 160,051	R 137,843	R 164,315
<b>Total Operating Revenue</b>	<b>R 12,521,289</b>	<b>R 9,172,675</b>	<b>R 12,064,266</b>
<b>EXPENSES</b>			
Administration	R 177,599	R 123,841	R 128,135
Animal Health	R 350,945	R 284,712	R 312,753
Breeding & Herd Testing	R 343,559	R 172,181	R 186,864
Dairy Shed Expenses	R 62,486	R 70,524	R 80,420
Electricity	R 95,507	R 79,859	R 95,076
Feeds / Supplements (Total)	R 5,737,836	R 3,636,669	R 4,412,766
- Grazing / Agistment	R 0	R 53,423	R 135,729
- Cropping (green feed)	R 0	R 8,962	R 32,893
- Grains, Pellets & Concentrates	R 4,994,977	R 3,007,784	R 3,534,674
- Forages (incl. hay, silages, byproducts)	R 742,859	R 566,499	R 709,470
Fertiliser (Total)	R 1,005,823	R 734,430	R 845,695
- Nitrogen	R 768,599	R 466,129	R 512,534
- Phosphate & All Other Fertiliser	R 237,224	R 268,301	R 333,161
Freight	R 3,759	R 5,345	R 4,985
Irrigation	R 142,424	R 197,595	R 171,205
Other Expenses	R 10,553	R 5,276	R 5,083
Pasture Maintenance & Renovation	R 186,686	R 197,882	R 219,603
Repairs & Maintenance	R 595,768	R 308,334	R 380,593
Standing charges	R 207,473	R 136,964	R 144,125
Vehicle Expenses (including fuel & oil)	R 505,359	R 394,875	R 415,704
Weed & Pest Control	R 1,993	R 6,144	R 7,615
Wages, Salaries & Employment Exp.	R 893,944	R 773,915	R 817,740
<b>Total Operating Expenses</b>	<b>R 10,321,713</b>	<b>R 7,128,545</b>	<b>R 8,228,360</b>
<b>OPERATING SURPLUS</b>	<b>R 2,199,576</b>	<b>R 2,044,130</b>	<b>R 3,835,906</b>
<b>ADJUSTMENTS</b>			
+ Change in Livestock Numbers	R 1,851,134	R 415,773	R 792,588
+ Change in Feeds/Supplements on Hand	R 171,667	R 113,453	R 136,578
- Imputed Labour & Management	R 276,200	R 303,197	R 265,570
- Depreciation	R 625,526	R 491,515	R 564,537
+ Other Revenue Adjustments	R 0	R 0	R 0
- Other Expenses Adjustments	R 75,369	(R 95,677)	(R 145,893)
<b>Total Adjustments</b>	<b>R 1,045,706</b>	<b>(R 169,808)</b>	<b>R 244,952</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>R 3,245,282</b>	<b>R 1,874,322</b>	<b>R 4,080,859</b>

