

Westpac
Dairy Business of the Year Competition

DAIRY BUSINESS
OF THE YEAR 

**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' ASSESSMENT 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 call us on free phone 1800-733 759 OR see more information on Red Sky at www.redskyagri.com

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Red Sky Farm Performance Analysis



Red Sky Agricultural Pty Ltd

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12th January 2011

Jim & Jill Smith

187 Main Street
 Bacchus Marsh
 VIC 3340



Dear Jim & Jill,

RE: RED SKY FARM PERFORMANCE ANALYSIS FOR YEAR END 30th JUNE 2010

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	South-West Average	South-West Top 10%
Return on Capital	4.2 %	3.1 %	7.6 %
Operating Profit per Hectare	\$ 1,182	\$ 540	\$ 1,588
Return on Equity	1.4 %	-0.1 %	8.0 %
Pasture Harvested Dryland (tDM/ha)	8.5	6.4	7.6
EFFICIENCY MEASURES			
Milk Production (litres/ha)	16,680	12,484	15,259
Milk Production (kgs milksolids/ha)	1,233	955	1,152
Average Cost of Consumed Feed (\$/tDM)	\$ 240	\$ 271	\$ 237
Forage Cost (\$/tDM)	\$ 166	\$ 267	\$ 267
Concentrate Cost (\$/tDM)	\$ 329	\$ 328	\$ 289
Cows per Full Time Staff Equivalent	103	140	168
Management & Staff Costs per Cow	\$ 588	\$ 397	\$ 367
Core per Cow Cost	\$ 520	\$ 481	\$ 454
Core per Hectare Cost/tDM Pasture Harvest	\$ 63	\$ 104	\$ 89
RISK MEASURES			
Operating Profit Margin	19 %	11 %	27 %
Cost of Production per Litre	27.3 cents	31.6 cents	26.0 cents
Cost of Production per kg Milksolids	\$ 3.69	\$ 4.13	\$ 3.44
Pasture as % of Diet Consumed	63 %	60 %	63 %
SOLVENCY MEASURE			
Equity %	54 %	65 %	61 %

KPI's – Profitability

<i>Return on Capital</i>	4.2%
<i>Operating Profit per Hectare</i>	\$1,182/ha
<i>Return on Equity</i>	1.4%
<i>Pasture Harvest - Dryland</i>	8.45 tDM/ha

Red Sky Farm Performance Analysis

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 significantly higher than the Average but 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.

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 dryland pasture harvest result of 8.5 tDM/ha is higher than the Top 10%. There are a number of possible reasons for this. Specifically, your relatively high stocking rate, relatively moderate 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

Milk Production	16,680 litres/ha & 1,233 kgsMS/ha
Average Cost of Consumed Feed	\$240/tDM
Forage Cost	\$166/tDM
Concentrate Cost	\$329/tDM
Cows/Full Time Staff Equivalent	103
Management & Staff Costs/cow	\$588 per cow
Core per Cow Costs	\$520 per cow
Core per Ha Costs / tDM Pasture	\$63 per hectare per tDM pasture harvest

Milk Production

Your **Milk Production** per hectare is 7% above the Top 10%. The factors contributing to this are:

- milk production per cow of 553 kgs milksolids (7,478 litres) that is 8% above the Top 10%; and
- stocking rate of 2.23 cows/ha that is 13% above the Average, and similar to the Top 10%.

In this situation both stocking rate and per cow production may be worth targeting for further increases, although more information would be required to confirm the likely impact

Red Sky Farm Performance Analysis

on profitability of lifts in these ratios. It is also possible that neither of these ratios should be targeted for further increases.

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 \$240 per tonne dry matter is midway between the Average and Top 10%. 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 positively influenced by your high pasture harvest, and low Direct Pasture Costs (which includes pasture renovation, greenfeed crops, fertiliser, weeds & pests, and hay & silage conservation on the dairy unit).

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

Your **Cost of Concentrates** is similar to the 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 Top 10% could result in a saving of \$28,100.

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 103 cows milked per full time staff equivalent (Cows/FTE) is significantly 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 significantly higher than the Average. 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.

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Core per Hectare Cost per tDM Pasture Harvest 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 and Breeding and Electricity*: these are significantly higher than the benchmarks and should offer some potential for cost-saving.
- *Repairs & Maintenance*: 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 benchmarks.

Your **Core per Hectare Cost per tDM Pasture Harvest** is lower than the Top 10% (although where drought or other climatic issues significantly impact on pasture harvest then this comparison can lack relevance).

This is a strong feature of your operation and suggests there is a positive balance between expenditure in this area and the most important outcome from this expenditure; pasture harvest.

Such a low level of expenditure per tDM harvested poses the question of whether the asset base is being adequately maintained, especially in regards to low phosphate fertiliser application and pasture renovation costs. Could expenditure in these areas cost-effectively increase pasture harvest and profitability?

Specific costs per hectare that warrant further attention include:

- *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

Equity %	54%
Operating Profit Margin	19%
Cost of Production	\$3.69/kgMS & 27.3cents/litre
Pasture as % Feed Consumed	63%

Equity

Your **Equity %** is comparatively low and indicates a potentially weak 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 19% is a good result compared to your peers for a moderate supplement operation. This represents a moderate margin available for debt servicing or to absorb changes in milk or feed prices, so 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.

Red Sky Farm Performance Analysis

Your Cost of Production of \$3.69/kgMS (27.3 cents/litre) is a reasonable result compared to your peers, and is midway between the Average and Top 10%. This leaves a satisfactory margin for debt servicing or to absorb changes in milk or feed prices, although it would still be advisable to look at options to lower this ratio.

Pasture as % of Feed consumed

Your **Pasture as % of Feed Consumed** of 63% indicates a system of moderate 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 satisfactory 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. Although there may still be opportunities to increase milk production further through increasing the stocking rate and/or level of milk production per cow, further analysis would be beneficial prior to targeting any changes.
- *Pasture Production:* your level of pasture production is very good compared to your peers.
- *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 per tDM Pasture Harvest:* overall your costs per tDM pasture harvest are low. Care should be taken to ensure that sufficient expense is being outlaid to maintain the productive capacity of your assets.

Areas for consideration and/or for further investigation:


- *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

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.

