

Westpac Agribusiness & Dairy Australia

DAIRY BUSINESS OF THE YEAR



Keeping you ahead of the game

Proudly supported by:



2010 COMPETITION ACTIVITIES and TIMELINES

- 1 December–12 March:** Competition advertised in The Australian Dairyfarmer and promoted via sponsors websites and via press releases. Sponsors staff encouraged to promote the competition to their clients. Helpdesk free phone 1800-733 759 for participants to use if assistance with completing entry forms required. On farm assistance is also available for a small fee (dependent on time and distance).
- 12 March:** Competition entries close. To enter farmers need to complete the equivalent of one page of information and enclose this with a copy of their 2008/09 Annual Accounts. Standard entry fee is \$285 plus GST (discounted if Red Sky analysis previously completed for 2008/09 or if a Westpac Agribusiness client).
- 7 May:** Completion of farm performance data processing and Red Sky reports mailed to farmers. Participants will have been contacted by phone or email on any issues that need clarification.
- 11 May:** Finalists selected for all prize categories. Top 4 participants based on return on capital will be finalists, followed by the top 2 participants in each of the prize categories. Total number of finalists is expected to number 17-20. Westpac Agribusiness Managers will value the properties and complete a photographic record of farm
- 25 May:** Second year of farm performance data processed (2007/08). This is to confirm consistency in business performance.
- 27 May:** Winners to be selected for all prize categories by Associate Professor Bill Malcolm of Melbourne University and an experienced Westpac agribusiness consultant. The key judging criteria is Return on Capital; other factors to be considered include profit per hectare, cost of production, milk production per hectare, pasture harvest per hectare, cost of feed, labour efficiency and core cost structure.
- 13 June:** The Australian Dairyfarmer to commence profiling the finalists.
- 23 June:** Dairy Business of the Year Seminar and Awards Dinner to be held in Melbourne with all winners announced at Awards Dinner. Seminar to comprise 3-4 main presenters. Seminar and Awards Dinner cost estimated at \$150-\$160 plus GST.
- 24 & 25 June:** Retreat for finalists at Grange Cleveland Winery, Lancefield. This will provide the finalists an opportunity to mix with experts in business performance, sharing their experiences, and developing friendships that could last a lifetime.
- September - October:** Six field days held on winners farms. These field days will combine themes of dairy business excellence with Dairy Australia project work.

For further details, visit www.redskyagri.com/dboy-aus or call us on free phone 1800-733 759



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Every entrant receives a comprehensive farm business analysis report (including written, graphical & numerical reports) that examines all areas of their farming operation

In addition there will be:

- ☑ Eight regional winners (Gippsland, Northern Victoria, South West Victoria, Tasmania, Western Australia, South East South Australia, Central South Australia, Southern NSW) will be announced, who will each receive a \$1,200 cash prize
- ☑ Three farm system winners (<1.0 ton/cow concentrate, 1.0-2.2 ton/cow concentrate, >2.2 ton/cow concentrate) plus an alternate supreme dryland or irrigated farm winner will be announced, who will each receive a \$1,200 cash prize
- ☑ **One supreme winner** will be announced at the awards dinner and will win a travel prize worth \$6,000 that will combine leisure and learning. In addition they will be entered in the **Trans-Tasman Challenge** with the winner of the NZ Dairy Business of the Year Competition.
- ☑ One most improved farm business winner for a second year entrant, who will receive a \$1,200 cash prize
- ☑ One overall young farmer winner (35 years of age or younger), who will receive a \$1,200 cash prize
- ☑ One overall sharefarmer winner (owns herd of cows), who will receive a \$1,200 cash prize
- ☑ One Pasture Harvest winner, who will receive a seed voucher from Wrightson Seeds
- ☑ One Cow Efficiency winner, who will receive a semen voucher from BOS Trading

All finalists will win free entry to the Dairy Business of the Year seminar and awards dinner that will look at ways to profitably develop farm businesses. This will be held on 23 June 2010 in Melbourne.

Finalists will also be invited to an exclusive retreat following the seminar/awards on 24 & 25 June 2010, and have an opportunity to rub shoulders with their peers and business mentors. This will be held at Grange Cleveland Winery, Lancefield and the retreat could be a further 'spark' to both business and personal growth.

**Complete the form overleaf by 12 March 2010, and return it to:
Westpac Agribusiness & Dairy Australia Dairy Business of the Year Competition
P.O.Box 949, Bacchus Marsh, VIC 3340**

You'll be sent a data collection form for completion, to which you'll be asked to attach your farm accounts and/or your accountant's details together with a modest sliding scale entry fee.

For further details, visit www.redskyagri.com/dboy-aus
OR call us on free phone 1800-733 759



GARDINER FOUNDATION



Wrightson Seeds



Westpac Agribusiness & Dairy Australia

DAIRY BUSINESS OF THE YEAR



YES...I'd like to enter!

I want to be benchmarked against my peers **AND** receive a comprehensive farm business analysis report on my farm's profitability for the cost of my entry fee

Complete this form by 12 March 2010, and return it to:
Westpac Agribusiness & Dairy Australia Dairy Business of the Year Competition
P.O.Box 949, Bacchus Marsh, VIC 3340
Or Fax to: (03) 5367 0654

You'll be sent a data entry form for completion, to which you'll be asked to attach your farm accounts together with an entry fee of up to \$285 plus GST.

NAME: _____

ADDRESS: _____

PHONE: (_____) _____ FAX: (_____) _____

EMAIL: _____

Yes, I would like a copy of my completed Red Sky reports sent to _____

For further details, visit www.redskyagri.com/dboy-aus
OR call us on free phone 1800-733 759

Terms and Conditions of Entry: 1. Entries close on 12 March 2010. 2. All entrants must be Australian dairy farm owners. 3. The judges' decision is final and no correspondence will be entered into. 4. No responsibility is accepted for late, lost or misplaced entry forms. 5. All entrants must provide a copy of their 2008/09 Annual Accounts plus complete the Competition supplementary data entry form with information on their land, herd and feed. 6. Competition organisers reserve the right to contact the entrant for the purposes of gathering more information or for promotional purposes. 7. Information collected from the competition will be published only as general data for the benefit of the Australian dairy industry, and will not be identifiable as being from individual farms. 8. Entrant details will be held by the competition organisers. 9. To be eligible for the Young Farmer prize the principal owner/operator of the dairy business must be 35 years old or younger on 30 June 2009. 10. Sharefarmers are not eligible for the overall supreme prize. 11. Competition winners agree that they will not enter into any form of promotional or advertising activity in relation to the competition without first obtaining the permission of competition organisers. Such permission shall not be unreasonably withheld. 12. Competition winners will be profiled in an upcoming issue of the Australian Dairyfarmer. 13. Competition winners will be available to host a single fieldday on their dairy farm if this is requested. 14. The sliding scale of entry fee is: \$285 + GST where no Red Sky data is available for the 2008/09 year; \$235 + GST if Red Sky financial data for the 2008/09 year is provided; \$90 + GST if Red Sky financial and physical data is provided for the 2008/09 year; nil fee if Red Sky financial and physical data plus written report has already been produced by the Red Sky bureau. Entrants that also entered the 2009 Competition will receive a \$30 + GST discount on these entry fees. **Send no money now.** 15. Details of finalists' farms will be announced at the seminar and awards (with the exception of their equity position). If you are uncomfortable with this, but would still like to receive the comprehensive report, tick the box below.