# Operating Profit Per Cow - Dairy

Jim & Jill Smith

Smith Farming Partnership



	2007/08 Smith	2007/08 KwaZulu-Natal Average	2007/08 KwaZulu-Natal Top 10%
<b>REVENUE</b>			
Manufacturing Milk Sales	R 18,772	R 15,564	R 17,996
Quota/Contract/Winter Milk	R 0	R 0	R 0
Livestock Revenue	R 2,097	R 1,171	R 1,416
Other Revenue	R 235	R 244	R 251
<b>Gross Revenue</b>	<b>R 21,105</b>	<b>R 16,979</b>	<b>R 19,664</b>
<b>EXPENSES</b>			
Administration	R 261	R 219	R 196
Animal Health	R 515	R 504	R 478
Breeding & Herd Testing	R 504	R 305	R 238
Dairy Shed Expenses	R 92	R 125	R 123
Electricity	R 140	R 141	R 145
Feeds / Supplements (Total)	R 8,487	R 6,475	R 6,743
- Grazing / Agistment	R 313	R 330	R 411
- Cropping (green feed)	R 0	R 16	R 50
- Grains, Pellets & Concentrates	R 7,224	R 5,307	R 5,367
- Forages (incl. hay, silages, byproducts)	R 950	R 821	R 915
Fertiliser (Total)	R 1,477	R 1,189	R 1,139
- Nitrogen	R 1,129	R 825	R 767
- Phosphate & All Other Fertiliser	R 348	R 363	R 372
Freight	R 6	R 9	R 8
Irrigation	R 209	R 256	R 224
Other Expenses	R 15	R 9	R 8
Pasture Maintenance & Renovation	R 274	R 350	R 318
Repairs & Maintenance	R 672	R 432	R 452
Standing charges	R 305	R 243	R 220
Vehicle Expenses (including fuel & oil)	R 742	R 654	R 624
Weed & Pest Control	R 3	R 11	R 12
Management & Staff Expenses	R 1,718	R 1,866	R 1,630
- Wages, Salaries & Employment Exp.	R 1,313	R 1,330	R 1,224
- Imputed Labour & Management	R 406	R 537	R 406
Depreciation	R 919	R 870	R 863
<b>Gross Expenses</b>	<b>R 16,339</b>	<b>R 13,660</b>	<b>R 13,422</b>
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	R 15,015	R 12,253	R 12,153
Core per Cow Cost	R 2,992	R 2,606	R 2,572
<b>OPERATING PROFIT (LOSS)</b>	<b>R 4,765</b>	<b>R 3,319</b>	<b>R 6,241</b>

# Operating Profit Per Hectare - Dairy

Jim & Jill Smith

Smith Farming Partnership



	2007/08 Smith	2007/08 KwaZulu-Natal Average	2007/08 KwaZulu-Natal Top 10%
<b>REVENUE</b>			
Manufacturing Milk Sales	R 59,516	R 52,695	R 67,975
Quota/Contract/Winter Milk	R 0	R 0	R 0
Livestock Revenue	R 6,650	R 3,964	R 5,350
Other Revenue	R 745	R 826	R 949
<b>Gross Revenue</b>	<b>R 66,911</b>	<b>R 57,485</b>	<b>R 74,274</b>
<b>EXPENSES</b>			
Administration	R 827	R 742	R 740
Animal Health	R 1,634	R 1,707	R 1,807
Breeding & Herd Testing	R 1,599	R 1,032	R 900
Dairy Shed Expenses	R 291	R 423	R 465
Electricity	R 445	R 479	R 549
Feeds / Supplements (Total)	R 26,907	R 21,920	R 25,471
- Grazing / Agistment	R 993	R 1,118	R 1,552
- Cropping (green feed)	R 0	R 54	R 190
- Grains, Pellets & Concentrates	R 22,902	R 17,968	R 20,272
- Forages (incl. hay, silages, byproducts)	R 3,011	R 2,781	R 3,457
Fertiliser (Total)	R 4,683	R 4,025	R 4,304
- Nitrogen	R 3,578	R 2,795	R 2,897
- Phosphate & All Other Fertiliser	R 1,104	R 1,230	R 1,407
Freight	R 18	R 32	R 29
Irrigation	R 663	R 868	R 845
Other Expenses	R 49	R 32	R 29
Pasture Maintenance & Renovation	R 869	R 1,186	R 1,199
Repairs & Maintenance	R 2,131	R 1,463	R 1,708
Standing charges	R 966	R 821	R 833
Vehicle Expenses (including fuel & oil)	R 2,353	R 2,215	R 2,357
Weed & Pest Control	R 9	R 37	R 44
Management & Staff Expenses	R 5,448	R 6,319	R 6,158
- Wages, Salaries & Employment Exp.	R 4,162	R 4,501	R 4,624
- Imputed Labour & Management	R 1,286	R 1,818	R 1,534
Depreciation	R 2,912	R 2,947	R 3,261
<b>Gross Expenses</b>	<b>R 51,802</b>	<b>R 46,248</b>	<b>R 50,699</b>
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	R 47,604	R 41,483	R 45,903
Core per Ha Cost	R 6,713	R 6,694	R 7,355
<b>OPERATING PROFIT (LOSS)</b>	<b>R 15,108</b>	<b>R 11,237</b>	<b>R 23,575</b>