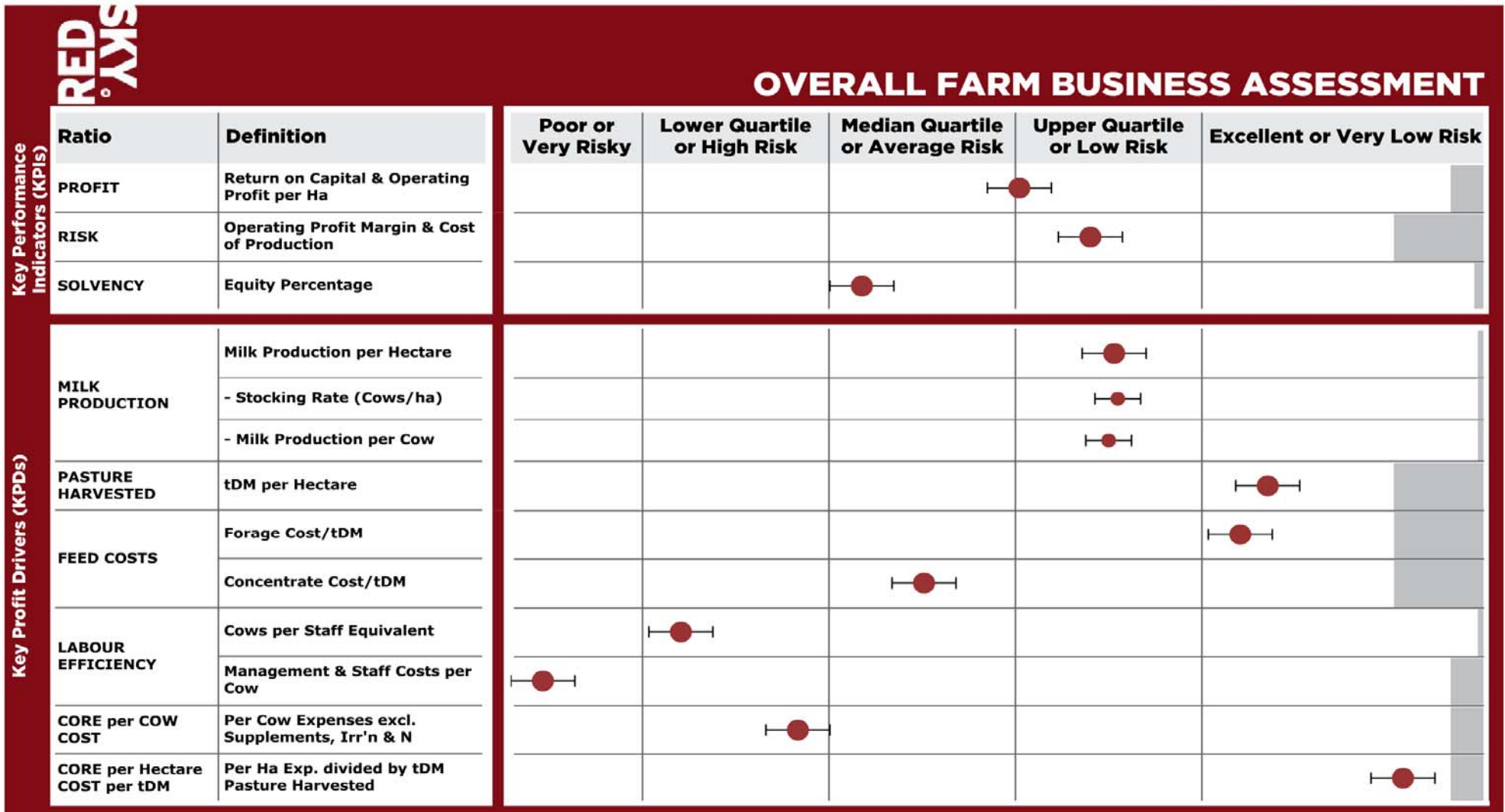
Yours sincerely,



Fiona Smith

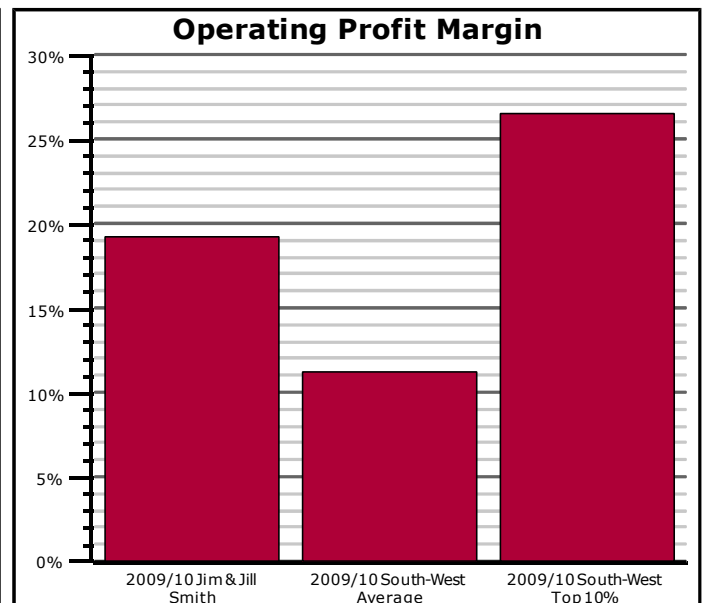
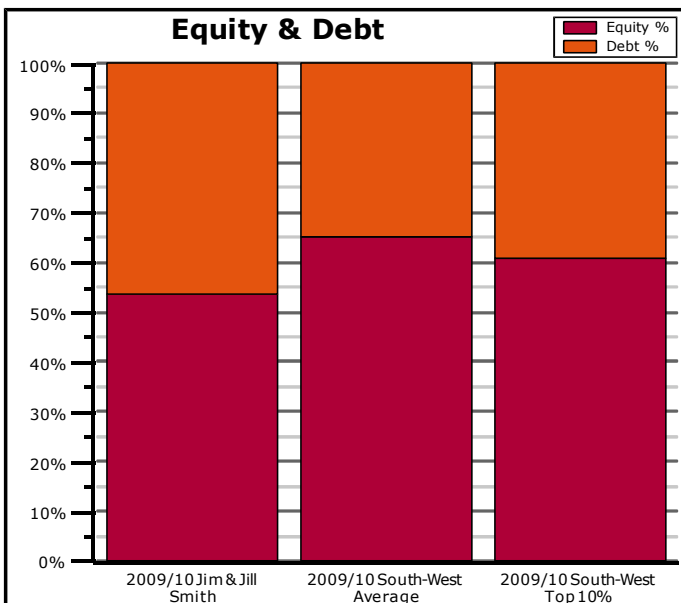
