

RED SKY FARM

BUSINESS ANALYSIS

Red Sky Farm Business Analysis (Red Sky) provides answers to the essential questions dairy, sheep, beef and cropping farmers ask everyday. In the one package Red Sky:



- develops annual accounts into relevant and useable management information;
- develops annual budgets and business plans;
- provides benchmarking measures for continuing business improvement;
- allows individuals to form and join groups over the internet to share data e.g. a 'discussion group' of like minded farmers could decide to share their individual data to look intensively at their comparative performance; and
- efficiently processes complex financial information and reduces it to readily understandable performance measures that make business decisions easier for farmers.

In addition, the Cash Flow function provides a rapid appraisal of financing requirements and will ensure that the reports can be used for a loan proposal or annual bank report. Should you have other livestock outside the main groupings, grow crops or have other investments, then Red Sky will also analyse the performance of these assets.

So if you have asked yourself any of the following questions then Red Sky has been designed for you;

- ✓ How is my farm performing?
- ✓ How might I improve that performance?
- ✓ Should I buy that block of land that is coming up for sale?
- ✓ What level of performance should I reasonably expect from my present land or from any new farm that I might wish to purchase?
- ✓ Should I be running more stock on my present farm?
- ✓ Should I be aiming for a higher level of stock performance?
- ✓ Should I be moving some of my assets to a different farming sector?
- ✓ Would I be better off if I were to buy an asset outside farming and if so, then how would the return on these other assets compare to my farm?
- ✓ Does my runoff or outpaddock provide me with a reasonable return on the money that is invested?
- ✓ What can I learn from my peers and what are the key characteristics of the best performers in my industry?



The mix of both financial and physical measurement is the key to analysing business performance and designing business plans. Along with producing ratios that determine return on assets as well as equity, there are ratios that determine debt level and equity growth, cash movement and degree of risk. On the physical side there are ratios that describe animal performance as well as calculations of pasture harvested per hectare and feed costs split between pasture, forages and concentrates. There are also a number of staff ratios that indicate level of performance in this area.

For more information about Red Sky and to download the program please visit our website at www.redskyagri.com For more specific information please contact David Beca on david@redskyagri.com or Leanne Gifford (NZ) on leanne@redskyagri.com or Fiona Smith (AUS) on fiona@redskyagri.com

Where should this farmer focus their efforts?



| OVERALL FARM BUSINESS ASSESSMENT | | JIM & JILL SMITH | | | | |
|--------------------------------------|---|----------------------------|----------------------------|---------------------------------|-----------------------------|--------------------|
| 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 | | | | | |
| 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 Expenses excl. Supplements, Irr'n & N | | | | | |