No thanks, I'd like the report but don't want to enter the competition itself



GARDINER FOUNDATION



Wrightson Seeds



DBOY Questionnaire		Name:			Farm/Trading Name:		
Please also provide a copy of your 2008/09 Annual Accounts (PLUS a printout from your electronic cashbook for 2008/09 if available)							
Mailing Address:							
Phone:		Fax:		Mob:		Email:	
Average Annual Rainfall		mm	This should be for an average or 'normal' rainfall year as it is used to identify farms in similar rainfall bands				
Contour (for milking area only) --- please tick one		<input type="checkbox"/> Flat	<input type="checkbox"/> Gentle Rolling	<input type="checkbox"/> Rolling - Easy Hill	<input type="checkbox"/> Steep Hill		
Calving Periods per Year --- please tick one		<input type="checkbox"/> One	<input type="checkbox"/> Two	<input type="checkbox"/> Three	<input type="checkbox"/> Four	<input type="checkbox"/> More than Four	
Daily Milking Frequency --- please tick one		<input type="checkbox"/> 1 x per day majority	<input type="checkbox"/> 1 x per day minority	<input type="checkbox"/> 2 x per day entirely	<input type="checkbox"/> 3 x per day minority	<input type="checkbox"/> 3 x per day majority	
FARMED DAIRY AREA		Start of Year	These areas INCLUDE any leased milking area but EXCLUDE any support area (outpaddock or areas not grazed by cows)				
Total Surveyed Home/Milking Area		hectares	This is the full surveyed area of owned and leased land used for milking. This does NOT include area solely used for youngstock or cropping.				
Effective Home/Milking Area		hectares	This is the effective milking area used for milking which is often 95%-97% of the <i>Total Surveyed Home/Milking Area</i>				
Non-Effective Home/Milking Area		hectares	This is the non-effective milking area used for milking which is often 3%-5% of the <i>Total Surveyed Home/Milking Area</i> . This includes buildings, races, laneways, drains, dams, trees, and other waste area.				
OWNED DAIRY AREA and VALUE		Start of Year	End of Year	These areas EXCLUDE any support area (outpaddock or areas not grazed by cows)			
Owned Home/Milking Area		hectares	hectares	This is the amount of the <i>Total Surveyed Home/Milking Area</i> that is owned (not leased from an unrelated party)			
Owned Home/Milking Area Market Value		total \$	total \$	This is the estimated value of the <i>Home/Milking Area</i> under a planned sale with a willing buyer and willing seller			
OWNED OUTPADDOCK AREA/VALUE		Start of Year	End of Year	These areas also INCLUDE areas of the dairy farm that are solely used for youngstock or cropping			
Owned Surveyed Outpaddock/Support Area		hectares	hectares	This area EXCLUDES land on which a non-dairy enterprise is being undertaken i.e. beef or horticulture			
Owned Outpaddock Market Value		total \$	total \$	This is the estimated value of the Outpaddock/Support Area under a planned sale with a willing buyer and willing seller			
Total Surveyed Outpaddock/Support Area		hectares	hectares	This area INCLUDES both owned and leased areas used for dairying and other enterprises			
Area Used for Non-Dairy Enterprises		hectares	hectares	This area INCLUDES both owned and leased areas used solely for non-dairying enterprises i.e. beef or horticulture			
MILK PRODUCTION		2008/09	Milk production should be entered for the same period as the financial year				
Peak Milking Numbers		cows	This is the number of cows that completed at least 2 months of a lactation (owned AND leased). For farms with 1 or 2 calvings per year this is likely to be similar to peak milking numbers. For other farms it is often 5%-10% above peak milking numbers.				
Total Milk Litres		litres	These litres, milkfat and protein should include all milk sent to the factory or sold privately	Cow Liveweight	kgs	Enter an estimate of liveweight at average condition score	
Total Milkfat		kgs		Cow Empty Rate	%	This is the percentage of cows not calving within 12 months	
Total Protein		kgs		N Applied per Hectare	kgs	Nitrogen applied per milking hectare	
Adjustment to Calf Milk		litres	Enter here any additional litres removed for beef calves or other livestock. Milk for heifer calves is automatically allocated.				
LIVESTOCK NUMBERS FARMED and OWNED		Mixed-Age Cows	Heifers 13+ mths	Yearlings / Calves 1-12 mths	Breeding Bulls	Other	
Total Owned Numbers Start of Year							
Total Owned Numbers End of Year							
Average Market Value per Head		\$	\$	\$	\$	\$	
Average No. Weeks ON Milking Area		wks	wks	wks	wks	wks	
Primary Cow Breed - please tick one		<input type="checkbox"/> Friesian/Holstein	<input type="checkbox"/> Friesian/Jersey Cross	<input type="checkbox"/> Jersey	<input type="checkbox"/> Ayrshire	<input type="checkbox"/> Other:	
Primary Bull Breed - please tick one		<input type="checkbox"/> Friesian/Holstein	<input type="checkbox"/> Friesian/Jersey Cross	<input type="checkbox"/> Jersey	<input type="checkbox"/> Ayrshire	<input type="checkbox"/> Other:	

Send to: Dairy Business of the Year Competition, P.O. Box 949, Bacchus Marsh, VIC 3340



SUPPLEMENTS	All Concentrates (incl. Grains / Pellets)				Other	Please note the type of silage or hay i.e. grass silage, maize, silage, cereal silage, pasture hay, clover hay, lucerne. Support area includes outpaddock plus area on dairy farm not used for milking cows. Please use a second sheet if more than 5 feeds required. AF = As Fed or Wet Matter.
		Silage	Silage	Hay		
Opening Stock on Hand	tAF	tDM	tDM	tAF	tDM	This is only important where there has been a significant change in opening and closing quantity
Quantity of Feed Produced on Home Area		tDM	tDM	tAF	tDM	Average grass silage crop 2.5-3.5 tDM/ha bunker 150-200 kgsDM/m ³ average bales 200 kgsDM; Average hay crop 3.5-4.5 t/ha small bales 300-350 kgs large bales 550-750 kgs
Cost of Home Grown Feed (\$/tDM)		/tDM	/tDM	/tAF	/tDM	This is only the direct costs associated with feed grown on the home/milking area
Home/Milking Area Used for Crop		ha	ha	ha	ha	This is the home/milking area from which the crop was harvested
Quantity Feed Produced on Support Area	tAF	tDM	tDM	tAF	tDM	Average maize silage crop 10-16 tDM/ha dryland & 15-20 tDM/ha irrigated bunker 200-250 kgsDM/m ³ ; Average cereal silage crop 8-15 tDM/ha 150-200 kgsDM/m ³
Cost of Feed Grown on Support Area	/tAF	/tDM	/tDM	/tAF	/tDM	This is only the direct costs associated with feed grown on the outpaddock/support area
Support Area Used for Crop/Silage	ha	ha	ha	ha	ha	This is the outpaddock/support area from which the crop was harvested
Quantity of Feed Purchased off Farm	tAF	tDM	tDM	tAF	tDM	This is the tonnage of supplement purchased from off-farm
Cost of Purchased Feed (\$/tDM)	/tAF	/tDM	/tDM	/tAF	/tDM	This is the direct costs associated with this feed
Closing Stock on Hand	tAF	tDM	tDM	tAF	tDM	This is only important where there has been a significant change in opening and closing quantity
Quantity Feed Sold From/Consumed Off Home Area	tAF	tDM	tDM	tAF	tDM	This is the quantity of feed either sold or fed to livestock on the outpaddock/support area
Average Energy Density (MJ ME/kgDM)	MJ	MJ	MJ	MJ	MJ	Default values will be used if none are provided here
Estimated Dry Matter	%			%		Most concentrates are 87%-93%DM. Most hays are 80%-88%DM.
In-Shed Feeding System - tick one	<input type="checkbox"/> None <input type="checkbox"/> Basic-No Home Mixing <input type="checkbox"/> Basic Home Mixing <input type="checkbox"/> Complex home Mixing					
Feedpad on Farm - please tick one	<input type="checkbox"/> None <input type="checkbox"/> Troughs (No Concrete Area) <input type="checkbox"/> Basic Concrete Area+Troughs <input type="checkbox"/> Complex Concrete Area + Troughs <input type="checkbox"/> Concrete Area + Troughs + Barns					
Forage Storage Area - please tick one	<input type="checkbox"/> None (Stored on Ground) <input type="checkbox"/> Concrete Floor <input type="checkbox"/> Concrete Floor + Walls					
Estimated Feed Wastages - tick one	<input type="checkbox"/> Low <input type="checkbox"/> Moderate <input type="checkbox"/> High <input type="checkbox"/> Very High					
STAFF	PAID		UNPAID / IMPUTED		All Owner/Operators should be entered under "Unpaid/Imputed" unless they are being paid a realistic market-based salary. Any Shareholder/Partner salaries assessed primarily for tax purposes should be excluded from the analysis.	
	Full Time	Part Time	Owner / Manager	Other (family)		
Number of Staff			<input type="checkbox"/> Yes		There can be only one "Unpaid/Imputed" Manager. All other "Unpaid/Imputed" staff are to be entered as "Other".	
Average Hours Worked Weekly / Person	hrs	hrs	hrs	hrs	In all cases a considered assessment of actual hours worked in direct business activities should be made	
Number of Weeks Youngstock 'Under Care'	Yearlings/Calves (1-12 mths)		wks	Heifers (13+ mths)	wks	'Under Care' means under the care of the staff listed above
Nitrogen is Applied by	<input type="checkbox"/> Own' <input type="checkbox"/> Contractor		Feed is Baled/Conserved by <input type="checkbox"/> Own' <input type="checkbox"/> Contractor		'Own' means by the staff listed above	
LEASED ASSETS	LAND		LIVESTOCK		VEHICLES, PLANT & MACHINERY	Estimates of the value of all leased/rented assets is required to accurately calculate profitability. Only include assets leased/rented from non-related parties. Either enter the value per hectare or per animal OR a total value for leased land and leased livestock.
Leased/Rented Area or Number	ha	ha				
Value of Leased/Rented Assets	\$	\$	\$	\$		
IRRIGATION DETAILS	AREA IRRIGATED	PERENNIAL PASTURE	ANNUAL PASTURE	This section is only required for those with irrigation that is in addition to effluent irrigation. The only areas that are to be included are irrigation on the Home/Milking Area .		
Effective Area Irrigated	ha	ha	ha	The split between <i>Perennial</i> and <i>Annual</i> pasture is only required where <i>Annual</i> pasture is utilised and the area is fully resown annually		
Predominant Type of Irrigation	<input type="checkbox"/> Flood <input type="checkbox"/> Spray		Annual Water Applied =		ML	This could be entered as total water applied or the amount applied per hectare
Development / Adjustments: Is there income or expenses appearing in the wrong year OR are there expenses that should be capitalised over a number of years? Expenses requiring capitalising may include <i>Repairs & Maintenance</i> , <i>Fertiliser</i> , or <i>Irrigation</i> .						