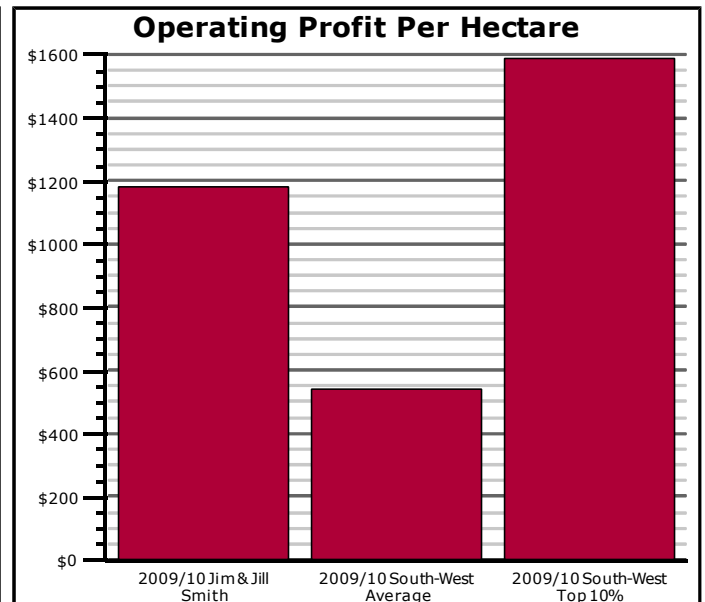
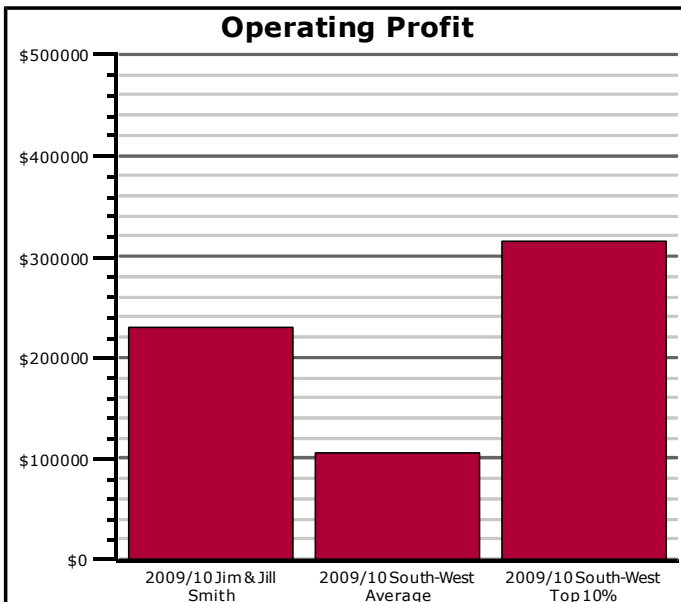
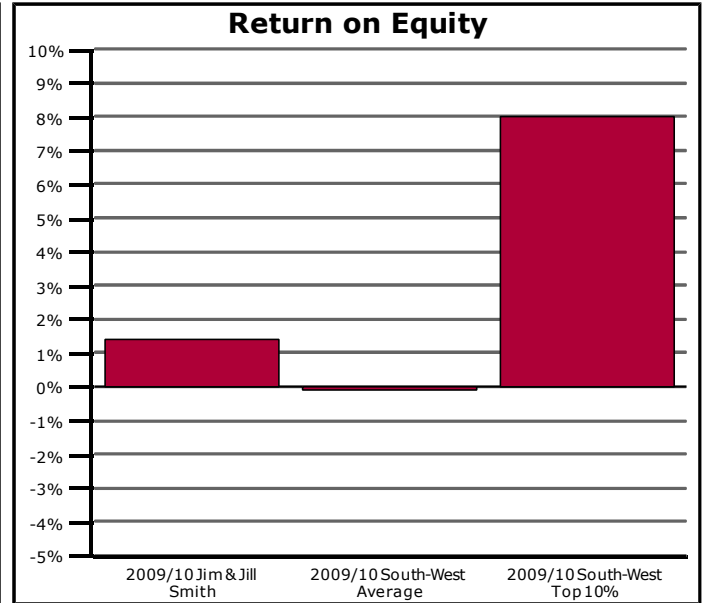
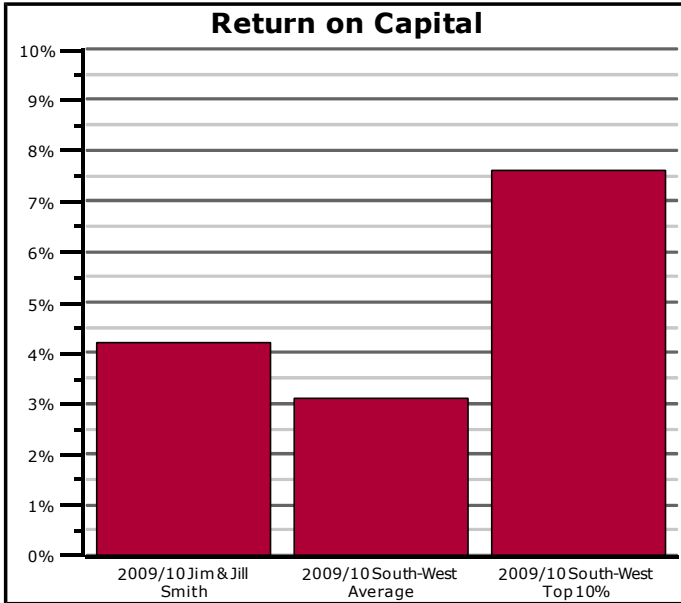
General Manager

