

2012 ANZ Dairy Business of the Year

FIELD DAY BOOK

MARCH 2012

Property owned by:

Rob & Jo Bradley

Share farmed by:

Grant & Kim Archer

Location:

765 Green Rises Road, Cressy



ANZ Dairy Business of the Year 2012

Farm Walk Program

Wednesday 28 March 2012

On property owned by: Rob & Jo Bradley
Share farmed by: Grant & Kim Archer
Location: 765 Green Rises Road, Cressy

Program

10.00 am **Morning Tea**

10.30 am **Welcome** DairyTas

10.40 am **Judges Comments** Lesley Irvine, TIA & Darron Charles, 2011 DBOY winner

10.50 am **Farm Walk** Grant Archer & Rob Bradley
Lesley Irvine, TIA

12.30 pm **BBQ Lunch**

*The ANZ Dairy Business of the Year Award is organised
by the DairyTas Board and the TIA Dairy Centre*

ANZ Dairy Business of the Year

*The Award has been made possible by
the generous support of the following:*

CORPORATE SPONSOR

Australia and New Zealand Banking Group Ltd

MAJOR SPONSORS

Agritech

Roberts Ltd

SPONSORS

Elphinstone Stevens Pty Ltd

Kraft Ltd

Red Sky Agricultural Pty Ltd

Tasmanian Perpetual Trustees

The Australian Dairyfarmer

TRADE DISPLAY SPONSOR

TasHerd Pty Ltd

Roberts Rural Supplies are proud sponsors of the 2012 ANZ Dairy Business of the Year Award



It takes something special to run a successful dairy farm that continually improves business performance and profitability.

Roberts Rural Supplies are committed to helping you where we can, because for us it's not just about supplying and delivering stock feed, seed, fertiliser and animal health needs to our clients, it's about providing a level of support that helps you achieve a more viable, sustainable dairy business for the future.

It's about helping our clients move forward. **That's what we're here to do.**

"Proudly supporting the local community since 1865"



Leading the way

**A REVOLUTION
IN ROTARY
MILKING**

Now a reality for Australian dairy farmers, the DeLaval AMR™ (automatic milking rotary) will change rotary milking forever! DeLaval brings robotic, 'no-hands' milking to the traditional rotary platform.

However you choose to milk and manage your herd – DeLaval is leading the way.

Your nutrition – every day 

Contact your local DeLaval dealer or use our free call number within Australia 1800 817 199

Contents

Farm Walk Program	1
ANZ Dairy Business of the Year Sponsors	2
ANZ Dairy Business of the Year 2012	6
Background.....	6
Rosemount Dairy Development.....	7
Success factors	7
The Importance of Staff.....	8
Judges Comment	14
Business management.....	14
Pasture management.....	14
Herd management.....	15
People management.....	15
Environmental management	15
Runner-up profiles	16
Leigh and Kellie Schuurung.....	16
Nigel and Rachel Brock.....	16
Proactive Agricultural Safety & Support Inc Safety Award.....	17
Milk Production Versus Milk Price	20
Dairy Benchmarking	19
Introduction.....	21
Dairy Farms by Region.....	21
Key Findings	21
Performance Indicators	21
Seasonal Conditions.....	23
Regional Overview.....	23
Cost of Production.....	24
Earnings Before Interest and Tax (EBIT).....	26
Return on Assets and Equity.....	26
Risk.....	27
Pasture Utilisation	29
Fertiliser Application.....	29

ANZ Dairy Business of the Year Awards 2012

Winners: Grant & Kim Archer, share farmers and
Rob & Jo Bradley, farm owners, Cressy, 20% ROA

Runners-up: Nigel & Rachel Brock, Montana, 8% ROA
Leigh & Kellie Schuurin, share famers and
Grant & Kim Archer, farm owners, 9% ROA

Pasture Awards:

Circular Head: Leigh & Kellie Schuurin, plus Grant & Kim Archer, Mella 12.6 t DM/ha
Central region: Gary & Sheryl Van Der Drift, Myalla, 15.2 t DM/ha
North East: Gavin & Georgie Steel, Winnaleah, 12.4 t DM/ha

Consistency Awards: Gary & Helen Strickland, King Island, 11%
Grant & Melanie Rogers, Ouse, 10%

Participants: 31 farm businesses plus 3 share famers

Recent Past DBOY Winners:		Participants
2011	Darron & Veronica Charles, Mawbanna	33
2010	Grant & Melanie Rogers, Ouse	45
2009	Huisman family & Hatfield Dairies P/L	36
2008	Paul & Nadine Lambert, Merseylea	36
2007	Gary & Helen Strickland, King Island	36
2006	Stephen & Karen Fisher, Togari	40
2005	Symon & Louise Jones, Gunns Plains	50
2004	John & Katrina Sykes, Ringarooma Alan & Rosie Davenport, Derby	42
2003	Grant & Kim Archer, Mella	47
2002	Wayne & Joanne Bowen, Scottsdale	40
2001	Darrell & Jennifer Kay, Togari	38
2000	Derek & Cynthia McAdam, Trowutta	78

ANZ Dairy Business of the Year 2012

Winners: Grant & Kim Archer, Share farmers
Rob & Jo Bradley, Farm owners



Figure 1. Grant & Kim Archer

The Rosemount dairy farm owned by Rob and Jo Bradley and share farmed by Grant and Kim Archer is the winner of the 2012 ANZ Dairy Business of the Year (DBOY). Rosemount is a mixed cropping and dairy property close to Cressy in Tasmania's Northern Midlands. The dairy enterprise on the property is managed on a 50/50 share farming basis. The dairy component of the Rosemount property was assessed by the DBOY judges to be the winner of the 2012 DBOY award based on the management and financial performance of the business.

Background

Grant Archer's career in the Tasmanian dairy industry began 1983 when he started his apprenticeship working on the family farm in Moltema. In 1986, the family relocated to their new 323ha farm in Mella. In 1988, Grant attended the well known Marcus Oldham Farm Management



Figure 2. Rob & Jo Bradley

College in Victoria, graduating with a Diploma in Farm Management, and on his return worked in a 33% share farming agreement on the family farm starting with the 1989/90 season. Grant progressed up to a 50/50 agreement when he and Kim purchased their first cows for the 1996/97 season, milking 600 cows.

In 2001/02, Grant and Kim purchased the family farm and ran the business through to the end of 2007 when the family left for Longford having built milking numbers up to 950 cows. Grant & Kim continue to own the Mella farm and it is operated by 50/50 share farmers Leigh and Kellie Schuurig.

Rosemount Dairy Development

Always on the lookout for opportunities, Grant and Kim began negotiations with the Bradleys who were looking to diversify and reduce their reliance on cropping. Having reared extra heifer calves on the Mella farm, Grant and Kim were able to put together 370 cows for the 2008/09 season as 50/50 share farmers on Rosemount and through the season the

herd was increased to 390 cows in preparation for the second season. The farm had previously been farmed as a dairy enterprise up to the 2002/03 season and so the shed was taken out of mothballs and some improvements to the infrastructure was put in place by the Bradleys. Since then cow numbers and production have increased on Rosemount.

	Cows	Kg milksolids	kgMS/cow	Pasture, t DM/ha	Milk price, \$/kg MS	EBIT, \$/ha	Return on assets %
2008/09	380	150,288	395	13.2	\$5.12	\$1,623	7.8%
2009/10	440	171,914	391	11.9	\$4.29	\$622	2.5%
2010/11	500	217,005	434	14.2	\$5.70	\$4,259	20.3%
2011/12 est	450	205,000	456		\$5.40		

Success factors

Grant attributes the improved performance over the last three years to a number of factors:

Soil fertility – Lime increased the pH from 5.5 to pH 6 and fertiliser increased Olsen P from 8 to 15. The increased soil fertility has seen a large increase in pasture production on the farm.

High Stocking Rate – Because cows became available due to a 50:50 sharefarmer moving onto the Mella farm Grant had the opportunity to milk as many cows as he believed possible. He milked 500 cows on 131ha (3.8 cows/ha) through the 27 swingover dairy. This high stocking rate maximised the amount of pasture harvested directly by the cows and that helped keep cost of production low.

High per cow production – The cows peaked at 1.9 kgMS/cow due to calving in good condition. Lactational persistency was excellent with cows still doing 1.4 kgMS/cow at the end of March. This persistency was due in a large part to the focus on

maintaining high pasture quality due to strict grazing residuals of 1400-1500 kgDM/ha.

Milking 3 times in 2 days – The implementation of this practice made it easier to milk the large number of cows through the dairy and provided savings in labour and shed costs. The cows also enjoy one less milking in 2 days reducing their energy use.

A good season – The plentiful rainfall led to lower irrigation costs and Grant believes pasture still grows better under natural rainfall than irrigation. The high stocking rate enabled us to capture the benefits of this improved season.