# Operating Profit Per Litre

Jim & Jill Smith

Smith Farming Partnership



	2007/08 Smith	2007/08 KwaZulu-Natal Average	2007/08 KwaZulu-Natal Top 10%
<b>REVENUE</b>			
Manufacturing Milk Sales	271.04	267.53	272.94
Quota/Contract/Winter Milk	0.00	0.00	0.00
Livestock Revenue	30.28	20.12	21.48
Other Revenue	3.39	4.20	3.81
<b>Gross Revenue</b>	<b>304.71</b>	<b>291.85</b>	<b>298.23</b>
<b>EXPENSES</b>			
Administration	3.77	3.77	2.97
Animal Health	7.44	8.67	7.25
Breeding & Herd Testing	7.28	5.24	3.62
Dairy Shed Expenses	1.32	2.15	1.87
Electricity	2.02	2.43	2.21
Feeds / Supplements (Total)	122.53	111.29	102.27
- Grazing / Agistment	4.52	5.68	6.23
- Cropping (green feed)	0.00	0.27	0.76
- Grains, Pellets & Concentrates	104.30	91.22	81.40
- Forages (incl. hay, silages, byproducts)	13.71	14.12	13.88
Fertiliser (Total)	21.32	20.43	17.28
- Nitrogen	16.30	14.19	11.63
- Phosphate & All Other Fertiliser	5.03	6.24	5.65
Freight	0.08	0.16	0.12
Irrigation	3.02	4.41	3.39
Other Expenses	0.22	0.16	0.12
Pasture Maintenance & Renovation	3.96	6.02	4.82
Repairs & Maintenance	9.71	7.43	6.86
Standing charges	4.40	4.17	3.34
Vehicle Expenses (including fuel & oil)	10.71	11.24	9.46
Weed & Pest Control	0.04	0.19	0.18
Management & Staff Expenses	24.81	32.08	24.73
- Wages, Salaries & Employment Exp.	18.95	22.85	18.56
- Imputed Labour & Management	5.86	9.23	6.16
Depreciation	13.26	14.96	13.10
<b>Gross Expenses</b>	<b>235.91</b>	<b>234.80</b>	<b>203.57</b>
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	216.79	210.61	184.31
Core Cost Structure per Litre	98.59	110.87	93.26
<b>OPERATING PROFIT (LOSS)</b>	<b>68.80</b>	<b>57.05</b>	<b>94.66</b>