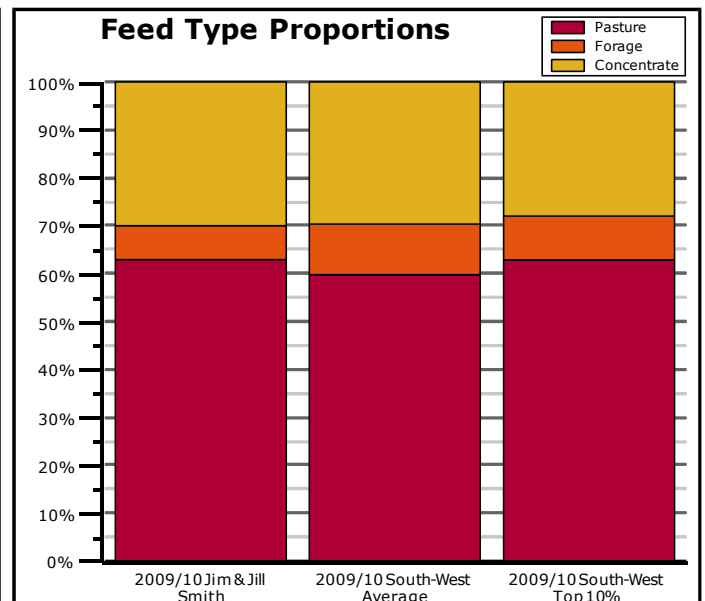
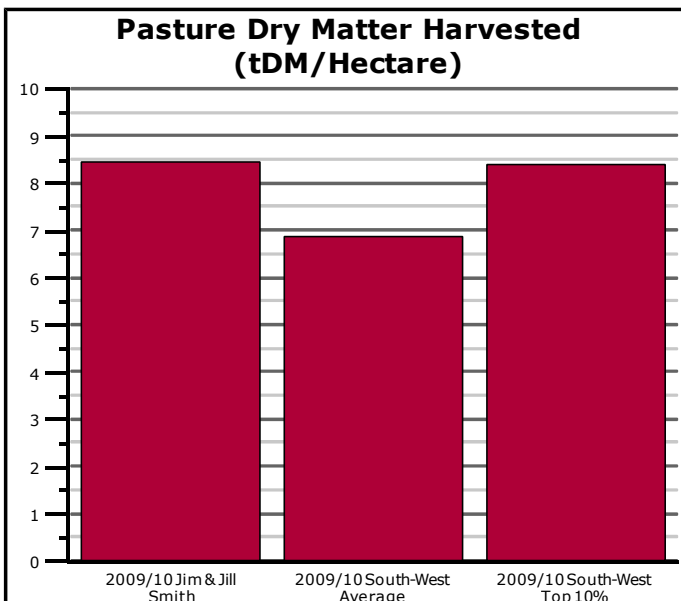
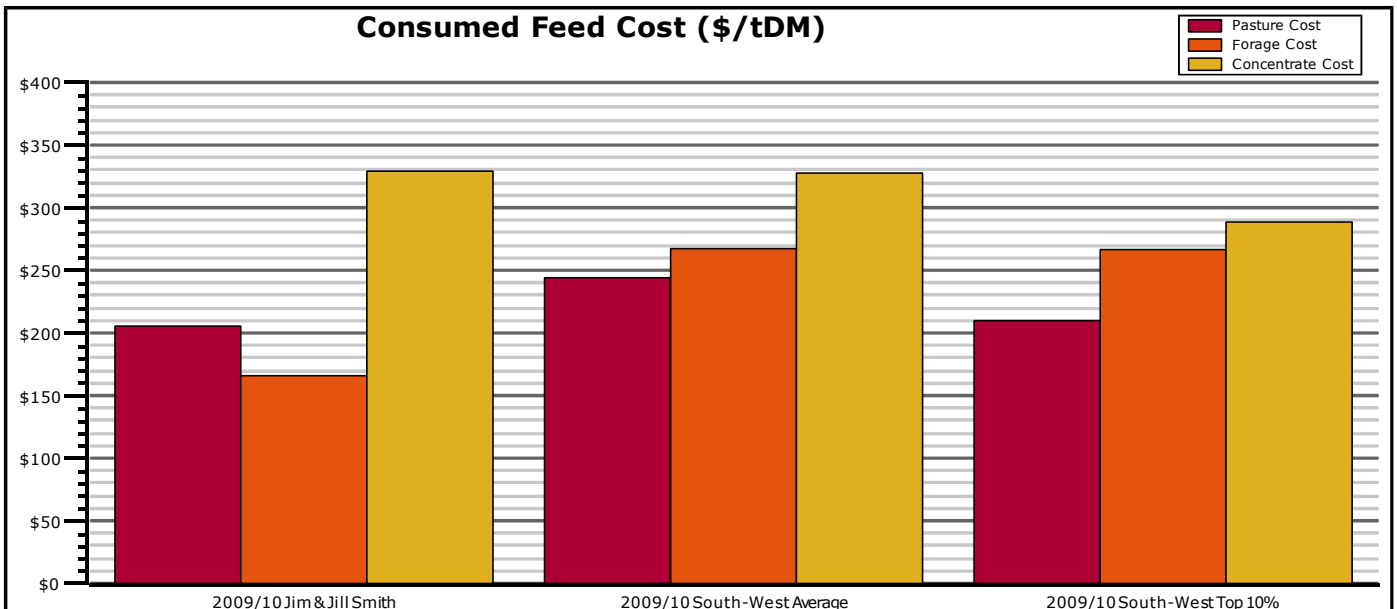
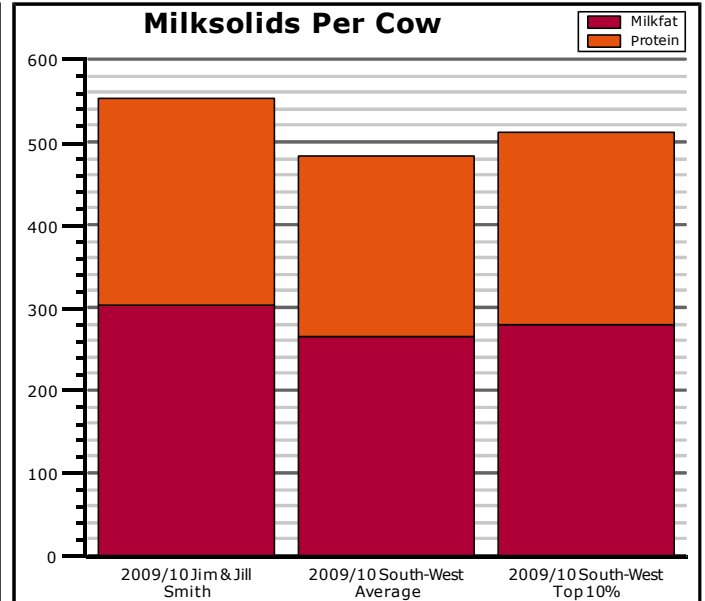
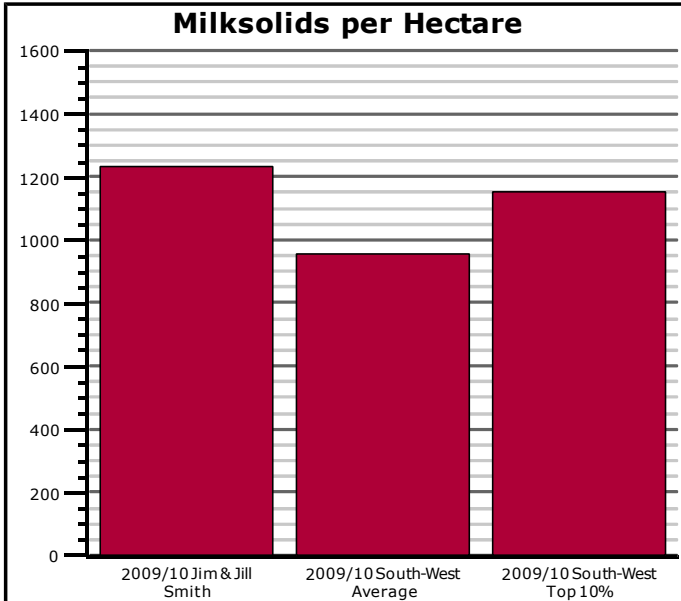
Red Sky Agricultural Pty Ltd



