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* see more information on Red Sky at www.redskyagri.com

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23rd January 2013

Jim & Jill Smith
Smith Farming Partnership
P.O. Box 123
Howick
KZN

Dear Jim & Jill,

RE: RED SKY FARM PERFORMANCE ANALYSIS FOR YEAR END 28th FEBRUARY 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	KwaZulu Natal Average	KwaZulu Natal Top 10%
Return on Capital	14.3 %	10.5 %	18.6 %
Operating Profit per Hectare	R 21,735	R 15,985	R 26,658
Return on Equity	14.1 %	10.3 %	20.0 %
Milk Price (cents/litre)	311.0	310.0	309.6
Pasture Harvested **Irrigated** (tDM/ha)	11.0	12.1	13.5
EFFICIENCY MEASURES			
Milk Production (litres/ha)	29,438	24,906	28,821
Average Cost of Consumed Feed (R/tDM)	R 2,034	R 1,998	R 1,931
Forage Cost (R/tDM)	R 1,472	R 1,550	R 1,518
Concentrate Cost (R/tDM)	R 3,241	R 2,998	R 2,951
Cows per Full Time Staff Equivalent	38	29	35
Management & Staff Costs per Cow	R 1,779	R 1,990	R 2,018
Core per Cow Cost	R 3,685	R 3,430	R 3,605
Core per Hectare Cost/tDM Pasture Harvest	R 778	R 806	R 691
RISK MEASURES			
Operating Profit Margin	22 %	19 %	27 %
Cost of Production per Litre	237.2 cents	246 cents	217 cents
Pasture as % of Diet Consumed	51 %	49 %	50 %
SOLVENCY MEASURE			
Equity %	93 %	88 %	90 %

KPI's – Profitability

Return on Capital	14.3%
Operating Profit per Hectare	R21,735/ha
Return on Equity	14.1%
Milk Price	311.0 cents/litre
Pasture Harvest – Irrigated	11.0 tDM/ha

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 midway between the Average and Top 10%.

Operating Profit

Your **Operating Profit per Hectare** is 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 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.

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 higher than the Top 10%.

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 irrigated pasture harvest result of 11.0 tDM/ha is lower than the Average.

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 lower than the Average. Please see comments on stocking rate in the next section under ***Milk Production***.
2. Your average nitrogen application rate is midway between the Average and 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.

KPIs – Efficiency

Milk Production	29,438 litres/ha
Average Cost of Consumed Feed	R2,034/tDM
Forage Cost	R1,472/tDM
Concentrate Cost	R3,241/tDM
Cows/Full Time staff Equivalent	38
Management & Staff Costs/cow	R1,779 per cow
Core per Cow Costs	R3,685 per cow
Core per Ha Costs / tDM Pasture	R778 per hectare per tDM pasture harvest

Milk Production

Your **Milk Production per Hectare** is 4% above the Top 10 when quantified as litres per hectare.

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 higher than the Top 10%.
2. Based on ***Milksolids as a Percentage of Cow Liveweight***; your milk production per cow is significantly higher than the Top 10%.

Stocking Rate:

1. Based on ***Cows per Hectare***; your stocking rate is significantly lower than the Average.
2. Based on ***Liveweight of Cows per Hectare***; your stocking rate is lower than the Average.

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 R2,043 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 marginally lower than the Top 10%. This is being significantly influenced by the following factors:

- positively by your lower land value

Your **Cost of Forage** is marginally lower than 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 98%. This is higher than the Average.

Your **Cost of Concentrates** is significantly 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 R338,000.

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 38 cows milked per full time staff equivalent (Cows/FTE) is marginally higher than the Top 10%. This is an excellent result.

Your **Management & Staff Cost per Cow** (including imputed or "unpaid" labour) is lower than the Top 10%. This is an excellent result.

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 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 Expense:* this is higher than the Average.
- *Breeding Expense:* this is higher than the Average.
- *Electricity:* this is marginally higher than the Average.
- *Grazing/Support Area:* this is significantly higher than the Average. The most common reasons for high grazing costs are a) the off-farm grazing of young stock as opposed to having an owned or leased support area for grazing of young stock; or b) the high cost related to owning or leasing a support block for grazing due to high land values, high lease costs or large area compared to the number of cows milked.
- *Vehicles Expense:* 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.
- *Depreciation:* this is partly a "per cow" cost and partly a "per hectare" expense, however on a per cow basis it is higher than the Average.

Your **Core per Hectare Cost per tDM Pasture Harvest** is midway between the Average and 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 reasonable 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:

- *Phosphate & Other Fertilisers:* this is marginally higher than the Average, however the additional expense does not appear to be being 'repaid' in higher pasture harvest.
- *Pasture Maintenance & Renovation:* this is marginally higher than the Average, however the additional expense does not appear to 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 marginally higher than the Average and the individual expenses are worthy of closer examination.

KPIs – Risk & Solvency

Equity %	93%
Operating Profit Margin	22%
Cost of Production	237.2 cents/litre
Pasture as % Feed Consumed	51%

Equity

Your **Equity %** is high and indicates a strong position with regards to the long-term risk to your business.

Operating Profit Margin

*The **Operating Profit Margin** represents the percentage of gross revenue retained as profit (for interest payments, principal repayments, tax and true 'profit'). The higher the figure, the more secure the system. Target levels are related to the farm system being operated, with high feed-input systems targeting lower operating profit margins than low feed-input systems.*

Your Operating Profit Margin of 22% is midway between the Average and Top 10%. This represents a sound margin available for debt servicing or to absorb changes in milk or feed prices.

Cost of Production

***Cost of Production** (COP) represents the nett cost of producing one litre/kilogram of milk. If gearing is high (e.g. high levels of debt) then there should be a significant gap between Cost of Production and the milk payout to ensure there are sufficient funds for debt servicing and tax payments.*

Cost of Production can also be compared across years for your enterprise and against other farmers at varying milk prices as it is not influenced by milk revenue.