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Westpac Agribusiness and Dairy Australia
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

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

22nd February 2007

Jim & Jill Smith

Walker St
 P.O.Box 99
 Warragul
 VIC 3820



Dear Jim & Jill

RE: RED SKY FARM PERFORMANCE ANALYSIS FOR YEAR END 30th JUNE 2006

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	District Average	District Top 10%
Return on Assets	8.5 %	7.2 %	13.9 %
Operating Profit per Hectare	\$ 1,278	\$ 1,223	\$ 2,200
Return on Equity	9.5 %	8.2 %	17.5 %
Pasture DM Harvested (tDM/ha)	8.0	7.9	9.5
EFFICIENCY MEASURES			
Milk Production (litres/ha)	12,212	13,079	16,749
Milk Production (kgMS/ha)	915	988	1,244
Average Cost of Consumed Feed (/tDM)	\$ 187	\$ 195	\$ 183
Forage Cost (\$/tDM)	\$ 214	\$ 203	\$ 178
Concentrate Cost (\$/tDM)	\$ 269	\$ 282	\$ 274
Cows per Full Time Staff Equivalent	119	113	138
Management & Staff Costs per Cow	\$ 324	\$ 360	\$ 300
Core per Cow Cost	\$ 437	\$ 353	\$ 330
Core per Hectare Cost	\$ 579	\$ 604	\$ 680
RISK MEASURES			
Operating Profit Margin	29 %	26 %	37 %
Cost of Production per Litre	22.1 cents	23.3 cents	19.5 cents
Pasture as % of Diet Consumed	67 %	64 %	64 %
SOLVENCY MEASURE			
Equity %	74 %	68 %	61 %

KPI's – Profitability

<i>Return on Assets</i>	8.5%
<i>Operating Profit</i>	\$1,278/ha
<i>Return on Equity</i>	9.5%
<i>Pasture Harvest</i>	8.0 tDM/ha

Red Sky Farm Performance Analysis

Return on Assets

The most important measure of profitability is **Return on Assets**. This is calculated by dividing your Operating Profit by the total value of all assets owned by you. The lease costs associated with any leased assets are deducted from your Operating Profit.

Your **Return on Assets** is similar to the Average.

Operating Profit

Your **Operating Profit per Hectare** is slightly higher than the Average. This is not as sound a measure of profitability as Return on Assets given it 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 higher than your Return on Assets. Businesses that have a Return on Assets 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 is greater than your Return on Assets, it generally means that your cost of finance is less 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 pasture harvest result of 8.0 tDM/ha is similar to the Average and 16% below the Top 10%. There are a number of possible reasons for this. Specifically, your 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 level of pasture management is likely to be one of the most significant factors.

KPI's – Efficiency

Milk Production	12,212 litres/ha and 915 kgMS/ha
Average Cost of Consumed Feed	\$187/tDM
Forage Cost	\$214/tDM
Concentrate Cost	\$269/tDM
Cows/Full Time staff Equivalent	119
Management & Staff Costs/cow	\$324 per cow
Core per Cow Costs	\$437 per cow
Core per Hectare Costs	\$579 per hectare

Milk Production

Your **Milk Production** per hectare is 7% below the Average. The factors contributing to this are:

- Milk production per cow of 439 milksolids (5,858 litres) that is 4% above the Average and 7% below the Top 10%; and
- Stocking rate of 2.08 cows/ha that is 11% below the Average.

In this situation stocking rate is the most significant limiting component of the "per hectare" equation and should be addressed first when looking to increase total production, with consideration taken to maintaining per cow performance.

Red Sky Farm Performance Analysis

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 **Cost of Forage** is higher than the Average. The main reason for this is that a large proportion of the forage is not grown on land under your control and is purchased for a comparatively high cost.

Your **Cost of Concentrates** is lower than the Top 10%. This is one of the largest individual costs to your enterprise and is a real strength of your business.

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 119 cows milked per full time staff equivalent (Cows/FTE) is above the Average but significantly below the Top 10%. This suggests there could still be a substantial opportunity to improve this ratio, which should 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 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 & 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:** this is significantly higher than the benchmarks and should offer some potential for cost-saving.
- **Grazing/Agistment:** this appears to be due to the off-farm grazing of young stock, as opposed to having an owned or leased support area for grazing of young stock.

Red Sky Farm Performance Analysis

- *Repairs & Maintenance 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 lower than 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.

KPI's – Risk & Solvency

Equity %	74%
Operating Profit Margin	29%
Cost of Production	22.1 cents/litre
Pasture as % Feed Consumed	67%

Equity

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 29% is a reasonable result compared to your peers for a moderate supplement operation. 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 22.1 cents/litre (\$2.95/kgMS) is a reasonable result compared to your peers, and lower than the Average. This leaves a satisfactory 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 67% 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 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?

Red Sky Farm Performance Analysis

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

Your Key Business Strengths:

- *Concentrate Costs:* these are being sourced at a competitive price.
- *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.

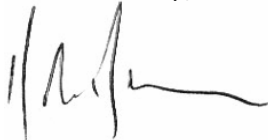
Areas for consideration and/or for further investigation:

- *Milk Production:* a key component of milk production to look at when developing a strategy for improvement would be your stocking rate, which is proportionately lower than your level of per cow milk production. By increasing the stocking rate there is likely (although not guaranteed) to be an improvement in pasture production.
- *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.
- *Forages Costs:* decreasing the cost of forages offers the potential for improving profitability. This is most likely to be achieved through the cost-effective production of forages on land under your own control.
- *Core per Cow Costs:* a number of the "per cow" costs are 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.

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.