Summary Farm Performance - Dairy

Jim & Jill Smith
J. & J. Smith Farming Ltd

Operating Profit Per Cow - Dairy
Jim & Jill Smith
J. & J. Smith Farming Ltd

| | 2003/04 Actual | 2004/05 Actual | 2005/06 Budget | 2004/05 Tasmania Average | 2004/05 Tasmania Top 10% |
|--|----------------|----------------|----------------|--------------------------|--------------------------|
| PHYSICAL PARAMETERS | | | | | |
| Peak Milking Cow Numbers | 265 | 271 | 285 | | |
| Effective Milking Hectares | 87.0 | 87.0 | 87.0 | | |
| Milking Cows per Effective Milking Hectare | 3.05 | 3.11 | 3.28 | | |
| Milksolids per Cow | 441 | 431 | 431 | | |
| Milksolids per Effective Milking Hectare | 1,344 | 1,344 | 1,413 | | |
| Milkfat per Cow | 251 | 245 | 245 | | |
| Volume per Cow | 5,447 | 5,327 | 5,327 | | |
| Actual Milksolids Price (\$/kgMS) | \$ 3.94 | \$ 4.41 | \$ 4.22 | | |
| Actual Milkfat Price (\$/kgMF) | \$ 6.93 | \$ 7.76 | \$ 7.43 | | |
| Actual Litre Price (cents/litre) | 31.88 | 35.70 | 34.18 | | |
| Pasture Dry Matter Harvested (tDM/ha) | 9.4 | 9.5 | 10.4 | | |
| KEY PERFORMANCE INDICATORS | | | | | |
| Operating Profit per Hectare | \$ 1,446 | \$ 2,670 | \$ 3,046 | | |
| Operating Profit per Cow | \$ 475 | \$ 857 | \$ 930 | | |
| EQUITY % at 4-Yr Av Values | 61.2% | 67.2% | 67.6% | | |
| RETURN ON ASSETS (ROA) at 4-Yr Av Values | 5.5% | 8.0% | 9.5% | | |
| ROA including Capital Gain at 4-Yr Av Values | 6.4% | 14.5% | 9.5% | | |
| RETURN ON EQUITY (ROE) at 4-Yr Av Values | 4.0% | 9.0% | 10.3% | | |
| ROE including Capital Gain at 4-Yr Av Values | 5.5% | 19.6% | 10.3% | | |
| OPERATING PROFIT MARGIN | 25.5% | 40.5% | 43.6% | | |
| Comparative Cost of Production per kg Milksolids | \$ 2.86 | \$ 2.42 | \$ 2.06 | | |
| Comparative Cost of Production per kg Milkfat | \$ 5.04 | \$ 4.26 | \$ 3.64 | | |
| Total Operating Expenses as % Gross Revenue | 58.1% | 47.3% | 44.6% | | |
| Financing Costs as % Gross Revenue | 14.3% | 18.3% | 17.3% | | |
| Core Cost Structure per Cow | \$ 813 | \$ 795 | \$ 759 | | |
| Management + Staff Costs per Cow | \$ 262 | \$ 236 | \$ 228 | | |
| Cows per Full Time Staff Equivalent | 110 | 113 | 119 | | |
| Total Feed/Supplement Costs per Cow | \$ 573 | \$ 444 | \$ 422 | | |
| Pasture as % of Total Consumed | 52.5% | 52.6% | 54.8% | | |
| Average Cost of All Consumed Feed (/tDM) | \$ 221 | \$ 248 | \$ 237 | | |
| Pasture Cost (Per tDM) | \$ 179 | \$ 233 | \$ 216 | | |
| Forage Cost (/tDM Consumed incl.wastage) | \$ 260 | \$ 263 | \$ 261 | | |
| Concentrate Cost (/tDM Consumed incl.wastage) | | | \$ 340 | | |

| | 2003/04 Actual | 2004/05 Actual | 2005/06 Budget | 2004/05 Tasmania Average | 2004/05 Tasmania Top 10% |
|-------------------------------|----------------|----------------|----------------|--------------------------|--------------------------|
| REVENUE | | | | | |
| Manufacturing Milk Sales | \$ 1,737 | \$ 1,901 | \$ 1,821 | \$ 1,589 | \$ 1,753 |
| Quota/Contract/Winter Milk | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Livestock Revenue | \$ 120 | \$ 132 | \$ 232 | \$ 160 | \$ 193 |
| Other Revenue | \$ 6 | \$ 84 | \$ 80 | \$ 14 | \$ 8 |
| Gross Revenue | \$ 1,863 | \$ 2,118 | \$ 2,132 | \$ 1,763 | \$ 1,954 |
| EXPENSES | | | | | |
| Administration | \$ 25 | \$ 24 | \$ 23 | \$ 18 | \$ 18 |
| Animal Health | \$ 76 | \$ 67 | \$ 64 | \$ 42 | \$ 40 |
| Breeding & Her Dairy Shed Exp | | | | | |
| Electricity | | | | | |
| Feeds / Supplier | | | | | |
| - Grazing / Aq | | | | | |
| - Cropping (g | | | | | |
| - Grains, Poll | | | | | |
| - Forages (In | | | | | |
| Fertiliser (Total | | | | | |
| - Nitrogen | | | | | |
| - Phosphate / | | | | | |
| Freight | | | | | |
| Irrigation | | | | | |
| Other Expenses | | | | | |
| Pasture Mainta | | | | | |
| Repairs & Main | | | | | |
| Standing charg | | | | | |
| Vehicle Expens | | | | | |
| Weed & Pest C | | | | | |
| Management & | | | | | |
| - Wages, Sal | | | | | |
| - Imputed Lab | | | | | |
| Depreciation | | | | | |
| Gross Expens | | | | | |
| Gross Exp excl | | | | | |
| Core Cost Stru | | | | | |
| OPERATING I | | | | | |
| | \$ 320 | | | | |

Financial Farm Performance - Dairy

J. & J. Smith Farming Ltd
Jim & Jill Smith