Your Cost of Production of 237.2 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 51% is similar to the 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 comparatively low level of risk, and a business that is in a strong 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).
- *Milk Production per Cow:* your level of milk production per cow is very good compared to your peers. There is not a positive correlation between increasing milk production per cow and profitability once cows are producing a moderate amount of milk.
- *Forages Costs*: these are being sourced at a competitive price. This is normally achieved by producing the bulk of forages cost-effectively on land under your own control, although the purchasing of forages at comparatively low prices can also provide a positive result.
- *Labour efficiency*: this is sound although there potentially remains scope for improvement. The range in performance across farm businesses is immense, and provides opportunities for further cost savings or for you to free up more time to pursue other interests.

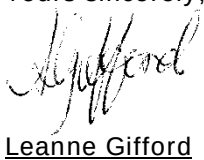
Areas for consideration and/or for further investigation:

- *Stocking Rate:* your stocking rate is comparatively low compared to your peers. By increasing stocking rate there is likely (although not guaranteed) to be an improvement in pasture production as well as an increase in milk production per hectare.
- *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 comparatively low stocking rate. Methods for increasing pasture production, such as regrassing, increased nitrogen fertiliser use and improved 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.
- *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.
- *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.

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,



Leanne Gifford
General Manager
Red Sky Agricultural Pty Ltd

Jim & Jill Smith
Smith Farming Enterprise
2011/12 Smith Vs KwaZulu-Natal Benchmark

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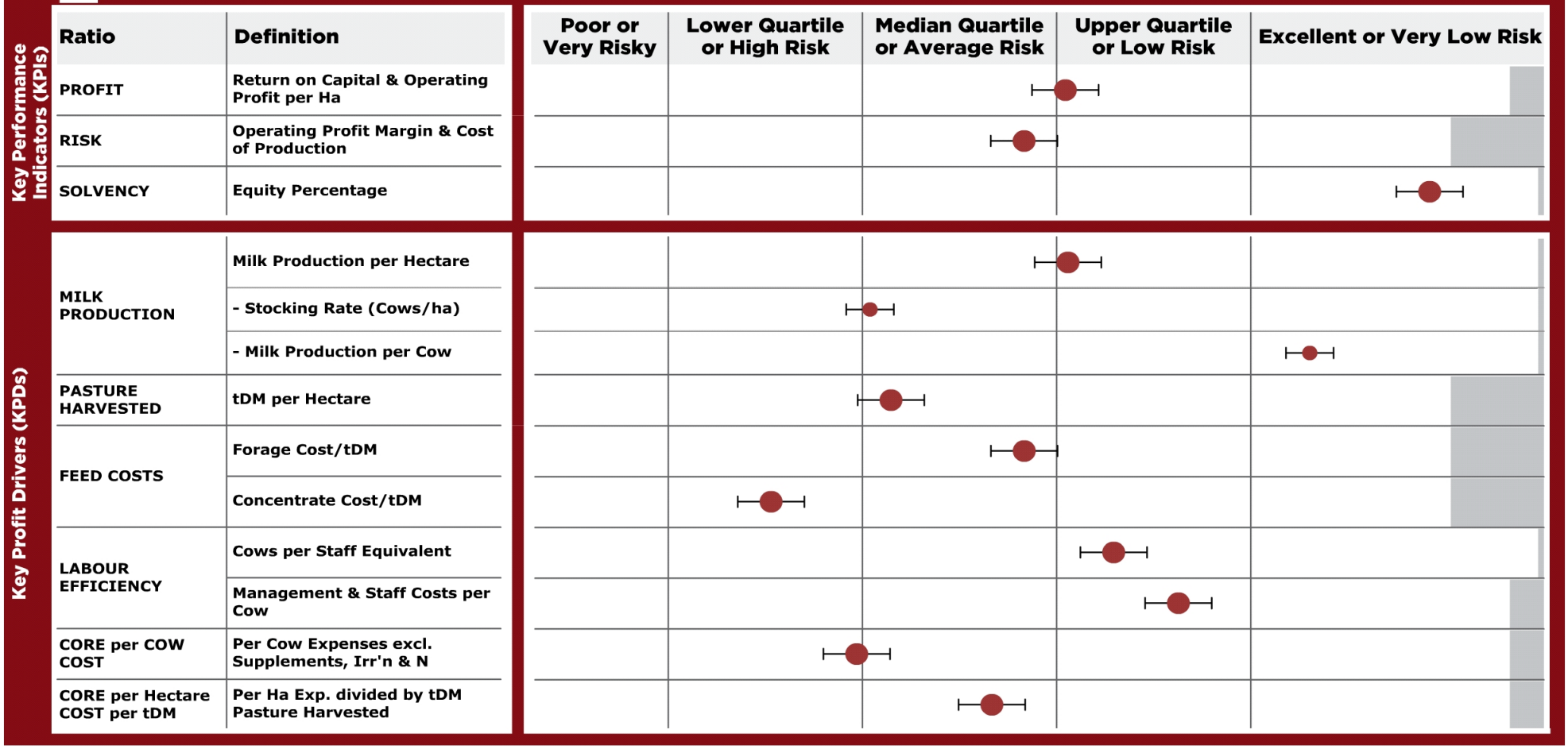
RED SKY

OVERALL FARM BUSINESS ASSESSMENT



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

Financial Farm Performance - Dairy

Jim & Jill Smith

Smith Farming Enterprise

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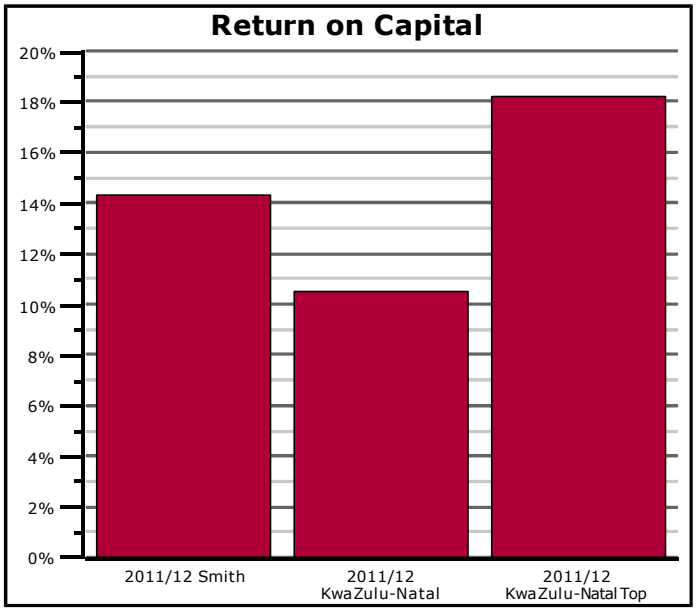