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





Summary Farm Performance - Dairy

J. & J. Smith
Jim & Jill Smith

DAIRY BUSINESS
OF THE YEAR 

	2009/10 Jim & Jill Smith	2009/10 South-West Average	2009/10 South-West Top 10%
PHYSICAL PARAMETERS			
Number of Cows in Herd	434	386	447
Total Effective Dairy Hectares	202.0	205.3	205.4
Effective Milking Hectares	194.6	195.3	198.4
Cows per Milking Hectare	2.23	1.98	2.25
Litres per Cow	7,478	6,316	6,774
Milksolids per Cow	553	483	511
Litres per Milking Hectare	16,680	12,484	15,259
Milksolids per Milking Hectare	1,233	955	1,152
Litre Price (cents/litre)	34.36	35.88	36.32
Milksolids Price (\$/kgMS)	\$ 4.65	\$ 4.69	\$ 4.81
Pasture Dry Matter Harvested (tDM/Ha)	8.5	6.9	8.4
KEY PERFORMANCE INDICATORS			
Operating Profit per Hectare	\$ 1,182	\$ 540	\$ 1,588
Operating Profit per Cow	\$ 530	\$ 273	\$ 705
Total Assets per Ha at Start of Year (4-Yr Av Values)	\$ 22,273	\$ 18,756	\$ 19,998
EQUITY % at 4-Yr Av Values	53.6 %	65.1 %	60.8 %
RETURN ON CAPITAL (ROC) at 4-Yr Av Values	4.2 %	3.1 %	7.6 %
Return on Assets (ROA) at 4-Yr Av Values	4.4 %	2.8 %	8.1 %
ROA including Capital Gain at 4-Yr Av Values	0.7 %	-4.6 %	3.3 %
RETURN ON EQUITY (ROE) at 4-Yr Av Values	1.4 %	-0.1 %	8.0 %
ROE including Capital Gain at 4-Yr Av Values	-5.4 %	-10.4 %	0.5 %
OPERATING PROFIT MARGIN	19.2 %	11.2 %	26.5 %
Cost of Production per Litre	27.3	31.6	26.0
Financing Costs per Litre	7.6	6.0	4.6
Cost of Prod'n + Financing Cost per Litre	0.0	37.6	30.6
Cost of Production per kg Milksolids	\$ 3.69	\$ 4.13	\$ 3.44
Financing Costs per kg Milksolids	\$ 1.02	\$ 0.78	\$ 0.61
Total Operating Expenses as % Gross Revenue	77.2 %	82.2 %	66.2 %
Financing Costs as % Gross Revenue	20.4 %	15.4 %	11.8 %
Core per Cow Cost	\$ 520	\$ 481	\$ 454
Core per Hectare Cost	\$ 536	\$ 718	\$ 743
Core per Hectare Cost per tDM Pasture Harvest	\$ 63	\$ 104	\$ 89
Management + Staff Costs per Cow	\$ 588	\$ 397	\$ 367
Cows per Full Time Staff Equivalent	103	140	168
Total Feed/Supplement Costs per Cow	\$ 888	\$ 896	\$ 762
Pasture as % of Total Consumed	62.9 %	59.8 %	62.8 %
Average Cost of All Consumed Feed (/tDM)	\$ 240	\$ 271	\$ 237
Pasture Cost (Per tDM)	\$ 206	\$ 244	\$ 210
Forage Cost (/tDM Consumed incl.wastage)	\$ 166	\$ 267	\$ 267
Concentrate Cost (/tDM Consumed incl.wastage)	\$ 329	\$ 328	\$ 289

Physical Summary - Dairy

J. & J. Smith
Jim & Jill Smith

DAIRY BUSINESS
OF THE YEAR 

	2009/10 Jim & Jill Smith	2009/10 South-West Average	2009/10 South-West Top 10%
PHYSICAL PARAMETERS			
Number of Cows in Herd	434	386	447
Effective Milking Hectares	194.6	195.3	198.4
Cows per Milking Hectare	2.23	1.98	2.25
Litre Price (cents/litre)	34.36	35.88	36.32
Milksolids Price (\$/kgMS)	\$ 4.65	\$ 4.69	\$ 4.81
Total Litres	3,245,316	2,437,979	3,028,023
Total Milksolids (Milkfat + Protein)	239,862	186,498	228,634
Litres per Cow	7,478	6,316	6,774
Milksolids per Cow	553	483	511
Litres per Milking Hectare	16,680	12,484	15,259
Milksolids per Milking Hectare	1,233	955	1,152
Milkfat Percentage	4.05 %	4.19 %	4.12 %
Protein Percentage	3.34 %	3.46 %	3.43 %
Protein as a Percentage of Milkfat	82.5 %	82.6 %	83.3 %
PASTURE & SUPPLEMENTS			
Pasture Dry Matter Harvested (tDM/Ha)	8.5	6.9	8.4
Estimated Dryland Pasture Harvest (tDM/Ha)	8.5	6.4	7.6
Estimated Irrigated Pasture Harvest (tDM/Ha)	0.0	11.6	13.7
Nitrogen Applied per Hectare	184.0	157.2	202.5
Pasture as % of Total Consumed	62.9 %	59.8 %	62.8 %
Supplement as % of Total Consumed	37.1 %	40.2 %	37.2 %
- Forage as % of Total Consumed	7.1 %	10.5 %	9.2 %
- Concentrate as % of Total Consumed	30.0 %	29.8 %	28.0 %
Pasture Consumed Per Cow (estimated tDM)	3.80	3.35	3.61
Forage Consumed Per Cow (estimated tDM)	0.50	0.68	0.61
Concentrate Consumed Per Cow (estimated tAF)	1.77	1.63	1.57
Total Consumed Per Cow (estimated tDM)	5.89	5.49	5.63
Feed Conversion Efficiency (kgsDM/kgMS)	10.83	11.37	11.03
Total Feed/Supplement Costs per Cow	\$ 888	\$ 896	\$ 762
Average Cost of All Consumed Feed (/tDM)	\$ 240	\$ 271	\$ 237
Pasture Cost (Per tDM)	\$ 206	\$ 244	\$ 210
- Direct Pasture Cost (Per tDM)	\$ 43	\$ 99	\$ 81
- Variable Pasture Cost (Per tDM)	\$ 62	\$ 43	\$ 40
- Capital Pasture Cost (Per tDM)	\$ 101	\$ 103	\$ 88
Average Cost of All Supplements (/tDM Consumed)	\$ 298	\$ 312	\$ 283
Forage Cost (/tDM Consumed incl.wastage)	\$ 166	\$ 267	\$ 267
- Purchased Forage Cost (Per tDM)	\$ 134	\$ 182	\$ 187
- Variable Forage Cost (Per tDM)	\$ 19	\$ 33	\$ 31
- Capital Forage Cost (Per tDM)	\$ 6	\$ 14	\$ 15
Concentrate Cost (/tDM Consumed incl.wastage)	\$ 329	\$ 328	\$ 289
- Purchased Concentrate Cost (Per tDM)	\$ 300	\$ 302	\$ 266
- Variable Concentrate Cost (Per tDM)	\$ 15	\$ 10	\$ 9
- Capital Concentrate Cost (Per tDM)	\$ 8	\$ 7	\$ 6
Pasture Cost (Cents Per MJ ME)	1.87	2.22	1.91
Forage Cost (Cents Per MJ ME Consumed)	4.87	2.89	2.88
Concentrate Cost (Cents Per MJ ME Consumed)	2.74	2.68	2.38