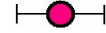











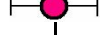










Yours sincerely,



David Beca

Director

Red Sky Agricultural Pty Ltd

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					

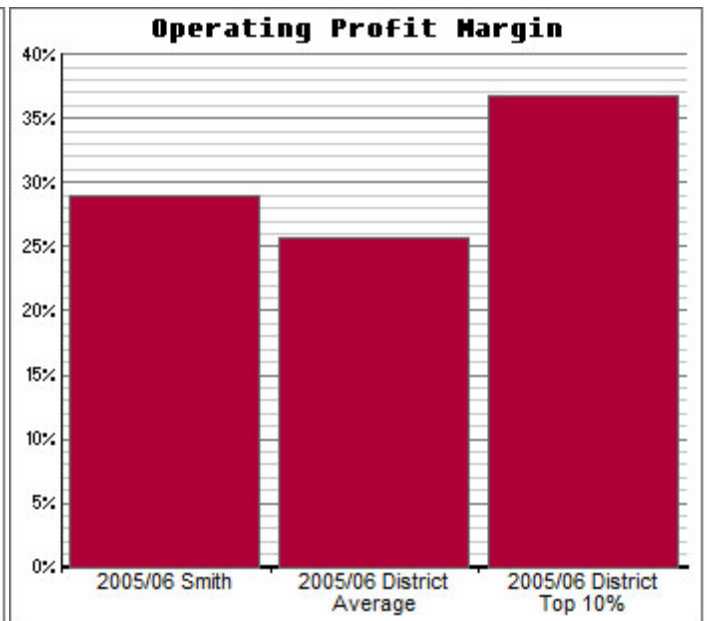
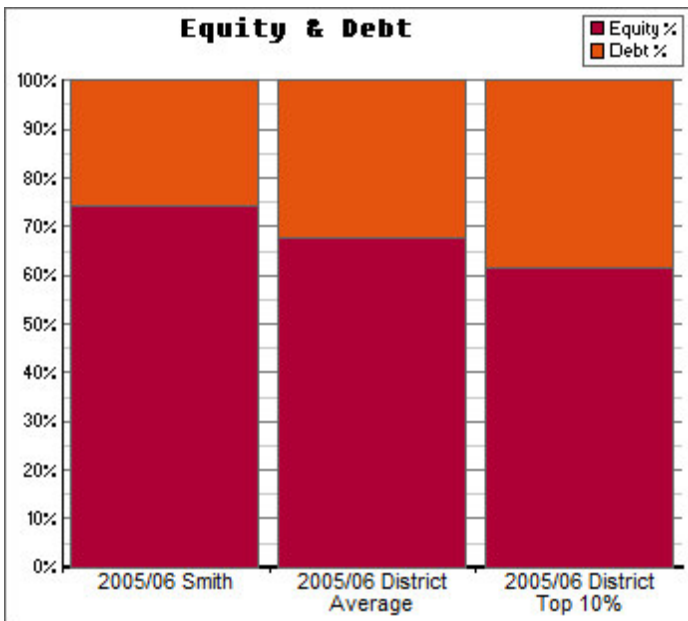
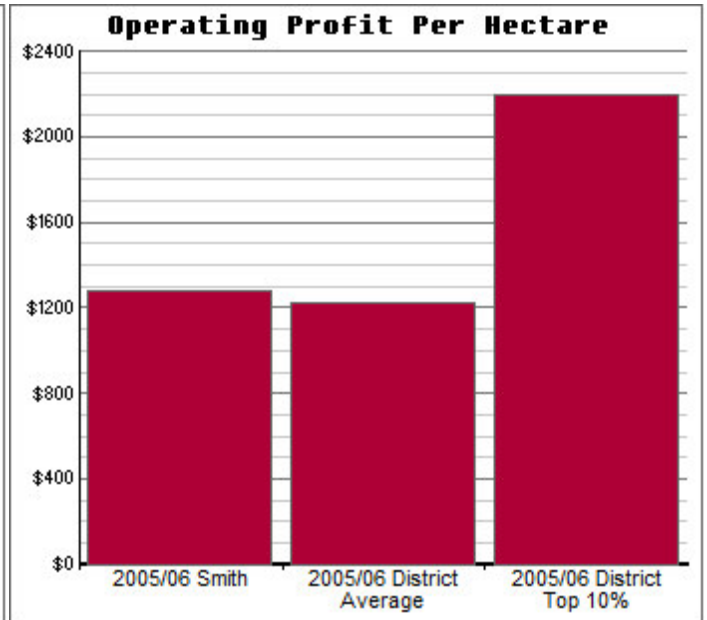
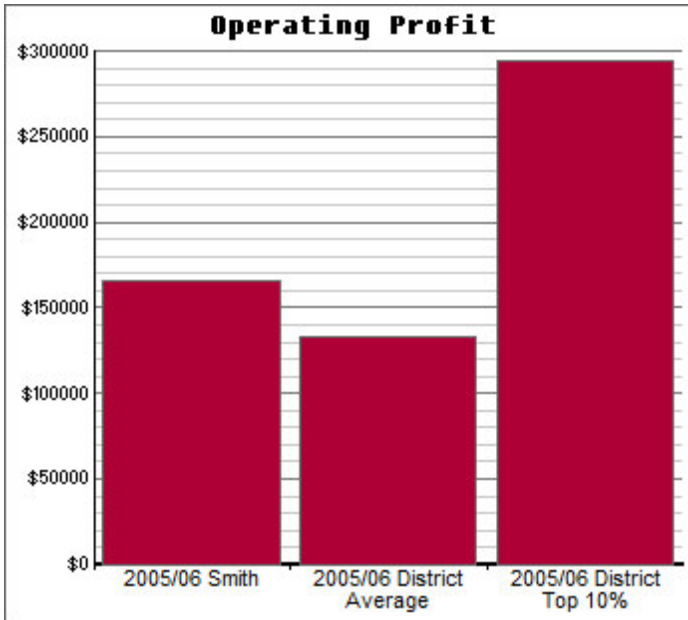
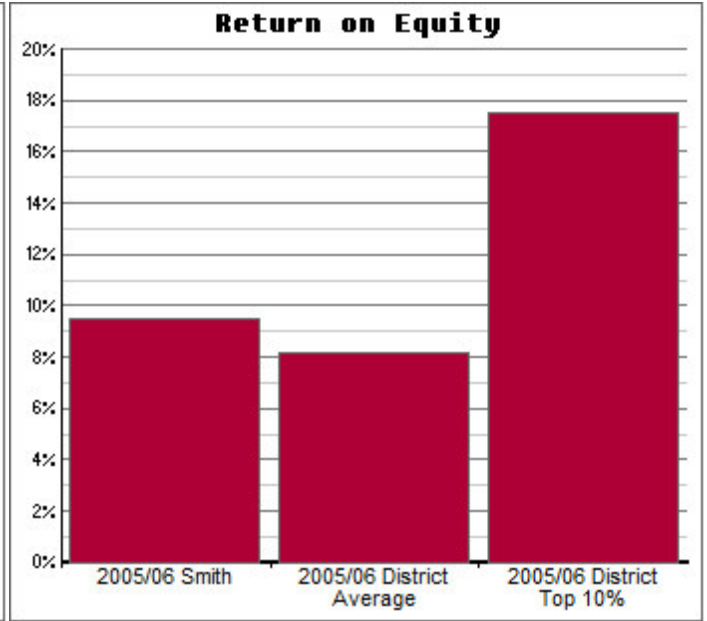
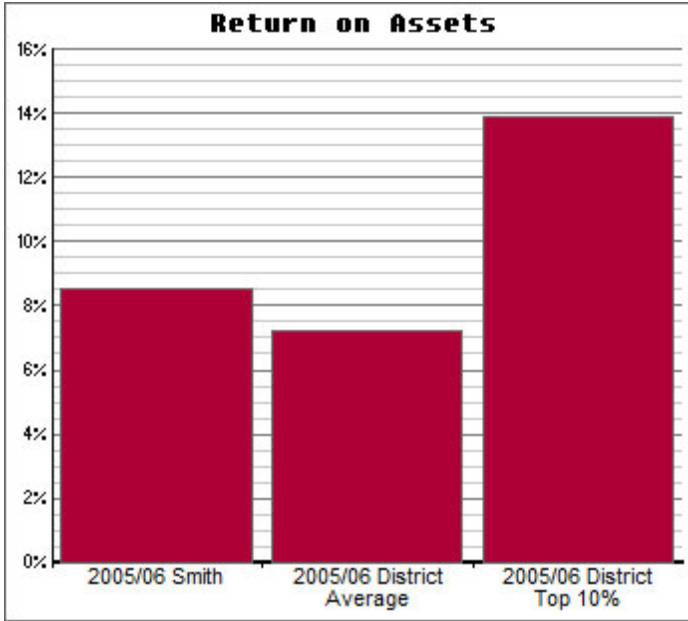
Core per Cow Cost = (Animal Health + Breeding + Dairy Shed Expenses + Electricity + Grazing/Agistment + Freight + Other Expenses + 50% Repairs & Maintenance + 30% Standing Charges + 70% Vehicle Expenses + 50% Depreciation) / Peak Milking Cow Numbers.