High milk price – A good milk price is one of the keys to a profitable operation. A 33% increase on the previous season was a massive help in increasing profitability. With the 26% increase in production from the previous season, milk price was enhanced by 9c/kgMS due to the Fonterra Growth Incentive.

Comparing the winners' performance with the average of all participants shows where the business was successful and how the improvements flowed through to the bottom line.

	Rosemount	Average all	% Diff
Kg MS/ha	1,528	803	+90%
Kg MS/cow	434	405	+7%
Cows/ha	3.5	2.0	+75%
\$/kg MS	\$5.70	\$5.49	+4%
Income, \$/ha	\$9,453	\$5,005	+90%
Costs excl finance, \$/ha	\$5,194	\$3,420	+52%
EBIT, \$/ha	\$4,259	\$1,585	+170%
Assets, \$/ha	\$21,018	\$24,379	-14%
ROA%	20%	7%	+190%

The Importance of Staff

Grant acknowledges that a key component in running share farming operations is the quality and commitment of staff. Steven Saltmarsh was appointed manager of the operation at Rosemount from the start of the first season and after 6 months of working closely with Grant, Steven was given responsibility for the day to day running of the operation.

Steven has been a key member of the team at Rosemount that also includes Jaimie Clarke who also started at the beginning of the 2008/09 season as well as James Kilroy who came on board for the second season. Steven has taken on the management of the additional Oakdene operation and Jaimie who originally came on board as Assistant

Manager has stepped up to manage Rosemount.



Saltmarsh (Farm Manager), James Kilroy (Employee), Grant Alder (Share Farmer)



Performance Indicators

2010-11

**We help you pull the most profit...
while you pull the teats**

Certified Practising Accountants

Elphinstone Stevens is aware of the accounting issues unique to the agri-business industry, we understand that effective accounting is an essential, but not always enjoyed aspect of running a successful operation.

We will come to you, maximising the efficiency of your time, plus meeting onsite at your property provides the opportunity for us to discover the unique attributes of your business.

Elphinstone Stevens is a long term, committed sponsor of the Tasmanian Dairy Farmer of the Year Award and are pleased past winners of this award are also our valued clients. Our dairy benchmarking aids our clients to easily locate areas of success and need of improvement within their business. **Call us to arrange an appointment!**



elphinstone
stevens
pty ltd

Burnie: 1st Floor, 75 Mount Street
OPEN Mon-Fri 8.30-5pm

Smithton: 130-134 Nelson Street
OPEN Thursday 8.30-5pm

T: (03) 6431 3933

Email: mail@elst.com.au

www.elst.com.au

		DBOY Winner	Average	Top 10%
Farm Details				
Milking area	ha	142	162	173
Dairy run-off	ha	0	46	60
Effective area	eff ha	142	208	233
Milksolids	kg	217,005	166,074	196,188
Peak cows milked	cows	500	396	423
Labour used	FTE	3.4	3.2	3.3
Business Indicators				
Operating profit, EBIT	\$	\$604,751	\$328,876	\$535,540
Total income/ eff ha	\$/ eff ha	\$9,453	\$5,168	\$6,032
Total income/ kg MS	\$/kg MS	\$6.19	\$6.24	\$6.31
Milk price/ kg MS	\$/kg MS	\$5.70	\$5.49	\$5.77
Operating costs exd finance/ eff ha	\$/ eff ha	\$5,194	\$3,511	\$3,370
Operating costs exd finance/ kg MS	\$/kg MS	\$3.40	\$4.25	\$3.57
EBIT/ eff ha	\$/ eff ha	\$4,259	\$1,657	\$2,662
Return on assets (EBIT/Av Assets Managed)	%	20.3%	7.1%	15.2%
Return on equity (EBT/Av Owners Equity)	%	20.3%	6.3%	16.3%
Productivity Ratios				
Milksolids per milking ha	kg MS/ M ha	1,528	1,023	1,134
Milksolids per effective ha	kg MS/eff ha	1,528	829	961
Milksolids per cow	kg MS/cow	434	405	470
Milksolids per cow as % of Lwt	kg MS/kg lwt	87%	83%	90%
Feed conversion efficiency	kg DM/ kg MS	12.0	14.0	13.1
Stocking rate, cows/eff ha	cows/ha	3.5	2.0	2.1
Cows per full time equivalent	cows/FTE	146	122	129
Hours per cow	hours/cow	16	21	19
Replacement heifers as % of cows milked	%	25%	24%	22%
Feed Indicators				
Pasture utilised	t DM/ eff ha	14.2	9.4	10.2
Dairy area % irrigated	%	88%	43%	32%
Nitrogen use	kg N/ eff ha	463	144	236
Average purchased feed price	\$/ t DM	\$243	\$281	\$370
Pasture costs	\$/ t DM	\$78	\$71	\$72
Grazed pasture per cow*	t DM/ cow	3.8	4.2	4.8
Grain per cow*	t DM/ cow	1.1	0.9	1.0
Hay & silage per cow*	t DM/ cow	0.4	0.7	0.4
Total feed per cow*	t DM/ cow	5.2	5.8	6.2
Farm Assets - averages for the year				
Dairy assets incl leased land	\$	\$2,984,625	\$4,735,548	\$3,724,841
Assets per eff ha	\$/ eff ha	\$21,018	\$24,633	\$15,964
Assets per cow	\$/cow	\$5,969	\$13,054	\$8,806
Assets per kg milksolids	\$/kg MS	\$14	\$34	\$19
Liabilities per cow	\$/cow		\$3,662	\$316
Equity %	%		69%	96%
Number of farms		1	31	3

* Feed used by cows and replacements divided by cow numbers

Financial Analysis - Total \$

	DBOY winner	Average	Top 10%
--	-------------	---------	---------

Income			
Milk income (net)	\$1,235,938	\$923,098	\$1,131,308
Lives tock trading profit	\$96,730	\$74,791	\$81,083
Feed inventory change	\$0	\$12,474	\$4,480
All other income	\$9,688	\$13,706	\$18,636
Total income	\$1,342,356	\$1,024,069	\$1,235,507
Costs			
AI and herd test	\$12,430	\$12,115	\$15,102
Animal health	\$20,318	\$20,394	\$24,073
Calf rearing	\$8,400	\$6,080	\$3,215
Shed Power	\$14,185	\$15,945	\$12,862
Dairy Supplies	\$12,262	\$15,975	\$11,847
Total shed & herd costs	\$67,595	\$70,508	\$67,099
Feed Costs			
Fertiliser	\$83,286	\$73,281	\$86,496
Irrigation (including effluent)	\$41,277	\$13,591	\$17,118
Hay and silage making	\$16,630	\$17,100	\$13,883
Fuel and oil	\$7,551	\$14,049	\$10,850
Pasture improvement / cropping	\$2,645	\$18,135	\$24,068
Other feed costs	\$7,046	\$3,149	\$3,003
Fodder purchases	\$12,265	\$20,413	\$8,208
Grain / Concentrates / Other	\$146,715	\$144,778	\$159,142
Agistment costs	\$88,220	\$28,232	\$29,407
Total Feed Costs	\$405,635	\$332,728	\$352,175
Total Variable costs	\$473,230	\$403,237	\$419,274
Overhead costs			
Rates	\$2,761	\$7,305	\$4,612
Registration and Insurance	\$1,577	\$3,657	\$2,058
Farm Insurance	\$3,337	\$9,682	\$5,179
Repairs and Maintenance	\$36,125	\$51,426	\$48,839
Bank Charges	\$1,635	\$2,523	\$1,345
Other Overheads	\$11,140	\$17,370	\$26,788
Employed People Cost	\$167,443	\$85,811	\$96,868
Total cash overhead costs	\$224,018	\$177,774	\$185,690
Non-cash overheads			
Depreciation	\$7,800	\$31,227	\$17,600
Imputed people cost	\$32,557	\$82,955	\$77,402
Total non-cash overheads	\$40,357	\$114,182	\$95,002
Total Overhead costs	\$264,375	\$291,957	\$280,692
Total Costs	\$737,605	\$695,193	\$699,967
Earnings Before Interest & Tax	\$604,751	\$328,876	\$535,540
Interest and lease costs		\$112,570	\$46,394
Net Profit		\$216,306	\$489,146