Operating Profit Per Cow - Dairy

J. & J. Smith
Jim & Jill Smith

DAIRY BUSINESS
OF THE YEAR 

	2009/10 Jim & Jill Smith	2009/10 South-West Average	2009/10 South-West Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 2,570	\$ 2,266	\$ 2,460
Quota/Contract/Dividends for Milk	\$ 0	\$ 4	\$ 6
Livestock Revenue	\$ 193	\$ 158	\$ 174
Other Revenue	\$ 3	\$ 13	\$ 17
Gross Revenue	\$ 2,767	\$ 2,441	\$ 2,657
EXPENSES			
Administration	\$ 20	\$ 43	\$ 39
Animal Health	\$ 71	\$ 60	\$ 58
Breeding & Herd Testing	\$ 64	\$ 45	\$ 40
Dairy Shed Expenses	\$ 25	\$ 26	\$ 26
Electricity	\$ 44	\$ 39	\$ 35
Feeds / Supplements (Total)	\$ 888	\$ 896	\$ 762
- Grazing / Agistment	\$ 116	\$ 134	\$ 127
- Cropping (green feed)	\$ 0	\$ 2	\$ 3
- Grains, Pellets & Concentrates	\$ 533	\$ 528	\$ 458
- Forages (incl. hay, silages, byproducts)	\$ 239	\$ 230	\$ 175
Fertiliser (Total)	\$ 135	\$ 220	\$ 208
- Nitrogen	\$ 116	\$ 138	\$ 131
- Phosphate & All Other Fertiliser	\$ 19	\$ 82	\$ 77
Freight	\$ 12	\$ 6	\$ 5
Irrigation	\$ 0	\$ 30	\$ 37
Other Expenses	\$ 6	\$ 5	\$ 4
Pasture Maintenance & Renovation	\$ 14	\$ 53	\$ 35
Repairs & Maintenance	\$ 143	\$ 96	\$ 94
Standing charges	\$ 50	\$ 59	\$ 58
Vehicle Expenses (including fuel & oil)	\$ 54	\$ 57	\$ 51
Weed & Pest Control	\$ 6	\$ 16	\$ 13
Management & Staff Expenses	\$ 588	\$ 397	\$ 367
- Wages, Salaries & Employment Exp.	\$ 475	\$ 252	\$ 210
- Imputed Labour & Management	\$ 113	\$ 145	\$ 157
Depreciation	\$ 116	\$ 120	\$ 121
Gross Expenses	\$ 2,237	\$ 2,168	\$ 1,952
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 2,008	\$ 1,903	\$ 1,674
Core per Cow Cost	\$ 520	\$ 481	\$ 454
OPERATING PROFIT (LOSS)	\$ 530	\$ 273	\$ 705

Operating Profit Per Hectare - Dairy

J. & J. Smith
Jim & Jill Smith

DAIRY BUSINESS
OF THE YEAR 

	2009/10 Jim & Jill Smith	2009/10 South-West Average	2009/10 South-West Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 5,733	\$ 4,479	\$ 5,542
Quota/Contract/Dividends for Milk	\$ 0	\$ 9	\$ 13
Livestock Revenue	\$ 431	\$ 312	\$ 391
Other Revenue	\$ 7	\$ 26	\$ 39
Gross Revenue	\$ 6,171	\$ 4,826	\$ 5,984
EXPENSES			
Administration	\$ 44	\$ 86	\$ 87
Animal Health	\$ 158	\$ 119	\$ 131
Breeding & Herd Testing	\$ 143	\$ 88	\$ 89
Dairy Shed Expenses	\$ 55	\$ 52	\$ 59
Electricity	\$ 98	\$ 76	\$ 78
Feeds / Supplements (Total)	\$ 1,981	\$ 1,770	\$ 1,717
- Grazing / Agistment	\$ 259	\$ 266	\$ 286
- Cropping (green feed)	\$ 0	\$ 5	\$ 8
- Grains, Pellets & Concentrates	\$ 1,188	\$ 1,044	\$ 1,031
- Forages (incl. hay, silages, byproducts)	\$ 534	\$ 455	\$ 393
Fertiliser (Total)	\$ 302	\$ 435	\$ 468
- Nitrogen	\$ 259	\$ 272	\$ 295
- Phosphate & All Other Fertiliser	\$ 43	\$ 163	\$ 173
Freight	\$ 26	\$ 12	\$ 11
Irrigation	\$ 0	\$ 59	\$ 84
Other Expenses	\$ 13	\$ 10	\$ 8
Pasture Maintenance & Renovation	\$ 32	\$ 104	\$ 79
Repairs & Maintenance	\$ 320	\$ 190	\$ 212
Standing charges	\$ 111	\$ 117	\$ 130
Vehicle Expenses (including fuel & oil)	\$ 121	\$ 112	\$ 114
Weed & Pest Control	\$ 14	\$ 31	\$ 29
Management & Staff Expenses	\$ 1,312	\$ 785	\$ 827
- Wages, Salaries & Employment Exp.	\$ 1,060	\$ 498	\$ 473
- Imputed Labour & Management	\$ 253	\$ 287	\$ 354
Depreciation	\$ 259	\$ 236	\$ 272
Gross Expenses	\$ 4,990	\$ 4,285	\$ 4,397
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 4,478	\$ 3,762	\$ 3,771
Core per Hectare Cost	\$ 536	\$ 718	\$ 743
OPERATING PROFIT (LOSS)	\$ 1,182	\$ 540	\$ 1,588