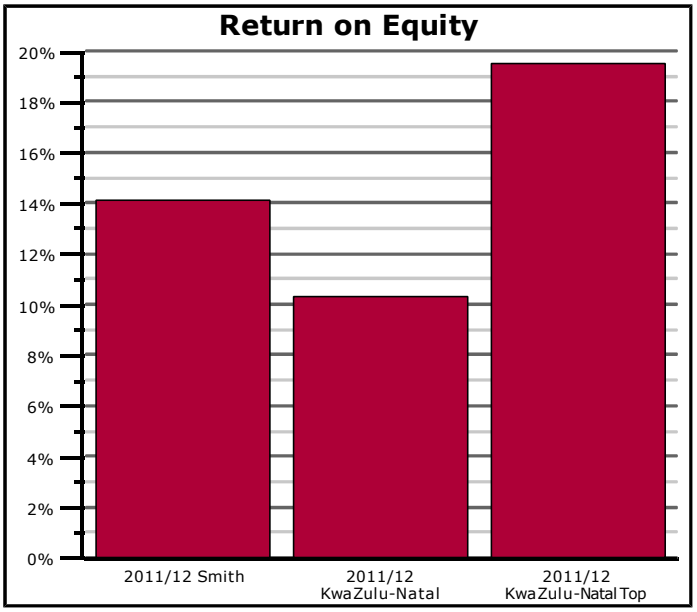

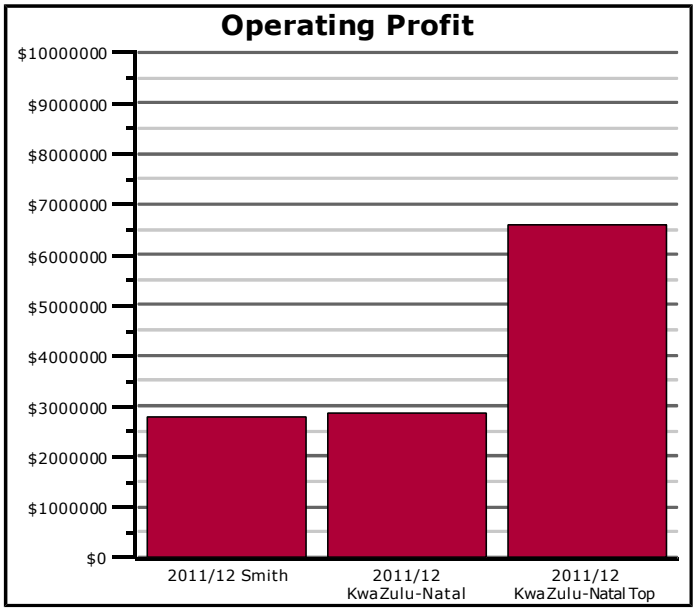

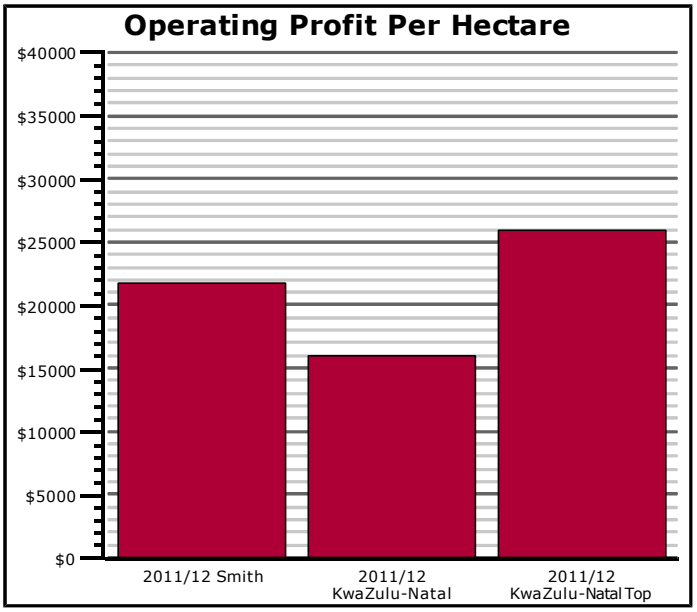

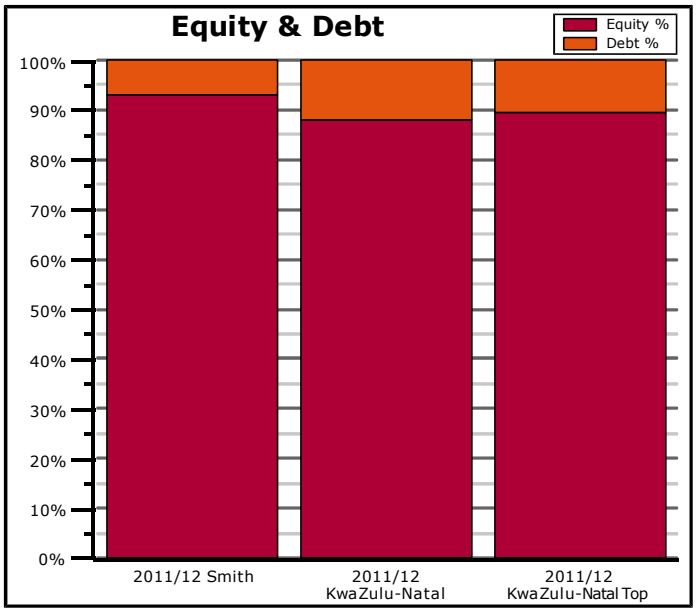

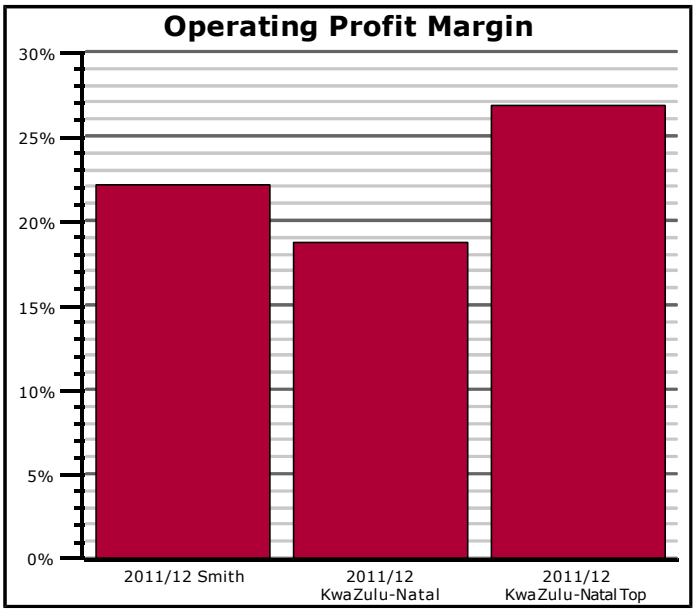

RED SKY