Financial Analysis - \$ per kg Milksolids

		DBOY winner	Average	Top 10%
Income				
Milk income (net)	\$/kg MS	\$5.70	\$5.49	\$5.77
Livestock trading profit	\$/kg MS	\$0.45	\$0.56	\$0.41
Feed inventory change	\$/kg MS	\$0.00	\$0.08	\$0.02
All other income	\$/kg MS	\$0.04	\$0.10	\$0.10
Total income	\$/kg MS	\$6.19	\$6.24	\$6.31
Costs				
AI and herd test	\$/kg MS	\$0.06	\$0.07	\$0.08
Animal health	\$/kg MS	\$0.09	\$0.12	\$0.12
Calf rearing	\$/kg MS	\$0.04	\$0.03	\$0.02
Shed Power	\$/kg MS	\$0.07	\$0.10	\$0.07
Dairy Supplies	\$/kg MS	\$0.06	\$0.10	\$0.06
Total Herd & Shed Costs	\$/kg MS	\$0.31	\$0.42	\$0.34
Feed Costs				
Fertiliser	\$/kg MS	\$0.38	\$0.43	\$0.44
Irrigation (including effluent)	\$/kg MS	\$0.19	\$0.08	\$0.08
Hay and silage making	\$/kg MS	\$0.08	\$0.10	\$0.07
Fuel and oil	\$/kg MS	\$0.03	\$0.10	\$0.06
Pasture improvement / cropping	\$/kg MS	\$0.01	\$0.10	\$0.13
Other feed costs	\$/kg MS	\$0.03	\$0.02	\$0.01
Fodder purchases	\$/kg MS	\$0.06	\$0.09	\$0.04
Grain / Concentrates / Other	\$/kg MS	\$0.68	\$0.76	\$0.82
Agistment costs	\$/kg MS	\$0.41	\$0.19	\$0.14
Total Feed Costs	\$/kg MS	\$1.87	\$1.86	\$1.79
Total Variable costs	\$/kg MS	\$2.18	\$2.27	\$2.14
Overhead costs				
Rates	\$/kg MS	\$0.01	\$0.06	\$0.02
Registration and Insurance	\$/kg MS	\$0.01	\$0.03	\$0.01
Farm Insurance	\$/kg MS	\$0.02	\$0.07	\$0.03
Repairs and Maintenance	\$/kg MS	\$0.17	\$0.34	\$0.25
Bank Charges	\$/kg MS	\$0.01	\$0.02	\$0.01
Other Overheads	\$/kg MS	\$0.05	\$0.11	\$0.14
Employed People Cost	\$/kg MS	\$0.77	\$0.43	\$0.48
Total cash overhead costs	\$/kg MS	\$1.03	\$1.05	\$0.94
Non-cash overheads				
Depreciation	\$/kg MS	\$0.04	\$0.21	\$0.09
Imputed people cost	\$/kg MS	\$0.15	\$0.71	\$0.41
Total non-cash overheads	\$/kg MS	\$0.19	\$0.93	\$0.50
Total Overhead costs	\$/kg MS	\$1.22	\$1.98	\$1.44
Total Costs	\$/kg MS	\$3.40	\$4.25	\$3.57
Earnings Before Interest & Tax	\$/kg MS	\$2.79	\$1.99	\$2.73
Interest and lease costs	\$/kg MS		\$0.82	\$0.25
Net Profit	\$/kg MS		\$1.17	\$2.48

Balance Sheet: Assets and Liabilities, excluding leased land

	DBOY winner				Average all participants	Top 10%
	1-Jul-10	30-Jun-11	Average			
Assets						
Current assets						
Lives tock	\$721,900	\$758,700	\$740,300		\$648,220	\$603,413
Feed	\$0	\$0	\$0		\$15,552	\$2,507
Other	\$0	\$0	\$0		\$6,986	\$53,266
Farm Investments	\$0	\$0	\$0		\$27,943	\$0
Total current assets	\$721,900	\$758,700	\$740,300		\$698,701	\$659,185
Non-current assets						
Land & buildings	\$2,149,770	\$2,149,770	\$2,149,770		\$3,508,019	\$2,252,565
Water right	\$0	\$0	\$0		\$6,452	\$0
Plant & equipment	\$108,000	\$81,109	\$94,555		\$258,629	\$227,639
Total non-current assets	\$2,257,770	\$2,230,879	\$2,244,325		\$3,773,100	\$2,480,204
Total farm assets	\$2,979,670	\$2,989,579	\$2,984,625		\$4,471,800	\$3,139,389
per hectare			\$21,018		\$21,484	\$19,118
per cow			\$5,969		\$11,286	\$8,099
Liabilities						
Total farm liabilities					\$1,309,447	\$342,752
per hectare					\$6,291	\$2,923
per cow					\$3,662	\$994
Equity						
Assets - Liabilities					\$3,162,353	\$2,796,637
per hectare					\$15,193	\$16,195
per cow					\$7,981	\$7,104
percentage					69%	89%

Judges Comment

Judges: Lesley Irvine, TIA Dairy Centre

Darron Charles, 2011 DBOY
Award winner

Year is Rob and Jo Bradley with Grant and Kim Archer.

There were three finalists for the 2012 DBOY:

- Leigh and Kellie Schuurung, Mella, sharefarming for Grant and Kim Archer
- Grant and Kim Archer, Cressy, sharefarming for Rob and Jo Bradley
- Nigel and Rachel Brock, Montana

Congratulations to these finalists on their achievement. Finalists in the DBOY Award are selected based on their Return on Assets (RoA) and Earnings Before Interest and Tax per hectare (EBIT/ha). This year, the finalists included two businesses with a sharefarming structure. These businesses were judged on the same basis as the third owner/operator business i.e. all assets and costs were included in the analysis.

After the selection of the finalists, the judges visit each property to verify the financial data that has been provided and to judge the strategic and operational aspects of each business. The categories considered by the judges are:

- Business management (50 points)
- Pasture management (20 points)
- Herd management (10 points)
- People management (10 points)
- Environmental management (10 points)

Each business is given a score for each of these categories and the business with the highest number of points (out of 100) is the winner of the Award. The winner of the 2012 ANZ Dairy Business of the

Business management

Each of the businesses in this year's Award performed well in this area and had clear plans for the direction of their business. All have been growing their business over the years with each farm now having a larger than average herd size (Schuurung, 910 cows; Archer, 500 cows; Brock, 580 cows).

Highest points in the area of business management were awarded to the Archer/Bradley business. Both parties within this partnership undertook formal analysis of business decisions and conducted regular monitoring of the business performance. Low cost of production is being achieved within the business through a good understanding of the principles of farm management that allow costs to be reduced while maintaining efficient cow performance.

Pasture management

All businesses performed strongly in this area. There was a focus on managing grazing residuals with each business targeting 1400-1500 kgDM/ha and monitoring whether this was achieved. Rotation length was adjusted based on seasonal conditions. Soil testing is conducted either every year or every second year on each of the farms and fertiliser is applied according to requirements.

Herd management

Maintaining good animal health and welfare outcomes in large herds can be a challenge, but each farm had strategies in place to manage this. The Schuurings have been working closely with the Smithton Veterinary Clinic to trial a fixed time insemination program that is resulting in good in-calf rates. The Archers have a focus on early identification and treatment of any animal health issues. Brocks utilise a transition cow feeding program to improve animal health and milk production. Replacement stock were of high importance to each of the farms, with all having good calf rearing systems in place. The Schuurings in particular were achieving very low mortality rates, especially given the condensed calving pattern. All the farms had targets and were monitoring young stock growth which was great to see.

People management

Each of the businesses employed staff. The stand-out business for the retention of staff and promotion of a career pathway in the dairy industry was the Archers who have a big focus on staff development and provide training to help them progress. The Brocks have a very good system of standard operating procedures in place to assist staff with their activities on the farm. There has been improvement in the awareness and management of OH&S on farms, although there is still some way to go.

Environmental management

All of the farms visited were clean and tidy. Effluent was managed appropriately and nutrients were applied based on soil testing. Each of the farms mentioned challenges in managing wet soils but all had strategies in place to do this, either through paddock selection or wintering animals off the farm.



RED SKY

RED SKY FARM PERFORMANCE ANALYSIS

PUTTING FARMERS IN CONTROL OF THEIR BUSINESS

Do you want to understand the key drivers of profit on your farm or assist your clients to understand these drivers? Is creating wealth and determining how to improve farming systems and business management important to you?

Then join the growing group of farmers and rural professionals using Red Sky to unlock the full potential of their farms.

Contact us on free phone 1800 733 759 or email info@redskyagri.com or visit our website www.redskyagri.com

'Red Sky Farm Business Analysis has taken the guesswork and uncertainty out of my operation. It has enabled me to compare my performance with the top performing farms in my region.'
Daryl Sell, Farmer, Barongarook

'The Red Sky figures help give us an idea of where we sit compared with farmers in other areas. We might know we are doing okay in our district but the whole district might not be competitive. We need to know where we sit in the world market and that we can produce milk at a competitive price.'
Neville Kydd, Farmer, Finley

Runner-up profiles

Leigh and Kellie Schuurin



Leigh and Kellie Schuurin are sharefarming at Mella, near Smithton, on the property owned by Grant and Kim Archer. They milk 910 Friesian and Friesian x Jersey cows on the 293ha milking area. The herd is predominantly spring calving but approximately 130 cows are calved in autumn. The farm is dryland and pasture consumption of 13.7 tonnes of dry matter per hectare was achieved in the Award year. Leigh and Kellie have a strong focus on animal health from calf rearing through to the breeding program. In the Award year, this business achieved a 9.0% Return on Assets with an EBIT per dairy hectare of \$2,429.