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

Financial Farm Performance - Dairy

J. & J. Smith Farming Ltd

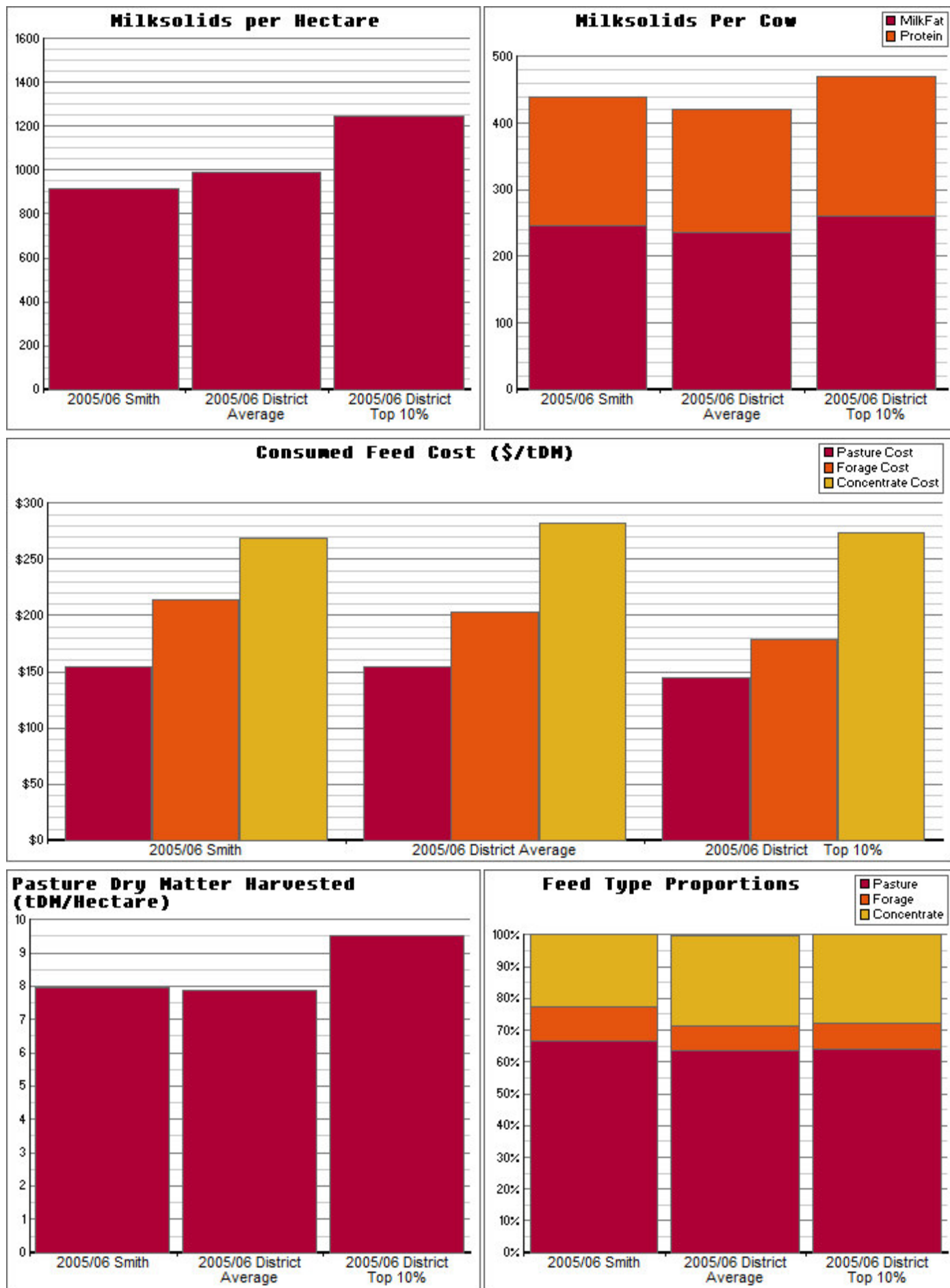
Jim & Jill Smith



Physical Farm Performance - Dairy

J. & J. Smith Farming Ltd

Jim & Jill Smith



Summary Farm Performance - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

DAIRY BUSINESS
OF THE YEAR 

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
PHYSICAL PARAMETERS			
Peak Milking Cow Numbers	271	254	354
Effective Milking Hectares	130.0	108.4	134.0
Milking Cows per Milking Hectare	2.08	2.34	2.64
Litres per Cow	5,858	5,582	6,340
Milkfat per Cow	245	235	260
Milksolids per Cow	439	422	471
Litres per Milking Hectare	12,212	13,079	16,749
Milkfat per Milking Hectare	511	551	687
Milksolids per Milking Hectare	915	988	1,244
Litre Price (cents/litre)	32.58	32.69	32.57
Milkfat Price (\$/kgMF)	\$ 7.79	\$ 7.76	\$ 7.94
Milksolids Price (\$/kgMS)	\$ 4.35	\$ 4.33	\$ 4.39
Pasture Dry Matter Harvested (tDM/Ha)	8.0	7.9	9.5
KEY PERFORMANCE INDICATORS			
Operating Profit per Hectare	\$ 1,278	\$ 1,223	\$ 2,200
Operating Profit per Cow	\$ 613	\$ 522	\$ 833
Total Assets per Ha at Start of Year (4-Yr Av Values)	\$ 15,077	\$ 15,209	\$ 15,354
EQUITY % at 4-Yr Av Values	74.4 %	67.7 %	61.4 %
RETURN ON ASSETS (ROA) at 4-Yr Av Values	8.5 %	7.2 %	13.9 %
ROA including Capital Gain at 4-Yr Av Values	20.0 %	13.8 %	19.8 %
RETURN ON EQUITY (ROE) at 4-Yr Av Values	9.5 %	8.2 %	17.5 %
ROE including Capital Gain at 4-Yr Av Values	26.9 %	18.4 %	27.8 %
OPERATING PROFIT MARGIN	29.0 %	25.7 %	36.7 %
Cost of Production per Litre	22.1	23.3	19.5
Cost of Production per kg Milkfat	\$ 5.29	\$ 5.55	\$ 4.74
Cost of Production per kg Milksolids	\$ 2.95	\$ 3.09	\$ 2.62
Total Operating Expenses as % Gross Revenue	56.2 %	62.7 %	54.4 %
Financing Costs as % Gross Revenue	10.4 %	10.6 %	12.9 %
Core per Cow Cost	\$ 437	\$ 353	\$ 330
Core per Hectare Cost	\$ 579	\$ 604	\$ 680
Management + Staff Costs per Cow	\$ 324	\$ 360	\$ 300
Cows per Full Time Staff Equivalent	119	113	138
Total Feed/Supplement Costs per Cow	\$ 535	\$ 565	\$ 540
Pasture as % of Total Consumed	66.8 %	63.5 %	64.0 %
Average Cost of All Consumed Feed (/tDM)	\$ 187	\$ 195	\$ 183
Pasture Cost (Per tDM)	\$ 154	\$ 155	\$ 144
Forage Cost (/tDM Consumed incl.wastage)	\$ 214	\$ 203	\$ 178
Concentrate Cost (/tDM Consumed incl.wastage)	\$ 269	\$ 282	\$ 274

Physical Summary - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
PHYSICAL PARAMETERS			
Peak Milking Cow Numbers	271	254	354
Effective Milking Hectares	130.0	108.4	134.0
Milking Cows per Milking Hectare	2.08	2.34	2.64
Litre Price (cents/litre)	32.58	32.69	32.57
Milkfat Price (\$/kgMF)	\$ 7.79	\$ 7.76	\$ 7.94
Milksolids Price (\$/kgMS)	\$ 4.35	\$ 4.33	\$ 4.39
Total Litres	1,587,553	1,417,815	2,244,412
Total Milkfat	66,401	59,690	92,063
Total Milksolids (Milkfat + Protein)	118,928	107,075	166,648
Litres per Cow	5,858	5,582	6,340
Milkfat per Cow	245	235	260
Milksolids per Cow	439	422	471
Litres per Milking Hectare	12,212	13,079	16,749
Milkfat per Milking Hectare	511	551	687
Milksolids per Milking Hectare	915	988	1,244
Milkfat Percentage	4.18 %	4.21 %	4.10 %
Protein Percentage	3.31 %	3.34 %	3.32 %
Protein as a Percentage of Milkfat	79.2 %	79.3 %	81.0 %
PASTURE & SUPPLEMENTS			
Pasture Dry Matter Harvested (tDM/Ha)	8.0	7.9	9.5
Nitrogen Applied per Hectare	235.0	132.9	174.8
Pasture as % of Total Consumed	66.8 %	63.5 %	64.0 %
Supplement as % of Total Consumed	33.2 %	36.5 %	36.0 %
- Forage as % of Total Consumed	10.5 %	7.7 %	8.1 %
- Concentrate as % of Total Consumed	22.7 %	28.7 %	28.0 %
Pasture Consumed Per Cow (estimated per tDM)	3.46	3.16	3.43
Forage Consumed Per Cow (estimated per tDM)	0.63	0.45	0.50
Concentrate Consumed Per Cow (estimated /tAF)	1.15	1.40	1.46
Total Feed/Supplement Costs per Cow	\$ 535	\$ 565	\$ 540
Average Cost of All Consumed Feed (/tDM)	\$ 187	\$ 195	\$ 183
Pasture Cost (Per tDM)	\$ 154	\$ 155	\$ 144
- Direct Pasture Cost (Per tDM)	\$ 57	\$ 53	\$ 57
- Variable Pasture Cost (Per tDM)	\$ 36	\$ 36	\$ 31
- Capital Pasture Cost (Per tDM)	\$ 62	\$ 65	\$ 55
Average Cost of All Supplements (/tDM Consumed)	\$ 252	\$ 265	\$ 252
Forage Cost (/tDM Consumed incl.wastage)	\$ 214	\$ 203	\$ 178
- Purchased Forage Cost (Per tDM)	\$ 138	\$ 123	\$ 107
- Variable Forage Cost (Per tDM)	\$ 34	\$ 31	\$ 33
- Capital Forage Cost (Per tDM)	\$ 17	\$ 17	\$ 12
Concentrate Cost (/tDM Consumed incl.wastage)	\$ 269	\$ 282	\$ 274
- Purchased Concentrate Cost (Per tDM)	\$ 239	\$ 261	\$ 255
- Variable Concentrate Cost (Per tDM)	\$ 9	\$ 9	\$ 7
- Capital Concentrate Cost (Per tDM)	\$ 8	\$ 7	\$ 5
Pasture Cost (Cents Per MJ ME)	1.40	1.41	1.31
Forage Cost (Cents Per MJ ME Consumed)	2.04	2.12	1.90
Concentrate Cost (Cents Per MJ ME Consumed)	2.07	2.33	2.26