Physical Farm Performance - Dairy

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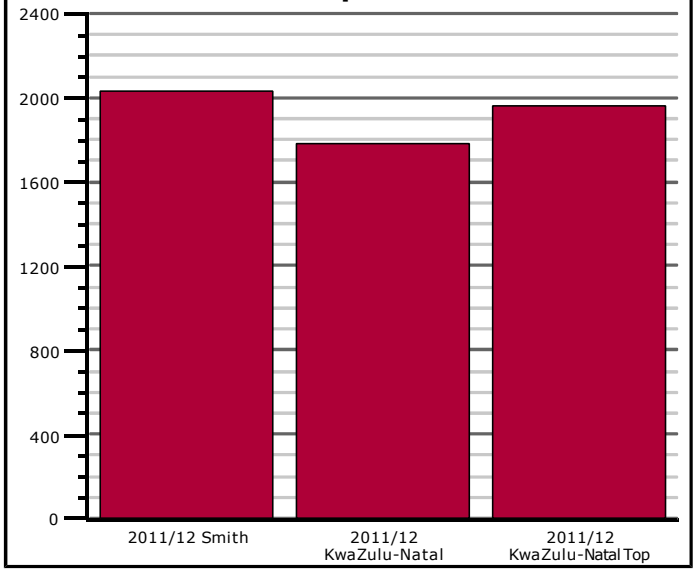
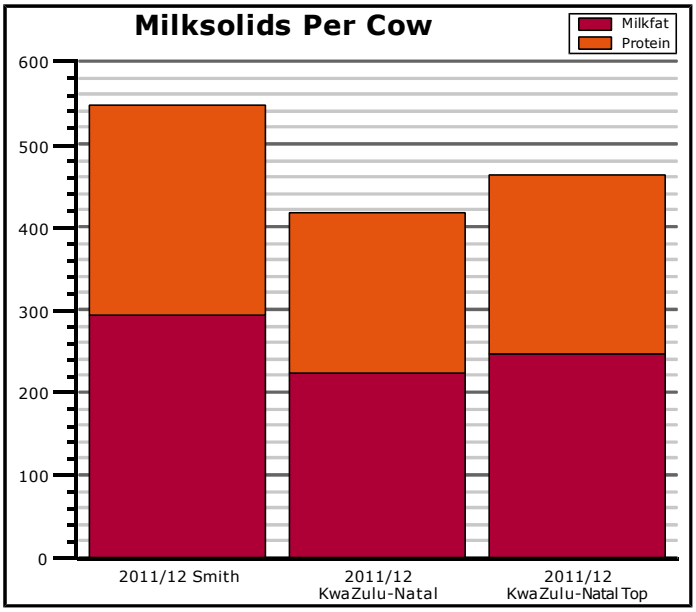
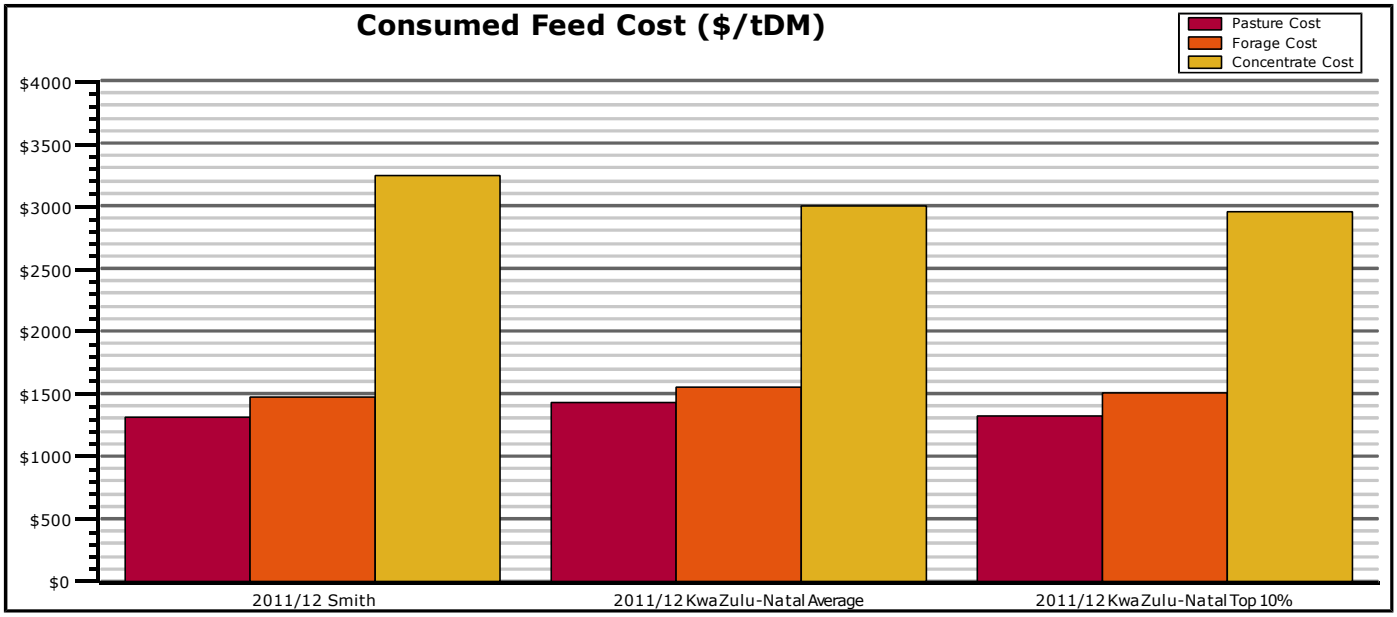
Milksolids per Hectare