Nigel and Rachel Brock



Nigel and Rachel Brock farm at Montana, south of Deloraine. They milk 580, spring-calving cows on a milking area of 206ha with a further 194ha run-off, utilised for young stock, hay and silage. Pasture consumption was 8.3 tonnes per hectare with 28% of the dairy area irrigated. The Brocks have a big focus on pasture management, with rotation length based on monitoring of leaf stage and grazing when the pasture reaches 3 leaves. Calf rearing is another strength of the business, with all calves stomach tubed with colostrum, a very neat calf rearing set-up and monthly monitoring of liveweight until mating. In the Award year, this business achieved 8.3% Return on Assets with an EBIT per dairy hectare of \$1,475.



Proactive Agricultural Safety & Support Inc Safety Award

Safety Award: For the DBOY finalist who demonstrates “Best Practice Safety Management”. A P.A.S.S. representative accompanied the judges on their visit to the 3 farms. All farmers agreed to the visit by the safety award judge.

It was a rewarding experience for the P.A.S.S. representative. We congratulate all the finalists on their success and thank them for this opportunity for a snap shot view of current “*on farm safety management*” in the Tasmanian Dairy Industry.

Judge’s Comments

The judge was delighted to see an improvement on previous years. “*Even the top farmers are on a continuous learning curve seeking improvement*”.

It was extremely difficult to choose a winner when comparing a new dairy and a very old dairy. But that is only the physical environment. What matters is attitude and behaviour as this dictates the standard achieved regardless of the physical environment. The business owner / manager’s role model presented to the staff, and their communication with staff is what counts. Safety management starts at the top.

PASS Inc is pleased to award 2 prizes as without a detailed audit it was impossible to find a clear winner.

- 1) Nigel and Rachel Brock who own and manage a farm at Montana
- 2) Share farmers Grant and Kim Archer and their manager, Jaime Clarke at Cressy

The judge was impressed by the tidy, very clean and orderly presentation of all dairies, the clear labelling, easily accessible laminated procedures and recording.

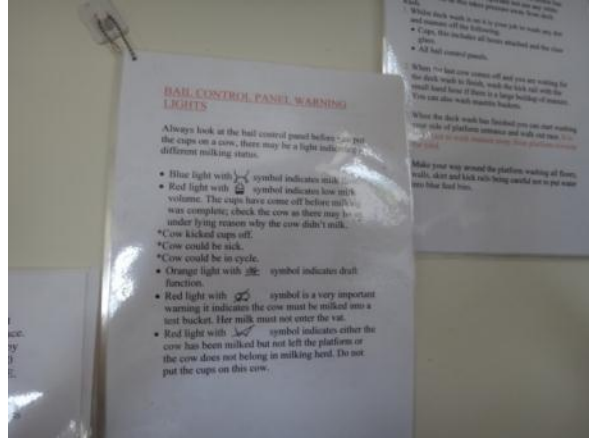
Remove for Improvement

Quad bike safety is still a major concern. Only one farm consistently adheres to “no helmet, no ride”. Only one farm had a nominated speed limit. The judges observed the employees at one farm riding quad bikes without helmets on a public road, plus also on one trip transporting a bag of feed on the foot platform whilst riding side saddle, driving with one hand.

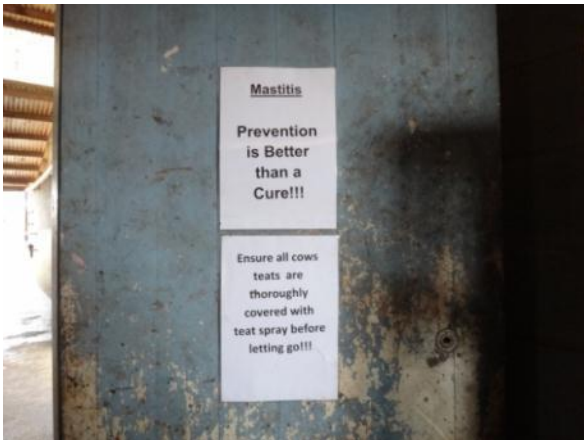
None of the farms had Crush Protection Devices (CPD) fitted to their quad bikes, none had asbestos registers, only one person (an owner) knew the role of an RCD, one owner was wearing a wedding ring on the job! Only one farm had written safe operating procedures for using chemicals / veterinary products. Two farms were bisected by public roads, but only one used safety vests when droving stock on / across the road, and neither farm houses were fully fenced off from the public road despite having young children.



✓ **Steps:** non slip, wide treads, easy to use, clear access, good strong rail



✓ **Procedures:** laminated, in staff room, easy to access



✓ **Signage:** Easy to read, visible



✓ **Manual Handling / ergonomics:** Easy to access, within body's safe range
 ✓ **Cupboard:** Neat, tidy, contents easy to see and quick to access, off the ground
 ✗ **Cupboard:** no lock or child proof latch. How do you control unauthorized access?



- ✗ Trip Hazard - Hose lying across access
(Hint: Needs a hose "no go" area clearly marked)
- ✗ No hand rail



- ✓ Hose secured
- ✓ Clean, spacious



- ✓ **Helmet:** For each person, stored with each quad bike.
- ✓ **Quad bike:** No unauthorised modifications or attachments
- ✓ **Emergency meeting place:** signage & procedure
- ✗ **Bottles:** Unlabelled contents



- ✓ **Guard:** preventing access to moving parts
- ✗ **Where is the PTO guard?**



Proactive Agricultural Safety & Support Inc

A "Not for Profit", grass roots organisation managed by volunteers who are passionate about safety in rural environments www.pass.org.au

BEING SAFE IS NO ACCIDENT

A SAFE BUSINESS IS A GOOD BUSINESS

Contact Us:

T: 6398 6212, 63918496 or 0414839833
E: admin@pass.org.au
P.O. Box 111, Evandale, Tasmania, 7212

Farmers and staff, contractors and service providers are highly skilled professionals and a scarce commodity. We can't afford to lose any of them to foreseeable or preventable accidents.

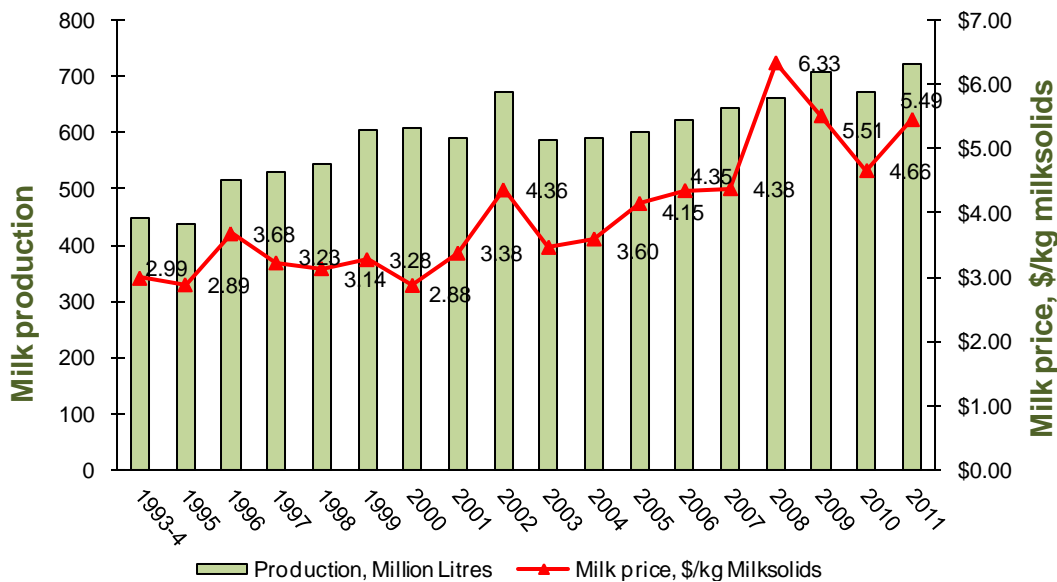
Managing safety doesn't have to be expensive... Not managing safety can be costly!!

Milk Production Versus Milk Price

In 2010-11 the average milk price among Tasmanian benchmarking participants was \$5.49 per kilogram milksolids (kg MS). This was an 18% increase on the previous season's average price of \$4.66/kgMS. Milk production also increased by 7% in 2010-11 to

722 million litres. From the chart of annual milk production and prices (Figure 1) there appears to be a link between production and price. The years with high prices also result in higher production and years with low prices tend to have lower production.