Operating Profit - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 517,337	\$ 463,613	\$ 731,585
Quota/Contract/Winter Milk	\$ 0	\$ 0	\$ 0
Livestock Sales	\$ 92,539	\$ 32,910	\$ 39,054
- Less Livestock Purchases	(\$ 11,560)	(\$ 4,354)	(\$ 1,567)
Other Revenue	\$ 7,737	\$ 4,453	\$ 7,865
Total Operating Revenue	\$ 606,053	\$ 496,622	\$ 776,937
EXPENSES			
Administration	\$ 9,152	\$ 8,403	\$ 11,062
Animal Health	\$ 18,179	\$ 11,293	\$ 14,747
Breeding & Herd Testing	\$ 10,148	\$ 10,689	\$ 17,631
Dairy Shed Expenses	\$ 5,678	\$ 5,478	\$ 7,385
Electricity	\$ 7,144	\$ 6,888	\$ 9,034
Feeds / Supplements (Total)	\$ 133,110	\$ 136,420	\$ 191,944
- Grazing / Agistment	\$ 27,222	\$ 14,941	\$ 21,958
- Cropping (green feed)	\$ 2,696	\$ 2,089	\$ 1,691
- Grains, Pellets & Concentrates	\$ 67,080	\$ 96,123	\$ 135,802
- Forages (incl. hay, silages, byproducts)	\$ 36,112	\$ 23,267	\$ 32,493
Fertiliser (Total)	\$ 42,978	\$ 33,391	\$ 50,891
- Nitrogen	\$ 22,974	\$ 15,405	\$ 25,825
- Phosphate & All Other Fertiliser	\$ 20,004	\$ 17,986	\$ 25,066
Freight	\$ 392	\$ 1,063	\$ 1,237
Irrigation	\$ 0	\$ 3,452	\$ 6,556
Other Expenses	\$ 2,804	\$ 1,888	\$ 2,441
Pasture Maintenance & Renovation	\$ 4,543	\$ 5,252	\$ 11,629
Repairs & Maintenance	\$ 21,231	\$ 18,794	\$ 25,763
Standing charges	\$ 15,896	\$ 15,796	\$ 20,617
Vehicle Expenses (including fuel & oil)	\$ 12,306	\$ 11,694	\$ 13,241
Weed & Pest Control	\$ 2,505	\$ 1,715	\$ 2,098
Wages, Salaries & Employment Exp.	\$ 36,612	\$ 50,842	\$ 50,779
Total Operating Expenses	\$ 322,678	\$ 323,058	\$ 437,054
OPERATING SURPLUS	\$ 283,375	\$ 173,564	\$ 339,883
ADJUSTMENTS			
+ Change in Livestock Numbers	(\$ 32,212)	\$ 19,059	\$ 26,706
+ Change in Feeds/Supplements on Hand	\$ 0	\$ 1,817	\$ 6,019
- Imputed Labour & Management	\$ 51,170	\$ 40,626	\$ 55,593
- Depreciation	\$ 21,934	\$ 16,812	\$ 22,941
+ Other Revenue Adjustments	\$ 0	\$ 0	\$ 0
- Other Expenses Adjustments	\$ 11,912	\$ 4,405	(\$ 776)
Total Adjustments	(\$ 117,228)	(\$ 40,968)	(\$ 45,032)
OPERATING PROFIT (LOSS)	\$ 166,146	\$ 132,596	\$ 294,850

Operating Profit Per Cow - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 1,909	\$ 1,825	\$ 2,067
Quota/Contract/Winter Milk	\$ 0	\$ 0	\$ 0
Livestock Revenue	\$ 180	\$ 187	\$ 181
Other Revenue	\$ 29	\$ 18	\$ 22
Gross Revenue	\$ 2,117	\$ 2,030	\$ 2,270
EXPENSES			
Administration	\$ 34	\$ 33	\$ 31
Animal Health	\$ 67	\$ 44	\$ 42
Breeding & Herd Testing	\$ 37	\$ 42	\$ 50
Dairy Shed Expenses	\$ 21	\$ 22	\$ 21
Electricity	\$ 26	\$ 27	\$ 26
Feeds / Supplements (Total)	\$ 535	\$ 565	\$ 540
- Grazing / Agistment	\$ 144	\$ 94	\$ 77
- Cropping (green feed)	\$ 10	\$ 8	\$ 5
- Grains, Pellets & Concentrates	\$ 248	\$ 377	\$ 376
- Forages (incl. hay, silages, byproducts)	\$ 133	\$ 86	\$ 82
Fertiliser (Total)	\$ 159	\$ 131	\$ 143
- Nitrogen	\$ 85	\$ 61	\$ 73
- Phosphate & All Other Fertiliser	\$ 74	\$ 70	\$ 70
Freight	\$ 1	\$ 4	\$ 3
Irrigation	\$ 0	\$ 14	\$ 19
Other Expenses	\$ 10	\$ 7	\$ 7
Pasture Maintenance & Renovation	\$ 17	\$ 21	\$ 33
Repairs & Maintenance	\$ 78	\$ 57	\$ 57
Standing charges	\$ 59	\$ 62	\$ 58
Vehicle Expenses (including fuel & oil)	\$ 45	\$ 46	\$ 37
Weed & Pest Control	\$ 9	\$ 7	\$ 6
Management & Staff Expenses	\$ 324	\$ 360	\$ 300
- Wages, Salaries & Employment Exp.	\$ 135	\$ 200	\$ 143
- Imputed Labour & Management	\$ 189	\$ 160	\$ 157
Depreciation	\$ 81	\$ 66	\$ 65
Gross Expenses	\$ 1,504	\$ 1,508	\$ 1,437
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 1,235	\$ 1,282	\$ 1,215
Core per Cow Cost	\$ 437	\$ 353	\$ 330
OPERATING PROFIT (LOSS)	\$ 613	\$ 522	\$ 833

Operating Profit Per Hectare - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

DAIRY BUSINESS
OF THE YEAR



	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 3,980	\$ 4,277	\$ 5,460
Quota/Contract/Winter Milk	\$ 0	\$ 0	\$ 0
Livestock Revenue	\$ 375	\$ 439	\$ 479
Other Revenue	\$ 60	\$ 41	\$ 59
Gross Revenue	\$ 4,414	\$ 4,757	\$ 5,997
EXPENSES			
Administration	\$ 70	\$ 78	\$ 83
Animal Health	\$ 140	\$ 104	\$ 110
Breeding & Herd Testing	\$ 78	\$ 99	\$ 132
Dairy Shed Expenses	\$ 44	\$ 51	\$ 55
Electricity	\$ 55	\$ 64	\$ 67
Feeds / Supplements (Total)	\$ 1,116	\$ 1,324	\$ 1,427
- Grazing / Agistment	\$ 301	\$ 221	\$ 203
- Cropping (green feed)	\$ 21	\$ 19	\$ 13
- Grains, Pellets & Concentrates	\$ 516	\$ 884	\$ 994
- Forages (incl. hay, silages, byproducts)	\$ 278	\$ 201	\$ 217
Fertiliser (Total)	\$ 331	\$ 306	\$ 377
- Nitrogen	\$ 177	\$ 142	\$ 193
- Phosphate & All Other Fertiliser	\$ 154	\$ 164	\$ 185
Freight	\$ 3	\$ 10	\$ 9
Irrigation	\$ 0	\$ 32	\$ 49
Other Expenses	\$ 22	\$ 17	\$ 18
Pasture Maintenance & Renovation	\$ 35	\$ 48	\$ 87
Repairs & Maintenance	\$ 163	\$ 133	\$ 149
Standing charges	\$ 122	\$ 146	\$ 154
Vehicle Expenses (including fuel & oil)	\$ 95	\$ 108	\$ 99
Weed & Pest Control	\$ 19	\$ 16	\$ 16
Management & Staff Expenses	\$ 675	\$ 844	\$ 794
- Wages, Salaries & Employment Exp.	\$ 282	\$ 469	\$ 379
- Imputed Labour & Management	\$ 394	\$ 375	\$ 415
Depreciation	\$ 169	\$ 155	\$ 171
Gross Expenses	\$ 3,136	\$ 3,534	\$ 3,797
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 2,574	\$ 3,004	\$ 3,211
Core per Hectare Cost	\$ 579	\$ 604	\$ 680
OPERATING PROFIT (LOSS)	\$ 1,278	\$ 1,223	\$ 2,200