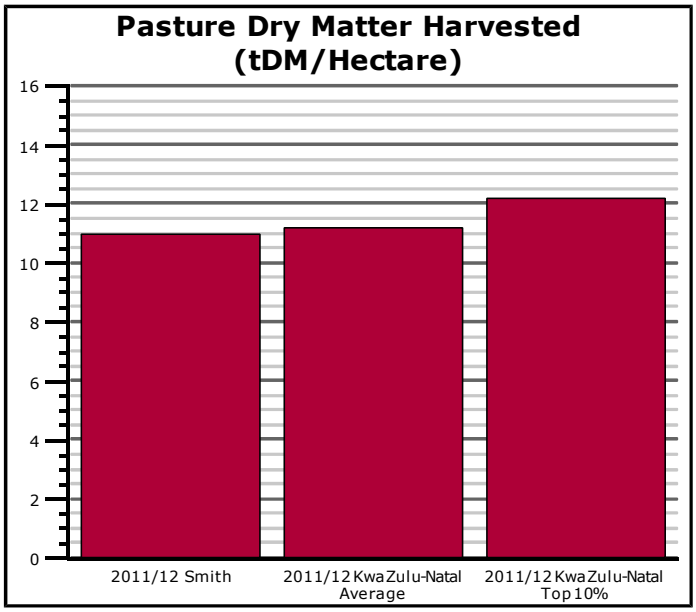
Milksolids Per Cow



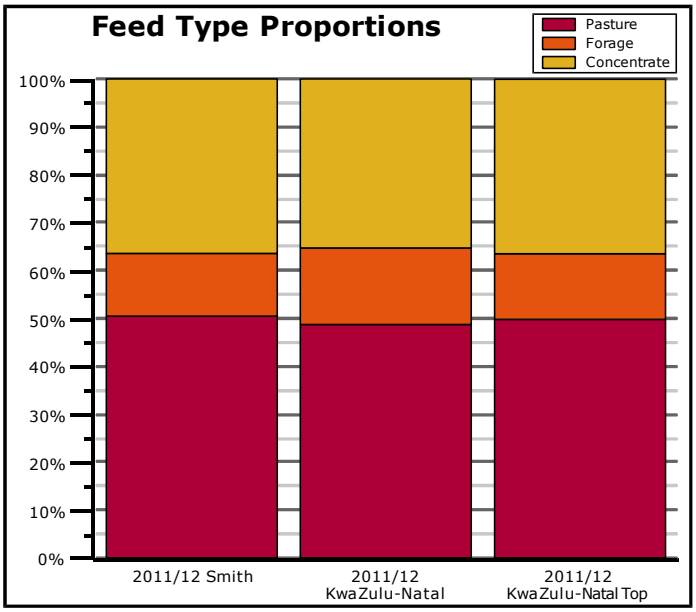
Consumed Feed Cost ($/tDM)



Pasture Dry Matter Harvested (tDM/Hectare)



Feed Type Proportions



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Summary Farm Performance - Dairy
Jim & Jill Smith
Smith Farming Enterprise

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	2011/12 Smith	2011/12 KwaZulu-Natal Average	2011/12 KwaZulu-Natal Top 10%
PHYSICAL PARAMETERS			
Number of Cows in Herd	**475**	**764**	**1,078**
Total Effective Dairy Hectares	154.0	183.7	262.6
Effective Milking Hectares	**127.9**	**178.8**	**254.1**
Cows per Milking Hectare	**3.71**	**4.28**	**4.24**
Litres per Cow	**7,924**	**5,825**	**6,695**
Milksolids per Cow	**547**	**417**	**462**
Litres per Milking Hectare	**29,438**	**24,906**	**28,391**
Milksolids per Milking Hectare	**2,031**	**1,782**	**1,961**
Litre Price (cents/Litre)	**311.00**	**309.96**	**309.64**
Milksolids Price (R/kgMS)	**R 45.07**	**R 43.29**	**R 44.81**
Pasture Dry Matter Harvested (tDM/Ha)	**11.0**	**11.2**	**12.2**
KEY PERFORMANCE INDICATORS			
Operating Profit per Hectare	**R 21,735**	**R 15,985**	**R 25,914**
Operating Profit per Cow	R 5,851	R 3,739	R 6,111
Total Assets per Ha at Start of Year (4-Yr Av Values)	R 138,253	R 161,259	R 143,933
EQUITY % at 4-Yr Av Values	**93.0 %**	**88.0 %**	**89.5 %**
RETURN ON CAPITAL (ROC) at 4-Yr Av Values	**14.3 %**	**10.5 %**	**18.2 %**
Return on Assets (ROA) at 4-Yr Av Values	**14.2 %**	**10.2 %**	**18.2 %**
ROA including Capital Gain at 4-Yr Av Values	16.6 %	10.8 %	21.8 %
RETURN ON EQUITY (ROE) at 4-Yr Av Values	**14.1 %**	**10.3 %**	**19.5 %**
ROE including Capital Gain at 4-Yr Av Values	16.7 %	10.9 %	23.5 %
OPERATING PROFIT MARGIN	**22.1 %**	**18.7 %**	**26.8 %**
Cost of Production per Litre	**237.2**	**245.8**	**218.3**
Financing Costs per Litre	8.0	13.1	5.5
Cost of Prod'n + Financing Cost per Litre	238.1	253.2	220.0
Cost of Production per kg Milksolids	**R 34.37**	**R 34.36**	**R 31.60**
Total Operating Expenses as % Gross Revenue	70.2 %	76.3 %	72.1 %
Financing Costs as % Gross Revenue	2.4 %	3.8 %	1.6 %
Core per Cow Cost	**R 3,685**	**R 3,430**	**R 3,469**
Core per Hectare Cost	R 8,537	R 9,089	R 8,396
Core per Hectare Cost per tDM Pasture Harvest	**R 778**	**R 813**	**R 689**
Management + Staff Costs per Cow	R 1,779	R 1,990	R 2,037
Cows per Full Time Staff Equivalent	**38**	**29**	**36**
Total Feed/Supplement Costs per Cow	R 11,590	R 7,875	R 8,062
Pasture as % of Total Consumed	**50.5 %**	**48.7 %**	**49.8 %**
Average Cost of All Consumed Feed (/tDM)	**R 2,034**	**R 2,002**	**R 1,941**
Pasture Cost (Per tDM)	**R 1,310**	**R 1,429**	**R 1,322**
Forage Cost (/tDM Consumed incl.wastage)	**R 1,472**	**R 1,550**	**R 1,506**
Concentrate Cost (/tDM Consumed incl.wastage)	**R 3,241**	**R 2,998**	**R 2,952**