Figure 1: Tasmanian milk production and milk price

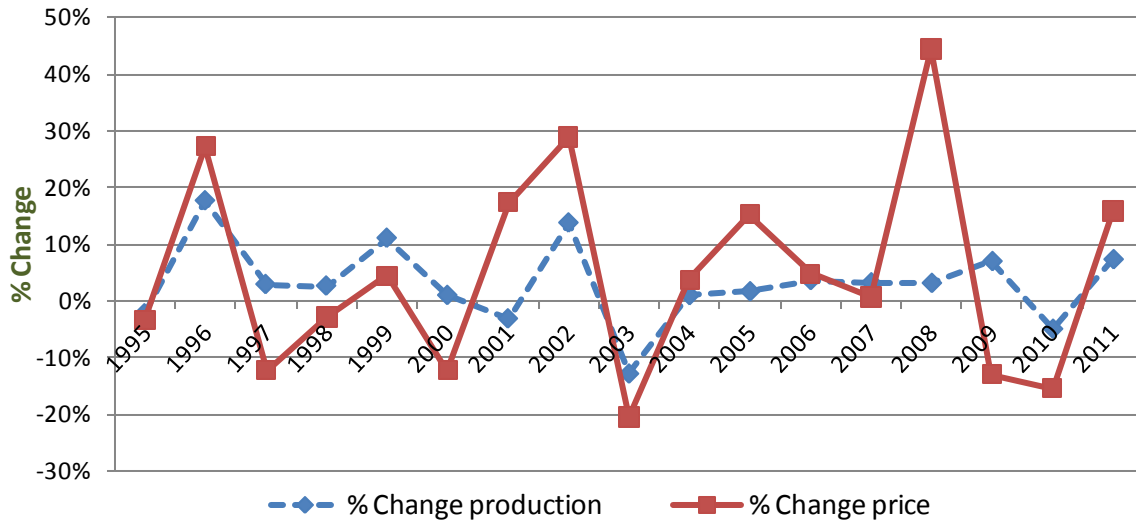


Sources: Milk production from Dairy Australia, milk prices from TIA benchmarking

Announcements about a new milk factory for Circular Head and expansion of existing factories create an expectation that milk production in Tasmania will continue to increase. Figure 2 shows there is a strong link between changes in milk price and milk production in Tasmania. Increases in milk price in 1996, 1999, 2002 and 2011 were matched with increases in milk production. The falls in milk price in 1995, 1997, 2000, 2003, 2010 saw milk production decline in these years. The sharp jump in milk price in 2008 did not lead to similar increases in

production that year, but milk production did increase by 7% in 2009. The fall in milk price that began half way through 2009 saw farmers quickly respond – milk prices fell by 26% over two years and production declined by 5%. There is also a direct link between milk price and return on assets. Further increases in Tasmanian milk production will depend heavily on having milk prices that are above the cost of production to enable an adequate return on assets to be achieved.

Figure 2: % Change in Tas milk production and price



Partners with rural Tasmania for generations.

Our Lending Managers draw upon years of experience, knowledge and pride themselves on providing the highest quality of personal service.

Nick Ridge 0400 848 407
Greg Martin 0418 541 227
Phil Kitto 0419 307 645

Tasmanian Perpetual Trustees

Tasmanian Perpetual Trustees Limited
 ABN 97 009 475 629 AFS Licence 234630
 Australian Credit Licence Number 234630
 is a wholly owned subsidiary of MyState Limited ABN 26 133 623 962
www.tasmanianperpetual.com.au

Dairy Benchmarking

Introduction

Tasmania has a long history of dairy benchmarking and the results have always been analysed using software developed within Tasmania. In 2011, TIA staff began using software developed by the Victorian Department of Primary Industries to analyse the 2010-11 performance of Tasmanian dairy farm businesses. The decision to use the Victorian Dairy Farm Monitor Project (DFMP) software was supported by Dairy Australia through project funding as it improved the comparability of performance indicators between Tasmanian and Victorian dairy farms.

Dairy Farms by Region

The spread of the 31 dairy farms within Tasmania, who provided information about their 2010-11 business performance, is similar to the regional distribution of Tasmanian dairy farms shown in Table 1. The 31 farms participating in the benchmarking milked on average 396 cows and hence are 14% larger than the average Tasmanian dairy herd of 348 cows, based on January 2012 TDIA dairy licence information. The dairy licence figures show that 33% of Tasmanian dairy farms and 42% of the dairy cows are in Circular Head. Average herd size in Circular Head is 435 cows which is higher than the Tasmanian average of 348 cows.

Key Findings

Key performance indicators (KPIs) for the last 9 years are presented in Table 2. Average return on assets managed (which includes the value of leased assets) in 2010-11 was 7.1%. In

Table 1: Tasmanian Dairy Farms by Region

Regions	Farms	Cows	% cows	Av herd size
King Island	17	4,661	3%	274
Circular Head	145	63,151	42%	436
Wynyard Waratah	35	10,746	7%	307
Burnie	11	2,025	1%	184
Central Coast	28	7,110	5%	254
Kentish	24	4,900	3%	204
Latrobe	6	1,049	1%	175
Meander Valley	72	24,217	16%	336
West Tamar	7	4,215	3%	602
North East	73	21,440	14%	294
Northern Midlands	6	4,050	3%	675
South	13	4,486	3%	345
Totals	437	152,050	100%	348

Source: TDIA dairy licence data 31 Jan 2012

previous years the % return on assets owned was calculated, therefore the 2010-11 % return on assets managed is not directly comparable with previous year's return on assets owned figures. Another difference between the new software program and the previous benchmarking analysis is that the program uses the effective pasture area, including support areas, as the divisor for per hectare calculations. The previous program used milking hectares as the divisor for these calculations. The previous year's figures have been recalculated and are now presented on the same per hectare basis as the 2010-11 dairy benchmarks.

The main points to note from the table are;

- A higher milk price (\$5.49/ kg MS) in 2010-11 has flowed through to give a reasonable 7.1% return on assets managed.
- Average Earnings Before Interest and Tax (EBIT) of \$328,876 is the highest since the peak milk price year of 2007-08.
- The area irrigated on dairy farms has continued to increase over the nine years, and in 2010-11 an average 43% of the pasture on both the main farm and support blocks of participating farms was irrigated.
- Intensification of dairy farms has resulted in the average stocking rate of participant's increasing to 2.3 cows per hectare.
- 2010-11 had high summer rainfall and this boosted pasture production, but the average pasture utilisation of 9.4 tonnes DM/ha was not the highest over the nine years.
- Nitrogen use declined to 165 kgN/ha in 2010-11, possibly because farmers did not need to use nitrogen to produce extra feed that year as there was high summer rainfall.
- Grain use remained steady and averaged nearly 0.9 t/cow.
- Asset values saw a slight decline in 2010-11 with the average farm having assets of \$11,300 per cow. The fall in asset values was the net outcome from participants increasing the market value of livestock and slightly reducing their farm value. The average asset value of the participating businesses was close to \$4.5 million.
- Liabilities increased in 2010-11 and averaged \$3,533 per cow. As a result of the lower asset values and higher debt levels average equity declined to 69%.
- High production per hectare and the increased milk price enabled benchmarking participants to increase average income per hectare by 34% to \$5,168 but operating costs increases were kept to only 7% per ha, hence average EBIT per ha increased by 130% to a record \$1,657/ha.
- The average milk price increased 18% from \$4.66 in 2009-10 to \$5.49/kgMS in 2010-11, but average operating costs declined by 2 cents to average \$4.25/kgMS. As a result EBIT more than doubled to \$1.99/kgMS. Despite average interest and lease costs increasing slightly to \$0.82/kgMS, average net profit rose dramatically to \$1.17/kgMS.