Operating Profit Per Litre

Jim & Jill Smith

J. & J. Smith Farming Ltd

DAIRY BUSINESS
OF THE YEAR



	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
REVENUE			
Manufacturing Milk Sales	32.59	32.70	32.60
Quota/Contract/Winter Milk	0.00	0.00	0.00
Livestock Revenue	3.07	3.36	2.86
Other Revenue	0.49	0.31	0.35
Gross Revenue	36.15	36.37	35.81
EXPENSES			
Administration	0.58	0.59	0.49
Animal Health	1.15	0.80	0.66
Breeding & Herd Testing	0.64	0.75	0.79
Dairy Shed Expenses	0.36	0.39	0.33
Electricity	0.45	0.49	0.40
Feeds / Supplements (Total)	9.14	10.13	8.52
- Grazing / Agistment	2.47	1.69	1.21
- Cropping (green feed)	0.17	0.15	0.08
- Grains, Pellets & Concentrates	4.23	6.76	5.93
- Forages (incl. hay, silages, byproducts)	2.27	1.54	1.30
Fertiliser (Total)	2.71	2.34	2.25
- Nitrogen	1.45	1.09	1.15
- Phosphate & All Other Fertiliser	1.26	1.25	1.10
Freight	0.02	0.07	0.06
Irrigation	0.00	0.24	0.29
Other Expenses	0.18	0.13	0.11
Pasture Maintenance & Renovation	0.29	0.37	0.52
Repairs & Maintenance	1.34	1.02	0.89
Standing charges	1.00	1.11	0.92
Vehicle Expenses (including fuel & oil)	0.78	0.82	0.59
Weed & Pest Control	0.16	0.12	0.09
Management & Staff Expenses	5.53	6.45	4.74
- Wages, Salaries & Employment Exp.	2.31	3.59	2.26
- Imputed Labour & Management	3.22	2.87	2.48
Depreciation	1.38	1.19	1.02
Gross Expenses	25.68	27.02	22.67
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	21.08	22.97	19.17
Core Cost Structure per Litre	17.73	17.40	14.00
OPERATING PROFIT (LOSS)	10.47	9.35	13.14

Operating Profit Per MilkSolids

Jim & Jill Smith

J. & J. Smith Farming Ltd

DAIRY BUSINESS
OF THE YEAR 

	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
REVENUE			
Manufacturing Milk Sales	\$ 4.35	\$ 4.33	\$ 4.39
Quota/Contract/Winter Milk	\$ 0.00	\$ 0.00	\$ 0.00
Livestock Revenue	\$ 0.41	\$ 0.44	\$ 0.39
Other Revenue	\$ 0.07	\$ 0.04	\$ 0.05
Gross Revenue	\$ 4.83	\$ 4.82	\$ 4.82
EXPENSES			
Administration	\$ 0.08	\$ 0.08	\$ 0.07
Animal Health	\$ 0.15	\$ 0.11	\$ 0.09
Breeding & Herd Testing	\$ 0.09	\$ 0.10	\$ 0.11
Dairy Shed Expenses	\$ 0.05	\$ 0.05	\$ 0.04
Electricity	\$ 0.06	\$ 0.06	\$ 0.05
Feeds / Supplements (Total)	\$ 1.22	\$ 1.34	\$ 1.15
- Grazing / Agistment	\$ 0.33	\$ 0.22	\$ 0.16
- Cropping (green feed)	\$ 0.02	\$ 0.02	\$ 0.01
- Grains, Pellets & Concentrates	\$ 0.56	\$ 0.89	\$ 0.80
- Forages (incl. hay, silages, byproducts)	\$ 0.30	\$ 0.20	\$ 0.17
Fertiliser (Total)	\$ 0.36	\$ 0.31	\$ 0.30
- Nitrogen	\$ 0.19	\$ 0.14	\$ 0.15
- Phosphate & All Other Fertiliser	\$ 0.17	\$ 0.17	\$ 0.15
Freight	\$ 0.00	\$ 0.01	\$ 0.01
Irrigation	\$ 0.00	\$ 0.03	\$ 0.04
Other Expenses	\$ 0.02	\$ 0.02	\$ 0.01
Pasture Maintenance & Renovation	\$ 0.04	\$ 0.05	\$ 0.07
Repairs & Maintenance	\$ 0.18	\$ 0.13	\$ 0.12
Standing charges	\$ 0.13	\$ 0.15	\$ 0.12
Vehicle Expenses (including fuel & oil)	\$ 0.10	\$ 0.11	\$ 0.08
Weed & Pest Control	\$ 0.02	\$ 0.02	\$ 0.01
Management & Staff Expenses	\$ 0.74	\$ 0.85	\$ 0.64
- Wages, Salaries & Employment Exp.	\$ 0.31	\$ 0.47	\$ 0.30
- Imputed Labour & Management	\$ 0.43	\$ 0.38	\$ 0.33
Depreciation	\$ 0.18	\$ 0.16	\$ 0.14
Gross Expenses	\$ 3.43	\$ 3.58	\$ 3.05
Gross Exp excl. Imputed Labour/Mgmt & Dep'n	\$ 2.81	\$ 3.04	\$ 2.58
Core Cost Structure per kg MilkSolid	\$ 2.37	\$ 2.30	\$ 1.89
OPERATING PROFIT (LOSS)	\$ 1.40	\$ 1.24	\$ 1.77

Balance Sheet (Market Values) - Dairy

Jim & Jill Smith

J. & J. Smith Farming Ltd

DAIRY BUSINESS
OF THE YEAR



	2005/06 Smith	2005/06 District Average	2005/06 District Top 10%
ASSETS AT START OF YEAR			
Land & Buildings	\$ 1,407,236	\$ 1,187,856	\$ 1,489,290
Livestock	\$ 338,157	\$ 283,488	\$ 416,049
Vehicles, Plant & Machinery	\$ 77,351	\$ 158,674	\$ 153,045
Dairy Company Shares	\$ 58,720	\$ 29,208	\$ 42,013
Other Assets	\$ 217,736	\$ 159,119	\$ 95,625
TOTAL ASSETS AT START OF YEAR	\$ 2,099,200	\$ 1,818,345	\$ 2,196,022
Total Assets per Acre	\$ 6,112	\$ 6,300	\$ 6,449
Land, Bldgs & Dairy Co. Shares per Acre	\$ 4,268	\$ 4,217	\$ 4,497
Total Assets per Hectare	\$ 15,102	\$ 15,568	\$ 15,936
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 10,546	\$ 10,420	\$ 11,113
Total Assets per Cow	\$ 7,746	\$ 7,159	\$ 6,203
ASSETS AT END OF YEAR			
Land & Buildings	\$ 1,477,598	\$ 1,264,816	\$ 1,568,907
Livestock	\$ 324,814	\$ 312,736	\$ 447,029
Vehicles, Plant & Machinery	\$ 77,351	\$ 171,163	\$ 172,354
Dairy Company Shares	\$ 58,720	\$ 35,247	\$ 45,386
Other Assets	\$ 227,736	\$ 170,856	\$ 105,355
TOTAL ASSETS AT END OF YEAR	\$ 2,166,219	\$ 1,954,818	\$ 2,339,030
Total Assets per Acre	\$ 6,307	\$ 6,676	\$ 6,830
Land, Bldgs & Dairy Co. Shares per Acre	\$ 4,473	\$ 4,440	\$ 4,714
Total Assets per Hectare	\$ 15,584	\$ 16,496	\$ 16,876
Land, Bldgs & Dairy Co. Shares per Hectare	\$ 11,053	\$ 10,971	\$ 11,647
Total Assets per Cow	\$ 7,993	\$ 7,696	\$ 6,607
LIABILITIES AT START OF YEAR			
Current Liabilities less Current Assets	\$ 38,133	\$ 47,565	\$ 56,486
Long Term Liabilities	\$ 664,591	\$ 576,383	\$ 829,070
Total Liabilities at Start of Year	\$ 702,724	\$ 623,948	\$ 885,556
Total Liabilities per Cow	\$ 2,593	\$ 2,456	\$ 2,502
Total Liabilities per kg Milksolids	\$ 5.91	\$ 5.83	\$ 5.31
LIABILITIES AT END OF YEAR			
Current Liabilities less Current Assets	\$ 38,133	\$ 42,071	\$ 36,681
Long Term Liabilities	\$ 514,591	\$ 572,981	\$ 836,604
Total Liabilities at End of Year	\$ 552,724	\$ 615,052	\$ 873,285
Total Liabilities per Cow	\$ 2,040	\$ 2,421	\$ 2,467
Total Liabilities per kg Milksolids	\$ 4.65	\$ 5.74	\$ 5.24
EQUITY			
Equity at Start of Year	\$ 1,396,476	\$ 1,194,397	\$ 1,310,465
Equity at End of Year	\$ 1,613,495	\$ 1,339,766	\$ 1,465,745
Equity % at Start of Year	66.5 %	65.7 %	59.7 %
Equity % at End of Year	74.5 %	68.5 %	62.7 %
FINANCING COSTS			
Bank Charges & Loan Fees	\$ 227	\$ 2,112	\$ 5,032
Interest	\$ 45,153	\$ 30,305	\$ 72,672
Lease Fees & Rentals	\$ 14,236	\$ 22,260	\$ 26,059
TOTAL FINANCING COSTS	\$ 59,616	\$ 54,677	\$ 103,763
Financing Costs as % Gross Revenue	10.4 %	10.6 %	12.9 %
Financing Costs per Hectare	\$ 459	\$ 504	\$ 774
Financing Costs per Cow	\$ 220	\$ 215	\$ 293
Financing Costs per kg Milksolids	\$ 0.50	\$ 0.51	\$ 0.62
Principal Repayments	\$ 52,616	\$ 43,984	\$ 40,063
TOTAL DEBT SERVICING COSTS	\$ 112,232	\$ 98,661	\$ 143,826
Total Debt Servicing Costs as % Revenue	19.6 %	19.1 %	17.9 %