Operating Profit Per MilkSolids

J. & J. Smith
Jim & Jill Smith

DAIRY BUSINESS
OF THE YEAR 

	2009/10 Jim & Jill Smith	2009/10 South-West Average	2009/10 South-West Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 4.65	\$ 4.69	\$ 4.81
Quota/Contract/Dividends for Milk	\$ 0.00	\$ 0.01	\$ 0.01
Livestock Revenue	\$ 0.35	\$ 0.33	\$ 0.34
Other Revenue	\$ 0.01	\$ 0.03	\$ 0.03
Gross Revenue	\$ 5.01	\$ 5.05	\$ 5.19
EXPENSES			
Administration	\$ 0.04	\$ 0.09	\$ 0.08
Animal Health	\$ 0.13	\$ 0.12	\$ 0.11
Breeding & Herd Testing	\$ 0.12	\$ 0.09	\$ 0.08
Dairy Shed Expenses	\$ 0.04	\$ 0.05	\$ 0.05
Electricity	\$ 0.08	\$ 0.08	\$ 0.07
Feeds / Supplements (Total)	\$ 1.61	\$ 1.85	\$ 1.49
- Grazing / Agistment	\$ 0.21	\$ 0.28	\$ 0.25
- Cropping (green feed)	\$ 0.00	\$ 0.01	\$ 0.01
- Grains, Pellets & Concentrates	\$ 0.96	\$ 1.09	\$ 0.89
- Forages (incl. hay, silages, byproducts)	\$ 0.43	\$ 0.48	\$ 0.34
Fertiliser (Total)	\$ 0.24	\$ 0.46	\$ 0.41
- Nitrogen	\$ 0.21	\$ 0.29	\$ 0.26
- Phosphate & All Other Fertiliser	\$ 0.03	\$ 0.17	\$ 0.15
Freight	\$ 0.02	\$ 0.01	\$ 0.01
Irrigation	\$ 0.00	\$ 0.06	\$ 0.07
Other Expenses	\$ 0.01	\$ 0.01	\$ 0.01
Pasture Maintenance & Renovation	\$ 0.03	\$ 0.11	\$ 0.07
Repairs & Maintenance	\$ 0.26	\$ 0.20	\$ 0.18
Standing charges	\$ 0.09	\$ 0.12	\$ 0.11
Vehicle Expenses (including fuel & oil)	\$ 0.10	\$ 0.12	\$ 0.10
Weed & Pest Control	\$ 0.01	\$ 0.03	\$ 0.02
Management & Staff Expenses	\$ 1.06	\$ 0.82	\$ 0.72
- Wages, Salaries & Employment Exp.	\$ 0.86	\$ 0.52	\$ 0.41
- Imputed Labour & Management	\$ 0.20	\$ 0.30	\$ 0.31
Depreciation	\$ 0.21	\$ 0.25	\$ 0.24
Gross Expenses	\$ 4.05	\$ 4.49	\$ 3.82
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 3.63	\$ 3.94	\$ 3.27
Core Cost Structure per kg MilkSolid	\$ 2.44	\$ 2.57	\$ 2.25
OPERATING PROFIT (LOSS)	\$ 0.96	\$ 0.57	\$ 1.38

Operating Profit Per Litre

J. & J. Smith
Jim & Jill Smith

DAIRY BUSINESS
OF THE YEAR 

	2009/10 Jim & Jill Smith	2009/10 South-West Average	2009/10 South-West Top 10%
REVENUE			
Manufacturing Milk Sales	34.37	35.88	36.32
Quota/Contract/Dividends for Milk	0.00	0.07	0.08
Livestock Revenue	2.59	2.50	2.56
Other Revenue	0.04	0.21	0.25
Gross Revenue	37.00	38.65	39.22
EXPENSES			
Administration	0.26	0.69	0.57
Animal Health	0.95	0.96	0.86
Breeding & Herd Testing	0.86	0.70	0.59
Dairy Shed Expenses	0.33	0.42	0.39
Electricity	0.59	0.61	0.51
Feeds / Supplements (Total)	11.88	14.18	11.25
- Grazing / Agistment	1.55	2.13	1.87
- Cropping (green feed)	0.00	0.04	0.05
- Grains, Pellets & Concentrates	7.12	8.37	6.75
- Forages (incl. hay, silages, byproducts)	3.20	3.65	2.58
Fertiliser (Total)	1.81	3.49	3.07
- Nitrogen	1.56	2.18	1.93
- Phosphate & All Other Fertiliser	0.26	1.30	1.14
Freight	0.16	0.10	0.07
Irrigation	0.00	0.47	0.55
Other Expenses	0.08	0.08	0.05
Pasture Maintenance & Renovation	0.19	0.83	0.52
Repairs & Maintenance	1.92	1.52	1.39
Standing charges	0.67	0.94	0.85
Vehicle Expenses (including fuel & oil)	0.73	0.90	0.75
Weed & Pest Control	0.09	0.25	0.19
Management & Staff Expenses	7.87	6.29	5.42
- Wages, Salaries & Employment Exp.	6.35	3.99	3.10
- Imputed Labour & Management	1.51	2.30	2.32
Depreciation	1.55	1.89	1.78
Gross Expenses	29.91	34.33	28.81
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	26.85	30.13	24.71
Core Cost Structure per Litre	18.04	19.66	17.00
OPERATING PROFIT (LOSS)	7.08	4.33	10.40