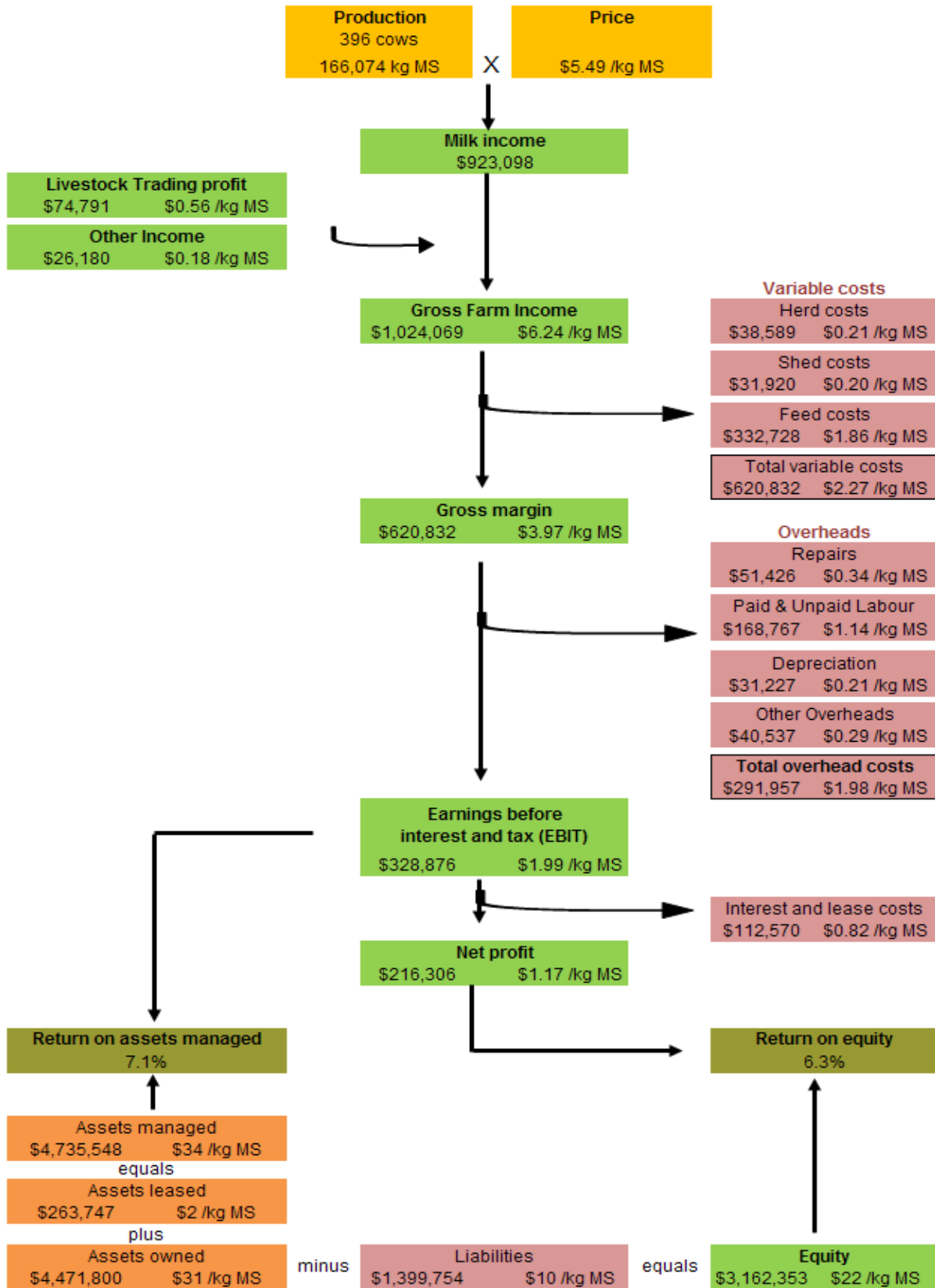


Table 2: Tasmanian Dairy Benchmarks
Averages for All Participants

	2002-3	2003-4	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10	2010-11
Key Performance Indicators									
Return on Assets, %	3.8%	4.8%	7.9%	5.7%	4.6%	7.9%	6.1%	3.4%	7.1%*
Operating Profit (EBIT), \$	\$63,494	\$86,985	\$171,939	\$174,626	\$163,185	\$385,024	\$271,890	\$172,525	\$328,876
Farm Details									
Production, kg MS	103,912	108,767	129,653	142,701	151,646	171,995	187,360	157,637	166,074
Cows Milked, nos	310	294	335	364	400	466	484	404	396
Dairy Area, ha	184	178	192	206	220	239	236	204	208
Labour used, FTE	2.7	2.7	2.8	3.0	3.1	3.4	3.6	3.2	3.2
Irrigation, % area irrigated	25%	28%	27%	24%	29%	32%	34%	38%	43%
Performance Indicators									
Milksolids, kg MS/ha	610	617	686	729	750	739	835	772	803
Milksolids kg MS/cow	338	368	391	392	386	373	400	374	405
Heifers, % of cows milked	25%	27%	26%	26%	27%	27%	25%	24%	24%
Stocking Rate, cows/ha	1.8	1.7	1.8	1.9	1.9	2.0	2.1	2.0	2.3
Pasture, kg DM/ha	7,550	7,460	8,040	8,320	8,500	8,340	9,950	9,260	9,430
Grain intake, tonne/cow	0.44	0.57	0.72	0.82	0.87	0.92	0.94	0.89	1.00
Nitrogen, kg N/ha	112	115	151	163	156	212	201	173	165
Cows per FTE	113	108	118	118	127	138	138	124	122
Assets & Liabilities Owned									
Dairy Assets, \$'000	\$1,491	\$1,584	\$2,172	\$2,675	\$3,471	\$4,811	\$5,040	\$4,512	\$4,472
Assets per ha, \$/ha	\$8,661	\$9,364	\$11,436	\$13,969	\$16,924	\$20,442	\$22,094	\$22,514	\$21,484
Assets per cow, \$/cow	\$4,700	\$5,635	\$6,482	\$7,348	\$9,186	\$10,641	\$10,949	\$11,737	\$11,286
Liabilities, \$'000	\$464	\$410	\$484	\$683	\$944	\$1,602	\$1,560	\$1,176	\$1,400
Liabilities per cow, \$	\$1,498	\$1,314	\$1,444	\$1,876	\$2,206	\$3,346	\$3,167	\$3,306	\$3,533
Equity, %	69%	74%	78%	74%	73%	69%	70%	72%	69%
Income & Expenses per Ha									
Milk Income, \$/ha	\$2,130	\$2,233	\$2,828	\$3,206	\$3,311	\$4,732	\$4,502	\$3,561	\$4,579
Total Income, \$/ha	\$2,248	\$2,418	\$3,061	\$3,413	\$3,480	\$4,938	\$4,746	\$3,861	\$5,168
Animal Costs, \$/ha	\$219	\$208	\$243	\$249	\$270	\$299	\$341	\$311	\$344
Feed Costs, \$/ha	\$868	\$853	\$1,053	\$1,248	\$1,404	\$1,878	\$1,940	\$1,441	\$1,633
Labour, \$/ha	\$595	\$614	\$587	\$667	\$723	\$735	\$824	\$866	\$899
Overheads, \$/ha	<u>\$331</u>	<u>\$308</u>	<u>\$352</u>	<u>\$475</u>	<u>\$515</u>	<u>\$543</u>	<u>\$597</u>	<u>\$546</u>	<u>\$635</u>
Operating Costs, \$/ha	\$2,014	\$1,983	\$2,236	\$2,639	\$2,911	\$3,455	\$3,701	\$3,164	\$3,511
EBIT, \$/ha	\$235	\$435	\$825	\$774	\$569	\$1,483	\$1,046	\$697	\$1,657
Income & Expenses – per kg MS									
Milk Income, \$/kg MS	\$3.47	\$3.60	\$4.15	\$4.35	\$4.39	\$6.33	\$5.50	\$4.66	\$5.49
Total Income, \$/kg MS	\$3.87	\$4.03	\$4.64	\$4.82	\$4.64	\$6.87	\$6.01	\$5.17	\$6.24
Operating Costs, \$/kg MS	<u>\$3.37</u>	<u>\$3.31</u>	<u>\$3.37</u>	<u>\$3.69</u>	<u>\$3.81</u>	<u>\$4.76</u>	<u>\$4.53</u>	<u>\$4.27</u>	<u>\$4.25</u>
EBIT, \$/kg MS	\$0.50	\$0.72	\$1.27	\$1.13	\$0.83	\$2.10	\$1.48	\$0.92	\$1.99
Finance costs, \$/kg MS	<u>\$0.34</u>	<u>\$0.29</u>	<u>\$0.30</u>	<u>\$0.39</u>	<u>\$0.45</u>	<u>\$0.63</u>	<u>\$0.63</u>	<u>\$0.75</u>	<u>\$0.82</u>
EBT, \$/kg MS	\$0.16	\$0.43	\$0.97	\$0.74	\$0.38	\$1.47	\$0.85	\$0.16	\$1.17
Participants									
Numbers	42	50	40	35	36	46	40	33	31
As % of dairy farmers	7%	9%	8%	7%	8%	10%	9%	8%	7%

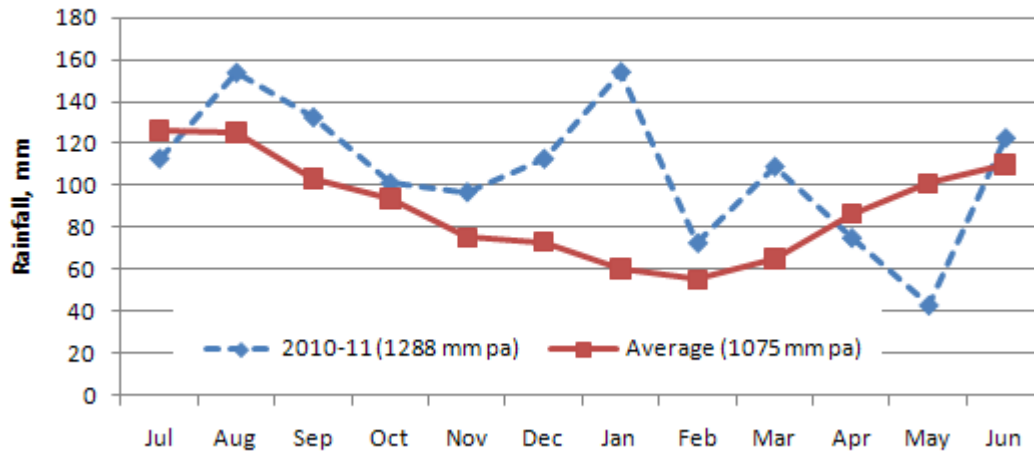
*In 2010-11 the program changed from calculating % Return on Assets Owned and calculated % Return on Assets Managed.