DAIRY BUSINESS OF THE YEAR

12th November 2009

Identifying the Most Profitable Dairy Farm Businesses in Australia in 2010

Aim of the competition:

"Identifying, celebrating and learning from Australia's most profitable dairy businesses"

Key Objectives

- Open to all dairy farm owners and sharefarmers in Victoria, Tasmania, South Australia, Western Australia and southern New South Wales
- Easy to enter
- All entrants gain value from entering
- Judging is transparent and objective
- Growth of entries; with a high number of good businesses in ALL regions and categories
- Sponsors gain value through involvement in the competition

Key Strengths of Competition

- All entrants receive something of value for entering
- Objectivity and focus on PROFIT
- Trans-Tasman element (potentially Tri-nations)
- Only competition that recognises excellence in business performance by dairy farmers
- Covers approximately 90% of Australian dairy industry with an intent to cover 100% in future

Objective: Growth of entries

Plan:

- Promotion through previous year's entrants – discounted entry
- Sponsors promotion of competition through their client base:
 - Westpac Agribusiness managers
 - Dairy Australia via RDP's
 - Intelact consultants
 - Red Sky – through clients
 - Wrightson Seeds
 - BOS Trading
 - Elanco
 - Gardiner Foundation
 - Milk Company (negotiations in progress)
 - Feed Company (negotiations in progress)
- Other industry agents e.g. consultants, dairy companies
- Media campaign via Australian Dairyfarmer

Objective: Easy to enter

Plan:

- First stage entry - 1 page entry; no payment; no financial details
- Entry form returned by fax OR via email OR via post
- All competition information on the Red Sky website, with links from other sponsors' websites

Objective: All entrants get value from entering

Plan:

- Entrants contacted to provide financial and physical data on their business
- ALL entrants receive comprehensive written report, DOT report, and numerical Red Sky reports

Media/Publicity

- Australian Dairyfarmer media partner
 - Fairfax community papers
- Planned media "story", with constant drip feeding of articles
- Brand management
- Australian and NZ shared branding (strengthen Trans-Tasman bond)
- Branded range of clothing
- Banners/flags/stationery

Conference/Seminar & Awards

- Business-focused seminar, followed by Awards dinner
- Venue –Melbourne
- Opportunities at seminar for sponsors:
 - Display material
 - Conference pack
- Mixture of key note speakers, including international speakers
- Semi-formal dress for awards evening
- Timing (approx.): Seminar 1pm-5.00pm; and Awards 6pm-9:30pm
- Timing of awards section:
 - 5:30pm – pre-dinner drinks
 - 6:30pm – 9.30pm – dinner/awards
 - 9.30pm till late – socialising
- Professional MC
- Big screen data presentation throughout evening (finalists' photos and sponsors logos/slogans)
- Profile finalists during the evening, prior to presenting awards

Finalists' Retreat

- All finalists (16-18) + Most Improved winner
- Also attended by 2009 New Zealand Dairy Business of the Year Supreme winner
- Venue to be Cleveland Winery at Lancefield
- 2 nights, 2 days
- Planned programme, including business analyst/economist and HR session
- Gold sponsor representative to attend the retreat

Field Days

- Field day at regional winners property in Victoria, South Australia and Western Australia
- Field days in July to November – used to promote the following years competition
- All sponsors’ involved with field days – promotional displays and opportunity to contribute to discussions in specific area of expertise
- Aim to focus on business performance (more than the day-to-day management)

Processing/Reporting

- Processing as per previous years
- Reporting – timing:
 - Complete and post out all reports for entrants by week before conference/awards
 - All non-finalists to receive notification of the selected finalists within week after finalists’ selection

Selecting finalists and judging

- First round: select finalists based on financials only (2008/09)
 - Completed by Red Sky staff
- Judging of finalists: additional information
 - Second year of financial information (2007/08)
 - Market values of Land & Building based on farm appraisals by bank valuers
 - Non-financial questionnaire regarding labour and environmental sustainability
- Judges for finalists: Assoc Prof. Bill Malcolm and senior bank agribusiness manager. Facilitated by David Beca

Gold Sponsorship proposition

Expectations from Naming (Gold) Sponsor – Westpac & Dairy Australia

- Promotion of competition through their client base; encourage clients to enter
- Contribution to management of competition via representative on management committee
- Preparation and release of press releases through media department
- Assistance with running field days
- Westpac provide valuation appraisals for finalist’s farms
- Provide a judge
- Financial contribution of \$25,000-\$50,000

Benefits as Gold Sponsor

- Association with leading dairy farming competition
- Access to leading dairy farm owners
 - Participation on finalists’ retreat
 - Field days
 - Awards dinner / seminar
- Regular media exposure during the course of the competition “year” (will run from opening of entries to final field day)
- Opportunity to have speaker at awards plus have trade display
- Presentation of one supreme award and at least one other award
- Invitation to open/welcome or close the seminar and awards dinner
- Invitation to open/welcome or close each of the regional field days plus have trade display

- Receive 4 free invitations to the seminar-awards dinner
- Receive 1 free invitation to attend the retreat

Silver Sponsorship proposition

Expectations from Silver Sponsor

- Promotion of competition through their client base; encourage clients to enter
- Representatives attendance at awards dinner and field days
- Financial contribution of \$8,000

Benefits to Silver Sponsor

- Association with leading dairy farming competition
- Access to leading dairy farm owners
 - Participation on finalist's retreat
 - Field days
 - Awards dinner / seminar
- Regular media exposure during the course of the competition "year" (will run from opening of entries to final field day)
- Presentation of two of the prizes at the awards dinner
- Have trade display at seminar-awards dinner
- Contribution to discussion plus have trade display at each of the regional field days
- Receive 2 free invitations to the seminar-awards dinner

Clothing Sponsorship proposition

Expectations from Clothing Sponsor

- Representatives attendance at awards dinner, and presentation of an award
- Contribution in kind of competition branded clothing garments for Finalists' (maximum of 18 couples) and competition management (maximum of three)

Benefits to Clothing Sponsor

- Association with leading dairy farming competition
- Exposure to a segment of the rural community with a high net-worth, and high 'influence' on their peers
- Access and exposure to leading dairy farm owners through:
 - Field Days (6 field days with estimated average attendance of 50 people per field day)
 - Awards dinner / seminar (estimated at 150)
 - Database of entrants and attendees (targeting 100 entrants)
- Regular media exposure during the course of the competition "year" (will run from opening of entries to the final field day)
- Competition management to wear branded clothing at all competition functions
- Finalists to wear branded clothing at field days, and for awards publicity photographs
- Presentation of one prize at the awards dinner
- Have trade display at seminar-awards dinner
- Contribution to discussion plus have trade display at each of the regional field days
- Receive 2 free invitations to the seminar-awards dinner