Physical Summary - Dairy
Jim & Jill Smith
Smith Farming Enterprise

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	2011/12 Smith	2011/12 KwaZulu-Natal Average	2011/12 KwaZulu-Natal Top 10%
PHYSICAL PARAMETERS			
Number of Cows in Herd	**475**	**764**	**1,078**
Effective Milking Hectares	127.9	178.8	254.1
Cows per Milking Hectare	**3.71**	**4.28**	**4.24**
Cow Liveweight per Milking Hectare	2,043	2,222	2,228
Litre Price (cents/Litre)	**311.00**	**309.96**	**309.64**
Milksolids Price (R/kgMS)	**R 45.07**	**R 43.29**	**R 44.81**
Total Litres	3,764,056	4,453,330	7,214,810
Total Milksolids (Milkfat + Protein)	259,720	318,643	498,392
Litres per Cow	**7,924**	**5,825**	**6,695**
Milksolids per Cow	**547**	**417**	**462**
Milksolids as Percent of Cow Liveweight	99.4 %	80.2 %	88.0 %
Litres per Milking Hectare	**29,438**	**24,906**	**28,391**
Milksolids per Milking Hectare	**2,031**	**1,782**	**1,961**
Milkfat Percentage	3.70 %	3.83 %	3.68 %
Protein Percentage	3.20 %	3.33 %	3.23 %
Protein as a Percentage of Milkfat	86.5 %	86.9 %	87.8 %
PASTURE & SUPPLEMENTS			
Pasture Dry Matter Harvested (tDM/Ha)	**11.0**	**11.2**	**12.2**
Estimated Dryland Pasture Harvest (tDM/Ha)	5.5	5.8	7.6
Estimated Irrigated Pasture Harvest (tDM/Ha)	11.0	12.1	13.3
Nitrogen Applied per Hectare	350.0	340.5	371.3
Pasture as % of Total Consumed	**50.5 %**	**48.7 %**	**49.8 %**
Supplement as % of Total Consumed	49.5 %	51.3 %	50.2 %
- Forage as % of Total Consumed	13.1 %	16.0 %	13.7 %
- Concentrate as % of Total Consumed	36.4 %	35.3 %	36.4 %
Pasture Consumed Per Cow (estimated tDM)	3.25	2.53	2.80
Forage Consumed Per Cow (estimated tDM)	0.93	0.92	0.85
Concentrate Consumed Per Cow (estimated tAF)	2.18	1.71	1.91
Total Consumed Per Cow (estimated tDM)	**6.14**	**4.98**	**5.35**
Feed Conversion Efficiency (kgsDM/kgMS)	11.04	11.65	11.39
Total Feed/Supplement Costs per Cow	R 11,590	R 7,875	R 8,062
Average Cost of All Consumed Feed (/tDM)	**R 2,034**	**R 2,002**	**R 1,941**
Pasture Cost (Per tDM)	**R 1,310**	**R 1,429**	**R 1,322**
- Direct Pasture Cost (Per tDM)	R 725	R 727	R 690
- Variable Pasture Cost (Per tDM)	R 185	R 269	R 260
- Capital Pasture Cost (Per tDM)	R 400	R 433	R 373
Average Cost of All Supplements (/tDM Consumed)	R 2,772	R 2,545	R 2,556
Forage Cost (/tDM Consumed incl.wastage)	**R 1,472**	**R 1,550**	**R 1,506**
- Purchased Forage Cost (Per tDM)	R 874	R 833	R 861
- Variable Forage Cost (Per tDM)	R 222	R 275	R 262
- Capital Forage Cost (Per tDM)	R 156	R 154	R 129
Concentrate Cost (/tDM Consumed incl.wastage)	**R 3,241**	**R 2,998**	**R 2,952**
- Purchased Concentrate Cost (Per tDM)	R 3,084	R 2,825	R 2,793
- Variable Concentrate Cost (Per tDM)	R 46	R 66	R 64
- Capital Concentrate Cost (Per tDM)	R 47	R 44	R 36
Pasture Cost (Cents Per MJ ME)	12.48	13.61	12.59
Forage Cost (Cents Per MJ ME Consumed)	14.04	15.21	14.96
Concentrate Cost (Cents Per MJ ME Consumed)	27.01	24.94	24.60

Operating Profit Per Cow - Dairy

Jim & Jill Smith

Smith Farming Enterprise

	2011/12 Smith	2011/12 KwaZulu-Natal Average	2011/12 KwaZulu-Natal Top 10%
REVENUE			
Manufacturing Milk Sales	R 24,645	R 18,044	R 20,723
Quota/Contract/Dividends for Milk	R 0	R 16	R 0
Livestock Revenue	R 1,768	R 1,776	R 1,843
Other Revenue	R 9	R 166	R 218
Gross Revenue	**R 26,421**	**R 20,002**	**R 22,784**
EXPENSES			
Administration	R 285	R 275	R 239
Animal Health	R 680	R 638	R 661
Breeding & Herd Testing	R 386	R 302	R 387
Dairy Shed Expenses	R 172	R 178	R 235
Electricity	R 300	R 293	R 300
Feeds / Supplements (Total)	R 11,590	R 7,875	R 8,062
- Grazing / Support Area	R 566	R 497	R 417
- Cropping (green feed)	R 54	R 62	R 17
- Grains, Pellets & Concentrates	R 9,492	R 5,914	R 6,346
- Forages (incl. hay, silages, byproducts)	R 1,478	R 1,402	R 1,282
Fertiliser (Total)	R 1,375	R 1,060	R 1,176
- Nitrogen	R 1,082	R 812	R 945
- Phosphate & All Other Fertiliser	R 293	R 248	R 232
Freight	R 9	R 9	R 16
Irrigation	R 757	R 609	R 626
Other Expenses	R 0	R 15	R 5
Pasture Maintenance & Renovation	R 322	R 247	R 257
Repairs & Maintenance	R 538	R 623	R 662
Standing charges	R 354	R 285	R 271
Vehicle Expenses (including fuel & oil)	R 923	R 846	R 834
Management & Staff Expenses	R 1,779	R 1,990	R 2,037
- Wages, Salaries & Employment Exp.	R 1,194	R 1,594	R 1,711
- Imputed Labour & Management	R 585	R 395	R 326
Depreciation	R 1,101	R 1,020	R 908
Gross Expenses	**R 20,571**	**R 16,263**	**R 16,673**
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	R 18,884	R 14,848	R 15,440
Core per Cow Cost	R 3,685	R 3,430	R 3,469
OPERATING PROFIT (LOSS)	**R 5,851**	**R 3,739**	**R 6,111**