Profit Map 2010-11 Averages for all participants



Profit Map adapted from Queensland Dairy Accounting Scheme

Average vs Actual Rainfall in Dairy Districts



Seasonal Conditions

The 2010-11 rainfall in dairying districts was significantly higher than the long term averages. Mawbanna received 8% higher than average rainfall, Wynyard 24% higher, Cressy 26% higher and Ringarooma 17% higher. Much of the additional rainfall was received during the warmer months from November to March. Many benchmarking participants reported that because of the additional summer rainfall they used less irrigation and nitrogen fertiliser, thus lowering production costs.

Regional Overview

Tasmania has on average larger dairy herds than Victoria (396 vs 305 cows) and higher stocking rates (2.0 vs 1.4 cows/ha). Higher and more consistent rainfall in Tasmania than in Victorian dairy regions is one reason for the higher stocking rates. Lower production per cow in Tasmania than in Victoria (405 kgMS/cow Tas vs 493 kgMS/cow in Vic) means that the 40% higher stocking rate in Tasmania results in average per hectare production being only 12% higher in Tasmania than in Victoria (829 kgMS/ha versus 719 kgMS/ha).

Tasmanian milk prices were on average 2.6% or 15c/kg MS less than Victoria.

Labour productivity at 122 cows/labour unit was 33% higher than Victoria but when labour productivity was measured in terms of kgMS/labour unit, Tasmania had only 9% higher labour productivity than Victoria.

Table 3: Farm Physical Data for Dairy Regions

Farm physical parameters	Tasmania	Victoria	Northern Vic	South West Vic	Gippsland
Number of farms in sample	31	74	24	25	25
Herd size	396	305	261	369	285
Annual rainfall 10/11	1,300	1,021	916	1,095	1,047
Water used (irrigation + rainfall) (mm/ha)	1,383	1,104	1,089	1,099	1,123
Total useable area (hectares)	208	236	196	322	190
Stocking rate (milking cows per hectares)	2.0	1.4	1.5	1.2	1.6
Milk sold (kgMS/cow)	405	493	495	491	494
Milk sold (kgMS/ha)	829	719	762	585	811
Milk price received (\$/kgMS)	\$5.49	\$5.64	\$5.69	\$5.62	\$5.59
People productivity (milking cows/FTE)	122	92	89	89	97
People productivity (kgMS/FTE)	49,646	45,504	43,717	44,587	48,138

Cost of Production

Table 4 shows the average cost of production for Tasmania and the three Victorian regions, and a breakdown of the components of the production costs. Variable costs in Tasmania are lower than in the other regions, mainly because of the lower purchased feed costs (\$1.06/kgMS for Tasmania versus \$1.41 for Victoria). Overhead costs for all four regions are similar, but lower feed costs in Tasmania are reflected in the low cost of production excluding interest and lease costs for Tasmania (\$4.25/kgMS), which is up to 19% lower than the Victorian regions.

Average interest and lease costs of \$0.82/kgMS for Tasmania are higher than the Victorian average of \$0.76/kgMS but there is wide variation in these costs between the three Victorian regions. The higher interest and

lease cost for Tasmania partially offsets the low operating cost, but the Tasmanian cost of production including interest and lease costs (\$5.07/kgMS) are still less than the average Victorian cost of production (\$5.50/kgMS).

The breakeven price required per kilogram of milksolids sold is calculated as the cost of production, including interest and lease costs, less any non-milk income from livestock trading or other income sources. The breakeven price is a more relevant risk indicator in dairying rather than cost of production, as it can be compared directly to the price of milk. The chart in the notes about risk shows that most of the variation in return on equity of dairy farm businesses can be attributed to the breakeven milk price.

Table 4: Income and Costs by Region, \$ / kg MS

Farm costs, \$ / kg MS	Tasmania	Victoria	Northern Vic	South West Vic	Gippsland
INCOME					
Milk income	\$5.49	\$5.63	\$5.69	\$5.62	\$5.59
Other income	\$0.75	\$0.84	\$1.04	\$0.72	\$0.75
Gross income, \$ / kg MS	\$6.24	\$6.47	\$6.74	\$6.34	\$6.34
VARIABLE COSTS					
Herd costs	\$0.21	\$0.27	\$0.31	\$0.21	\$0.28
Shed costs	\$0.20	\$0.19	\$0.19	\$0.18	\$0.19
Purchased feed and agistment	\$1.06	\$1.41	\$1.67	\$1.32	\$1.24
Home grown feed cost	\$0.81	\$0.86	\$0.99	\$0.78	\$0.81
Total variable costs, \$ / kg MS	\$2.27	\$2.72	\$3.16	\$2.48	\$2.52
OVERHEAD COSTS					
Rates	\$0.06	\$0.05	\$0.04	\$0.07	\$0.05
Registration and Insurance	\$0.03	\$0.02	\$0.03	\$0.02	\$0.01
Farm Insurance	\$0.07	\$0.05	\$0.05	\$0.06	\$0.05
Repairs and Maintenance	\$0.34	\$0.33	\$0.36	\$0.34	\$0.28
Bank Charges	\$0.02	\$0.01	\$0.01	\$0.01	\$0.01
Other Overheads	\$0.11	\$0.13	\$0.15	\$0.14	\$0.09
Employed People Cost	\$0.43	\$0.41	\$0.38	\$0.42	\$0.43
Depreciation	\$0.21	\$0.22	\$0.23	\$0.20	\$0.22
Imputed People Cost	\$0.71	\$0.80	\$0.82	\$0.89	\$0.70
Total overhead costs, \$ / kg MS	\$1.98	\$2.02	\$2.06	\$2.14	\$1.86
Total operating costs	\$4.25	\$4.74	\$5.22	\$4.63	\$4.38
EBIT, \$/kg MS	\$1.99	\$1.73	\$1.52	\$1.71	\$1.96
Interest and lease costs	\$0.82	\$0.76	\$0.65	\$0.95	\$0.67
Cost of production including interest and lease costs, \$ / kg MS	\$5.07	\$5.50	\$5.87	\$5.58	\$5.05
Breakeven price after interest and lease costs, \$ / kg MS	\$4.32	\$4.66	\$4.83	\$4.86	\$4.30

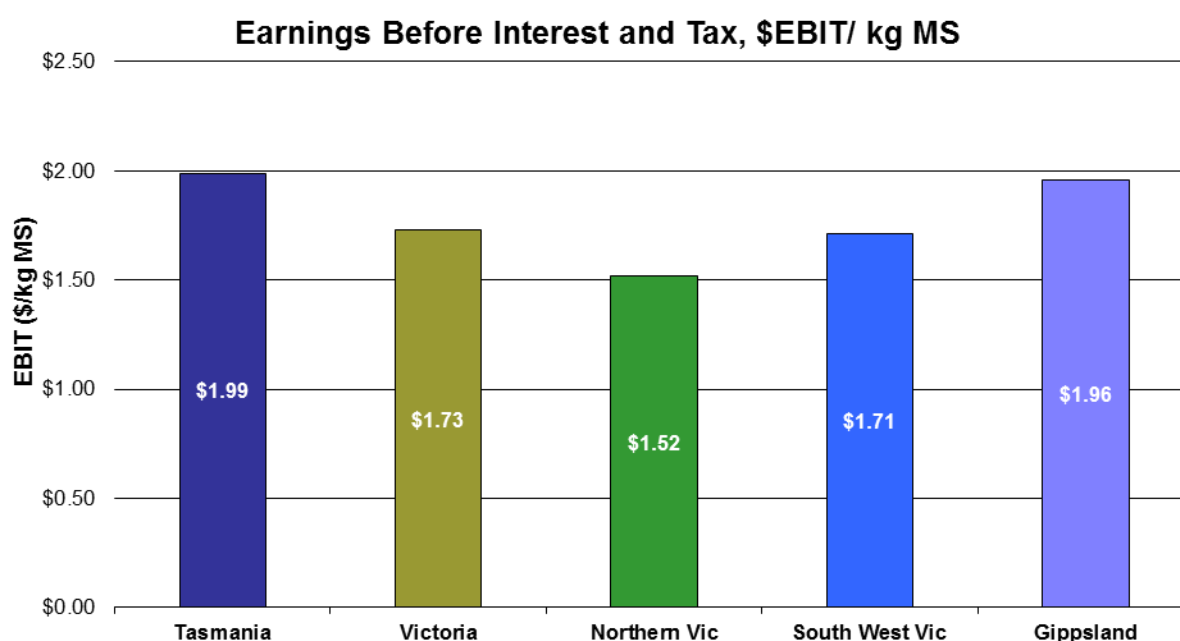
Earnings Before Interest and Tax (EBIT)

EBIT is used to analyse the operational efficiency of the whole farm business. As EBIT excludes interest and lease costs it is also equivalent to the profit that would be achieved at 100% equity.