Operating Profit - Dairy

J. & J. Smith
Jim & Jill Smith

DAIRY BUSINESS
OF THE YEAR 

	2009/10 Jim & Jill Smith	2009/10 South-West Average	2009/10 South-West Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 1,115,358	\$ 874,677	\$ 1,099,728
Quota/Contract/Dividends for Milk	\$ 0	\$ 1,667	\$ 2,509
Livestock Sales	\$ 58,175	\$ 63,572	\$ 72,555
- Less Livestock Purchases	(\$ 2,426)	(\$ 7,362)	(\$ 5,814)
Other Revenue	\$ 1,401	\$ 5,146	\$ 7,645
Total Operating Revenue	\$ 1,172,509	\$ 937,700	\$ 1,176,624
EXPENSES			
Administration	\$ 8,567	\$ 16,745	\$ 17,125
Animal Health	\$ 30,730	\$ 23,309	\$ 25,987
Breeding & Herd Testing	\$ 27,847	\$ 17,187	\$ 17,714
Dairy Shed Expenses	\$ 10,701	\$ 10,211	\$ 11,772
Electricity	\$ 19,003	\$ 14,862	\$ 15,451
Feeds / Supplements (Total)	\$ 363,015	\$ 316,869	\$ 317,523
- Grazing / Agistment	\$ 46,574	\$ 22,994	\$ 29,576
- Cropping (green feed)	\$ 0	\$ 2,206	\$ 1,555
- Grains, Pellets & Concentrates	\$ 231,228	\$ 202,190	\$ 205,134
- Forages (incl. hay, silages, byproducts)	\$ 85,213	\$ 89,479	\$ 81,258
Fertiliser (Total)	\$ 58,747	\$ 95,331	\$ 98,359
- Nitrogen	\$ 50,469	\$ 59,650	\$ 60,410
- Phosphate & All Other Fertiliser	\$ 8,278	\$ 35,681	\$ 37,949
Freight	\$ 5,076	\$ 2,429	\$ 2,199
Irrigation	\$ 0	\$ 15,500	\$ 26,566
Other Expenses	\$ 2,562	\$ 1,939	\$ 1,499
Pasture Maintenance & Renovation	\$ 6,185	\$ 21,024	\$ 15,747
Repairs & Maintenance	\$ 140,065	\$ 90,759	\$ 88,607
Standing charges	\$ 21,598	\$ 22,818	\$ 25,569
Vehicle Expenses (including fuel & oil)	\$ 23,603	\$ 21,957	\$ 22,689
Weed & Pest Control	\$ 2,801	\$ 6,077	\$ 5,680
Wages, Salaries & Employment Exp.	\$ 206,194	\$ 97,264	\$ 93,830
Total Operating Expenses	\$ 926,695	\$ 774,281	\$ 786,316
OPERATING SURPLUS	\$ 245,813	\$ 163,419	\$ 390,308
ADJUSTMENTS			
+ Change in Livestock Numbers	\$ 28,191	\$ 4,681	\$ 10,877
+ Change in Feeds/Supplements on Hand	(\$ 18,610)	(\$ 1,202)	\$ 3,817
- Imputed Labour & Management	\$ 49,146	\$ 56,004	\$ 70,330
- Depreciation	\$ 50,405	\$ 46,184	\$ 53,918
+ Other Revenue Adjustments	\$ 0	\$ 16	\$ 43
- Other Expenses Adjustments	(\$ 74,035)	(\$ 40,809)	(\$ 34,258)
Total Adjustments	(\$ 15,935)	(\$ 57,884)	(\$ 75,254)
OPERATING PROFIT (LOSS)	\$ 229,878	\$ 105,534	\$ 315,054

Balance Sheet (Market Values) - Dairy

J. & J. Smith
Jim & Jill Smith

DAIRY BUSINESS
OF THE YEAR 

	2009/10 Jim & Jill Smith	2009/10 South-West Average	2009/10 South-West Top 10%
ASSETS AT START OF YEAR			
Land & Buildings	\$ 3,469,939	\$ 2,920,546	\$ 2,971,955
Livestock	\$ 905,654	\$ 534,634	\$ 617,808
Vehicles, Plant & Machinery	\$ 261,659	\$ 120,499	\$ 107,938
Dairy Company Shares	\$ 0	\$ 23,974	\$ 29,600
Other Assets	\$ 0	\$ 348,016	\$ 412,220
TOTAL ASSETS AT START OF YEAR	\$ 4,637,251	\$ 3,947,669	\$ 4,139,521
Total Assets per Acre	\$ 9,014	\$ 7,699	\$ 8,171
Land, Bldgs & Dairy Co. Shares per Acre	\$ 6,745	\$ 5,742	\$ 5,924
Total Assets per Hectare	\$ 22,273	\$ 19,023	\$ 20,189
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 16,667	\$ 14,189	\$ 14,639
Total Assets per Cow	\$ 10,685	\$ 10,227	\$ 9,261
ASSETS AT END OF YEAR			
Land & Buildings	\$ 3,469,939	\$ 2,824,258	\$ 2,724,530
Livestock	\$ 933,845	\$ 540,711	\$ 626,267
Vehicles, Plant & Machinery	\$ 261,659	\$ 131,084	\$ 141,916
Dairy Company Shares	\$ 0	\$ 25,856	\$ 33,392
Other Assets	\$ 0	\$ 404,907	\$ 455,089
TOTAL ASSETS AT END OF YEAR	\$ 4,665,442	\$ 3,926,816	\$ 3,981,194
Total Assets per Acre	\$ 9,069	\$ 7,709	\$ 8,012
Land, Bldgs & Dairy Co. Shares per Acre	\$ 6,745	\$ 5,595	\$ 5,550
Total Assets per Hectare	\$ 22,409	\$ 19,048	\$ 19,797
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 16,667	\$ 13,825	\$ 13,714
Total Assets per Cow	\$ 10,750	\$ 10,173	\$ 8,906
LIABILITIES AT START OF YEAR			
Current Liabilities less Current Assets	\$ 439,450	\$ 77,917	\$ 79,594
Long Term Liabilities	\$ 1,647,529	\$ 1,022,923	\$ 1,444,084
Total Liabilities at Start of Year	\$ 2,086,979	\$ 1,100,840	\$ 1,523,678
Total Liabilities per Cow	\$ 4,809	\$ 2,852	\$ 3,409
Total Liabilities per kg Milksolids	\$ 8.70	\$ 5.90	\$ 6.66
LIABILITIES AT END OF YEAR			
Current Liabilities less Current Assets	\$ 324,287	\$ 100,640	\$ 127,328
Long Term Liabilities	\$ 1,840,932	\$ 1,250,568	\$ 1,423,223
Total Liabilities at End of Year	\$ 2,165,219	\$ 1,351,208	\$ 1,550,551
Total Liabilities per Cow	\$ 4,989	\$ 3,501	\$ 3,469
Total Liabilities per kg Milksolids	\$ 9.03	\$ 7.25	\$ 6.78
EQUITY			
Equity at Start of Year	\$ 2,550,272	\$ 2,846,829	\$ 2,615,843
Equity at End of Year	\$ 2,500,223	\$ 2,575,608	\$ 2,430,643
Equity % at Start of Year	55.0 %	72.1 %	63.2 %
Equity % at End of Year	53.6 %	65.6 %	61.1 %
FINANCING COSTS			
Bank Charges & Loan Fees	\$ 4,731	\$ 6,323	\$ 4,746
Interest	\$ 163,520	\$ 105,299	\$ 120,323
Lease Fees & Rentals	\$ 76,815	\$ 33,890	\$ 15,398
TOTAL FINANCING COSTS	\$ 245,066	\$ 145,511	\$ 140,468
Financing Costs as % Gross Revenue	20.4 %	15.4 %	11.8 %
Financing Costs per Hectare	\$ 1,260	\$ 745	\$ 708
Financing Costs per Cow	\$ 565	\$ 377	\$ 314
Financing Costs per kg Milksolids	\$ 1.02	\$ 0.78	\$ 0.61
Principal Repayments	\$ 256,917	\$ 10,444	\$ 132,694
TOTAL DEBT SERVICING COSTS	\$ 501,983	\$ 155,956	\$ 273,162
Total Debt Servicing Costs as % Revenue	41.8 %	16.5 %	23.0 %