Operating Profit Per Hectare - Dairy

Jim & Jill Smith

Smith Farming Enterprise

	2011/12 Smith	2011/12 KwaZulu-Natal Average	2011/12 KwaZulu-Natal Top 10%
REVENUE			
Manufacturing Milk Sales	R 91,553	R 77,148	R 87,882
Quota/Contract/Dividends for Milk	R 0	R 68	R 0
Livestock Revenue	R 6,567	R 7,592	R 7,814
Other Revenue	R 34	R 708	R 925
Gross Revenue	**R 98,153**	**R 85,516**	**R 96,621**
EXPENSES			
Administration	R 1,059	R 1,175	R 1,012
Animal Health	R 2,528	R 2,729	R 2,802
Breeding & Herd Testing	R 1,434	R 1,291	R 1,640
Dairy Shed Expenses	R 639	R 759	R 996
Electricity	R 1,114	R 1,251	R 1,270
Feeds / Supplements (Total)	R 43,057	R 33,669	R 34,188
- Grazing / Support Area	R 2,102	R 2,126	R 1,767
- Cropping (green feed)	R 202	R 263	R 73
- Grains, Pellets & Concentrates	R 35,263	R 25,287	R 26,912
- Forages (incl. hay, silages, byproducts)	R 5,489	R 5,993	R 5,436
Fertiliser (Total)	R 5,107	R 4,533	R 4,988
- Nitrogen	R 4,019	R 3,472	R 4,006
- Phosphate & All Other Fertiliser	R 1,088	R 1,061	R 982
Freight	R 33	R 37	R 66
Irrigation	R 2,812	R 2,602	R 2,654
Other Expenses	R 0	R 64	R 19
Pasture Maintenance & Renovation	R 1,196	R 1,055	R 1,090
Repairs & Maintenance	R 1,997	R 2,664	R 2,808
Standing charges	R 1,314	R 1,219	R 1,150
Vehicle Expenses (including fuel & oil)	R 3,430	R 3,617	R 3,537
Management & Staff Expenses	R 6,607	R 8,507	R 8,638
- Wages, Salaries & Employment Exp.	R 4,434	R 6,817	R 7,257
- Imputed Labour & Management	R 2,173	R 1,690	R 1,381
Depreciation	R 4,091	R 4,361	R 3,850
Gross Expenses	**R 76,418**	**R 69,532**	**R 70,707**
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	R 70,153	R 63,481	R 65,476
Core per Hectare Cost	R 8,537	R 9,089	R 8,396
OPERATING PROFIT (LOSS)	**R 21,735**	**R 15,985**	**R 25,914**

Operating Profit Per Litre
Jim & Jill Smith
Smith Farming Enterprise

	2011/12 Smith	2011/12 KwaZulu-Natal Average	2011/12 KwaZulu-Natal Top 10%
REVENUE			
Manufacturing Milk Sales	311.00	309.75	309.54
Quota/Contract/Dividends for Milk	0.00	0.27	0.00
Livestock Revenue	22.31	30.48	27.52
Other Revenue	0.11	2.84	3.26
Gross Revenue	**333.42**	**343.36**	**340.32**
EXPENSES			
Administration	3.60	4.72	3.56
Animal Health	8.59	10.96	9.87
Breeding & Herd Testing	4.87	5.18	5.78
Dairy Shed Expenses	2.17	3.05	3.51
Electricity	3.78	5.02	4.47
Feeds / Supplements (Total)	146.26	135.18	120.42
- Grazing / Support Area	7.14	8.54	6.22
- Cropping (green feed)	0.69	1.06	0.26
- Grains, Pellets & Concentrates	119.79	101.53	94.79
- Forages (incl. hay, silages, byproducts)	18.65	24.06	19.15
Fertiliser (Total)	17.35	18.20	17.57
- Nitrogen	13.65	13.94	14.11
- Phosphate & All Other Fertiliser	3.69	4.26	3.46
Freight	0.11	0.15	0.23
Irrigation	9.55	10.45	9.35
Other Expenses	0.00	0.26	0.07
Pasture Maintenance & Renovation	4.06	4.24	3.84
Repairs & Maintenance	6.78	10.70	9.89
Standing charges	4.46	4.89	4.05
Vehicle Expenses (including fuel & oil)	11.65	14.52	12.46
Management & Staff Expenses	22.44	34.16	30.43
- Wages, Salaries & Employment Exp.	15.06	27.37	25.56
- Imputed Labour & Management	7.38	6.79	4.86
Depreciation	13.90	17.51	13.56
Gross Expenses	**259.59**	**279.18**	**249.05**
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	238.31	254.88	230.62
Core Cost Structure per Litre	97.95	129.20	111.65
OPERATING PROFIT (LOSS)	**73.83**	**64.18**	**91.27**