# Balance Sheet (Market Values) - Dairy

Jim & Jill Smith

Smith Farming Partnership



	2007/08 Smith	2007/08 KwaZulu-Natal Average	2007/08 KwaZulu-Natal Top 10%
<b>ASSETS AT START OF YEAR</b>			
Land & Buildings	R 6,971,543	R 4,571,520	R 4,877,010
Livestock	R 8,969,153	R 6,136,731	R 5,537,082
Vehicles, Plant & Machinery	R 1,640,825	R 1,082,064	R 1,320,456
Dairy Company Shares	R 3,048	R 158,081	R 434,748
Other Assets	R 5,227,379	R 2,886,078	R 2,684,925
<b>TOTAL ASSETS AT START OF YEAR</b>	<b>R 22,811,948</b>	<b>R 14,834,474</b>	<b>R 14,854,221</b>
Total Assets per Acre	R 39,727	R 31,514	R 29,789
Land, Bldgs & Dairy Co. Shares per Acre	R 12,146	R 10,047	R 10,652
Total Assets per Hectare	R 98,165	R 77,871	R 73,609
Land, Bldgs & Dairy Co. Shares per Hectare	R 30,013	R 24,827	R 26,322
Total Assets per Cow	R 33,498	R 26,269	R 22,719
<b>ASSETS AT END OF YEAR</b>			
Land & Buildings	R 8,047,588	R 5,521,070	R 5,590,080
Livestock	R 11,309,994	R 7,048,823	R 7,370,003
Vehicles, Plant & Machinery	R 2,033,240	R 1,137,207	R 1,384,790
Dairy Company Shares	R 3,048	R 163,366	R 348,777
Other Assets	R 4,654,852	R 2,827,559	R 2,749,821
<b>TOTAL ASSETS AT END OF YEAR</b>	<b>R 26,048,721</b>	<b>R 16,698,025</b>	<b>R 17,443,471</b>
Total Assets per Acre	R 42,573	R 34,335	R 34,542
Land, Bldgs & Dairy Co. Shares per Acre	R 13,158	R 11,688	R 11,760
Total Assets per Hectare	R 105,197	R 84,842	R 85,354
Land, Bldgs & Dairy Co. Shares per Hectare	R 32,512	R 28,882	R 29,060
Total Assets per Cow	R 38,251	R 29,569	R 26,679
<b>LIABILITIES AT START OF YEAR</b>			
Current Liabilities less Current Assets	R 468,649	R 285,950	R 431,001
Long Term Liabilities	R 7,006,320	R 1,443,220	R 1,322,080
<b>Total Liabilities at Start of Year</b>	<b>R 7,474,969</b>	<b>R 1,729,170</b>	<b>R 1,753,081</b>
Total Liabilities per Cow	R 10,976	R 3,062	R 2,681
Total Liabilities per kg Milksolids	R 23.15	R 7.48	R 5.94
<b>LIABILITIES AT END OF YEAR</b>			
Current Liabilities less Current Assets	R 1,000,878	R 676,623	R 859,545
Long Term Liabilities	R 7,280,027	R 1,967,420	R 2,129,633
<b>Total Liabilities at End of Year</b>	<b>R 8,280,905</b>	<b>R 2,644,043</b>	<b>R 2,989,178</b>
Total Liabilities per Cow	R 12,160	R 4,682	R 4,572
Total Liabilities per kg Milksolids	R 25.64	R 11.44	R 10.12
<b>EQUITY</b>			
Equity at Start of Year	R 15,336,979	R 13,105,304	R 13,101,140
<b>Equity at End of Year</b>	<b>R 17,767,817</b>	<b>R 14,053,981</b>	<b>R 14,454,294</b>
Equity % at Start of Year	67.2 %	88.3 %	88.2 %
<b>Equity % at End of Year</b>	<b>68.2 %</b>	<b>84.2 %</b>	<b>82.9 %</b>
<b>FINANCING COSTS</b>			
Bank Charges & Loan Fees	R 20,251	R 41,043	R 14,830
Interest	R 1,223,320	R 347,017	R 399,978
Lease Fees & Rentals	R 34,582	R 27,738	R 199,419
<b>TOTAL FINANCING COSTS</b>	<b>R 1,278,153</b>	<b>R 415,798</b>	<b>R 614,227</b>
<b>Financing Costs as % Gross Revenue</b>	<b>8.9 %</b>	<b>4.3 %</b>	<b>4.8 %</b>
Financing Costs per Hectare	R 5,950	R 2,493	R 3,548
Financing Costs per Cow	R 1,877	R 736	R 939
Financing Costs per kg Milksolids	R 3.96	R 1.80	R 2.08
Principal Repayments	(R 197,690)	R 88,477	R 1,035,028
<b>TOTAL DEBT SERVICING COSTS</b>	<b>R 1,080,463</b>	<b>R 504,274</b>	<b>R 1,649,255</b>
<b>Total Debt Servicing Costs as % Revenue</b>	<b>7.5 %</b>	<b>5.3 %</b>	<b>12.8 %</b>