Irrigation - Dairy
Jim & Jill Smith
Smith Farming Enterprise

	2011/12 Smith	2011/12 KwaZulu-Natal Average	2011/12 KwaZulu-Natal Top 10%
IRRIGATION PARAMETERS			
Effective Dairy Hectares	154.0	183.7	262.6
Effective Hectares Irrigated	154.0	156.6	209.4
Percentage Hectares Irrigated	**100.0 %**	**85.3 %**	**80.7 %**
Percentage Increase in Pasture Production on Irrigation vs Dryland	100.0 %	109.1 %	75.0 %
Total Farm Pasture Dry Matter Harvested (tDM/ Ha)	**11.0**	**11.2**	**12.4**
Estimated Irrigated Pasture Harvest (tDM/Ha)	**11.0**	**12.1**	**13.5**
Estimated Irrigated Perennial Pasture Harvest (tDM/ Ha)	11.0	12.1	13.5
Estimated Dryland Pasture Harvest (tDM/Ha)	5.5	5.8	7.7
Pasture Dry Matter Harvested / Megalitre (tDM)	**1.2**	**1.1**	**1.3**
Megalitres Used per Hectare	9.9	10.6	10.0
Total Useful Rainfall (mm)	400	534	488
Nitrogen Applied per Hectare	350.0	340.5	371.3
Pasture Cost (Per tDM)	**R 1,309**	**R 1,422**	**R 1,308**
- Direct Pasture Cost (Per tDM)	R 724	R 720	R 676
- Variable Pasture Cost (Per tDM)	R 185	R 269	R 257
- Capital Pasture Cost (Per tDM)	R 400	R 433	R 374
Pasture Cost (Cents Per MJ ME)	12.46	13.54	12.45
Irrigation Expenses per Hectare	**R 2,654**	**R 2,602**	**R 2,692**
Irrigation Expenses per Cow	R 757	R 609	R 642
Cows per Full Time Staff Equivalent	38	29	35
Management + Staff Costs per Cow	R 1,779	R 1,990	R 2,018
Pasture as % of Total Consumed	50.6 %	48.7 %	50.2 %
Pasture Consumed Per Cow (estimated per tDM)	3.25	2.53	2.83

Balance Sheet (Market Values) - Dairy

Jim & Jill Smith

Smith Farming Enterprise

	2011/12 Smith	2011/12 KwaZulu-Natal Average	2011/12 KwaZulu-Natal Top 10%
ASSETS AT START OF YEAR			
Land & Buildings	R 8,600,000	R 9,436,640	R 13,675,000
Livestock	R 5,289,771	R 9,006,224	R 12,037,147
Vehicles, Plant & Machinery	R 2,436,999	R 2,246,680	R 2,776,100
Dairy Company Shares	R 1,414,220	R 2,715,190	R 3,748,750
Other Assets	R 3,250,000	R 4,446,015	R 4,314,610
TOTAL ASSETS AT START OF YEAR	**R 20,990,989**	**R 27,850,749**	**R 36,551,607**
Total Assets per Acre	R 39,511	R 56,708	R 52,691
Land, Bldgs & Dairy Co. Shares per Acre	R 18,850	R 24,743	R 25,117
Total Assets per Hectare	R 97,633	R 140,125	R 130,201
Land, Bldgs & Dairy Co. Shares per Hectare	R 46,578	R 61,139	R 62,065
Total Assets per Cow	R 44,192	R 36,431	R 33,917
ASSETS AT END OF YEAR			
Land & Buildings	R 8,600,000	R 9,554,550	R 14,119,900
Livestock	R 6,064,056	R 10,163,285	R 13,958,180
Vehicles, Plant & Machinery	R 2,682,038	R 2,592,810	R 3,341,650
Dairy Company Shares	R 1,697,064	R 2,386,260	R 4,049,710
Other Assets	R 3,250,000	R 4,295,659	R 4,420,280
TOTAL ASSETS AT END OF YEAR	**R 22,293,158**	**R 28,992,564**	**R 39,889,720**
Total Assets per Acre	R 41,962	R 59,012	R 56,929
Land, Bldgs & Dairy Co. Shares per Acre	R 19,382	R 24,305	R 25,931
Total Assets per Hectare	R 103,689	R 145,820	R 140,671
Land, Bldgs & Dairy Co. Shares per Hectare	R 47,893	R 60,057	R 64,075
Total Assets per Cow	R 46,933	R 37,925	R 37,015
LIABILITIES AT START OF YEAR			
Current Liabilities less Current Assets	R 2,971	R 320,110	R 150,670
Long Term Liabilities	R 1,525,640	R 2,857,730	R 3,308,800
Total Liabilites at Start of Year	**R 1,528,611**	**R 3,177,840**	**R 3,459,470**
Total Liabilities per Cow	R 3,218	R 4,157	R 3,210
Total Liabilities per kg Milksolids	R 5.89	R 9.97	R 6.94
LIABILITIES AT END OF YEAR			
Current Liabilities less Current Assets	R 2,971	R 332,574	(R 155,215)
Long Term Liabilities	R 1,556,208	R 3,149,101	R 4,329,239
Total Liabilites at End of Year	**R 1,559,179**	**R 3,481,675**	**R 4,174,025**
Total Liabilities per Cow	R 3,282	R 4,554	R 3,873
Total Liabilities per kg Milksolids	R 6.00	R 10.93	R 8.37
EQUITY			
Equity at Start of Year	R 19,462,378	R 24,672,909	R 33,092,137
Equity at End of Year	**R 20,733,979**	**R 25,510,889**	**R 35,715,695**
Equity % at Start of Year	92.7 %	88.6 %	90.5 %
Equity % at End of Year	**93.0 %**	**88.0 %**	**89.5 %**
FINANCING COSTS			
Bank Charges & Loan Fees	R 9,155	R 31,864	R 35,853
Interest	R 230,624	R 282,967	R 149,477
Lease Fees & Rentals	R 62,500	R 269,603	R 213,482
TOTAL FINANCING COSTS	**R 302,279**	**R 584,434**	**R 398,812**
Financing Costs as % Gross Revenue	**2.4 %**	**3.8 %**	**1.6 %**
Financing Costs per Hectare	R 2,364	R 3,269	R 1,569
Financing Costs per Cow	R 636	R 764	R 370
Financing Costs per kg Milksolids	R 1.16	R 1.83	R 0.80
Principal Repayments	R 639,253	R 1,227,559	R 2,597,987
TOTAL DEBT SERVICING COSTS	**R 941,532**	**R 1,811,993**	**R 2,996,800**
Total Debt Servicing Costs as % Revenue	**7.5 %**	**11.9 %**	**12.2 %**