The higher milk price in 2010-11 was the main reason the average EBIT/kgMS on Tasmanian

dairy farms increased from \$0.92 in 2009-10 to \$1.99 in 2010-11.

The average EBIT/kgMS of \$1.99 for the participating Tasmanian dairy farm businesses was 16% higher than the overall Victorian average. The Gippsland region, which has some similarities with Tasmanian dairy farm production systems, had an EBIT/kgMS of \$1.96 which is similar to the Tasmanian average.



Return on Assets and Equity

Return on assets is the earnings before interest and tax expressed as a percentage of total farm assets, and hence is an indicator of the earning power of total assets, irrespective of capital structure. Similarly, it can be considered as an indicator of the overall efficiency of use of the resources that are involved in the production system and not elsewhere in the economy.

Return on assets is sometimes referred to as return on capital.

The 7.1% average return on managed assets for the Tasmanian dairy farms was higher than the average for Victoria (6.2%) and for each of the three Victorian regions.

Return on equity is the net farm income (earnings before interest and tax less interest and lease charges) expressed as a percentage of owners equity. Items not accounted for in net

farm income are loan principle repayments and tax. Return on equity is a measure of the owner's rate of return on their investment.

Average return on equity for Tasmanian participants was 6.3% and is lower than the Victorian overall average and for two of the three Victorian regions.

The average return on equity for Tasmania was also less than the average return on assets for

Tasmania. This means the average interest and lease rates for the Tasmanian benchmarking participants was more than 7.1%. Conversely, for all the Victorian regions the average return on equity was higher than the average return on assets, therefore the average interest and lease rates for Victorian farms were lower than the average Victorian return on assets.

Table 5: Return on Assets and Equity %

	Tasmania	Victoria	Northern Vic	South West Vic	Gippsland
Return on managed assets %	7.1%	6.2%	7.0%	5.5%	6.1%
Return on equity %	6.3%	7.7%	7.6%	5.8%	9.9%

Table 6: Risk Indicators

	Tasmania	Victoria	Northern Vic	South West Vic	Gippsland
Percentage of purchased feed (as a % of total ME)	20%	35%	42%	33%	31%
Cost structure %	68%	73%	78%	73%	69%
Debt per cow	\$3,533	\$3,743	\$3,451	\$4,567	\$3,200
Debt servicing ratio (percentage of income as finance costs)	11%	12%	10%	15%	10%
Equity percentage (ownership of total assets managed)	69%	68%	66%	65%	74%
Breakeven milk price including interest and lease costs, \$/kg MS	\$4.32	\$4.66	\$4.83	\$4.86	\$4.30

Risk

Table 6 presents some risk indicators for Tasmanian and Victorian dairy farm businesses.

The percentage of purchased feed indicates the sensitivity of businesses to changes in the price of imported feed. On average in Tasmania,

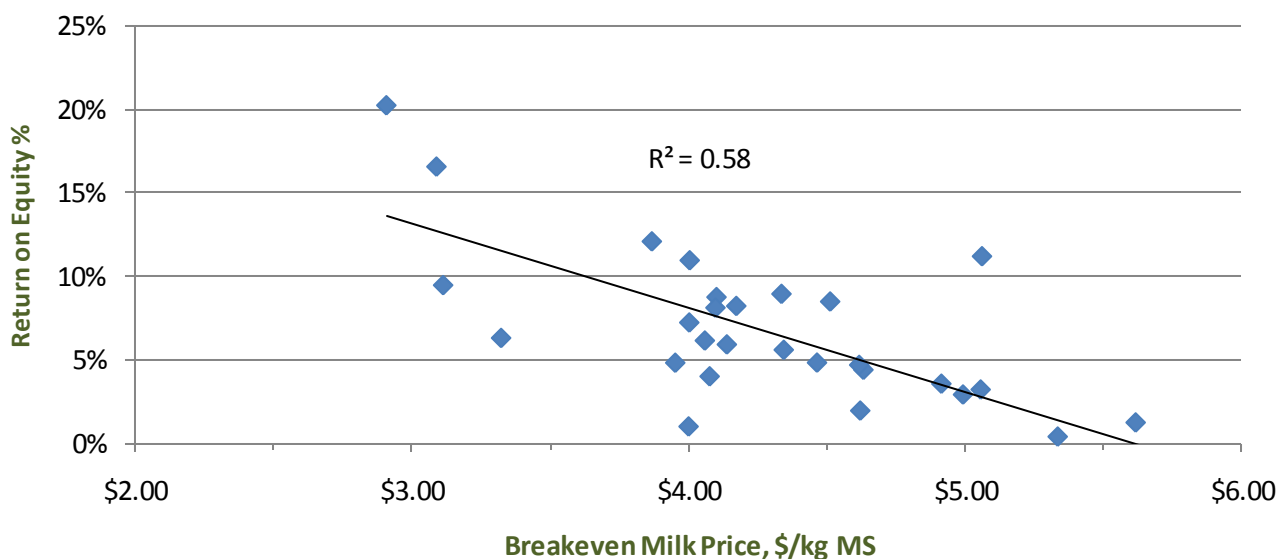
only 20% of the feed energy used on the farm is imported, compared to 35% for Victoria. In 2010-11 the average Tasmanian benchmarking participant fed 1.0 tonne grain per cow. Average per cow grain feeding in the Victorian regions is up to twice as high as the average in Tasmania.

The cost structure % is the variable and overhead costs as a percent of gross farm income. A lower ratio implies that costs are low, relative to the income generated. Table 6 shows that in Tasmania for every \$1.00 of total income generated, \$0.68 is used to cover variable and overhead costs. The Tasmanian cost structure was lower than the average for all Victorian regions, and this is at least partly because of the lower grain feeding levels in Tasmania.

Debt per cow is a risk indicator that is frequently quoted in the industry, and the average debt per cow is reflected in the debt servicing ratio: the higher the debt per cow the higher the debt servicing ratio. On average Tasmanian farms repaid \$0.11 of every dollar of gross income to their creditors.

The break-even price per kilogram of milk solids is the cost of production, including interest and lease costs, less any non-milk income from livestock trading profit or other income sources. The chart below shows that 58% of the variation in return on equity for Tasmanian benchmarking participants was explained by the breakeven milk price. This means that cost control in order to achieve a low cost of production is a critical component of successful dairy farm management.

Figure 1: Breakeven Milk Price, \$/kg MS vs Return on Equity %



Pasture Utilisation

Figure 2 shows the average estimated home grown feed production per hectare, calculated using the Pasture Consumption calculator developed by Dairy Australia. It firstly involves a calculation of the total energy required on the farm, which is a factor of stock numbers held on the farm, the stock weights, distance the stock walks to the dairy and also milk production. From the total energy requirements for the farm over the year, the energy imported to the farm as feed is subtracted. This leaves the estimate for total energy produced on farm, which is then divided into grazed and conserved feed depending on the amount of fodder production recorded.

In previous years TIA calculated the pasture utilisation for the home farm and the run off blocks. The Victorian DFMP calculates only the pasture utilisation for the total grazed dairy area (effective pasture area).

The average pasture utilisation estimates were 9.4 t/ha of grazed and conserved feed for Tasmania, 7.7 t/ha for Northern Vic, 6.7 t/ha for South West Vic and 8.8 t/ha for Gippsland. The Victorian regions also conserved more of their pasture as hay and silage than Tasmania, which is an additional cost.

Fertiliser Application

Pasture forms a larger proportion of the cows diet in Tasmania than in Victoria, hence fertiliser applications could be expected to be higher in Tasmania. Figure 3 shows that total fertiliser application in Tasmania averaged 254 kg nutrient/ha compared to 82 kg/ha in Northern Vic, 171 kg/ha in South West Vic and 265 kg/ha in Gippsland. The predominant fertiliser being applied is nitrogen with an average 165 kg N/ha applied in Tasmania, 48 kg/ha in Northern Vic, 96 kg/ha in South West Vic and 198 kg/ha in Gippsland.

"We've proven we are here for the long haul. We have a proven track record of supporting the Australian dairy industry for over 26 years"



Alastair & Carlene Dowie.
*Editors of The Australian Dairyfarmer magazine
for more than 21 years.*

**The Australian
Dairyfarmer**



Meeting the information needs of Australian dairy farmers since 1984

Published in
Australia,
for Australian
dairy farmers
by Australian
publishers.

ADF1123034

Figure 2: Home grown feed consumed per hectare

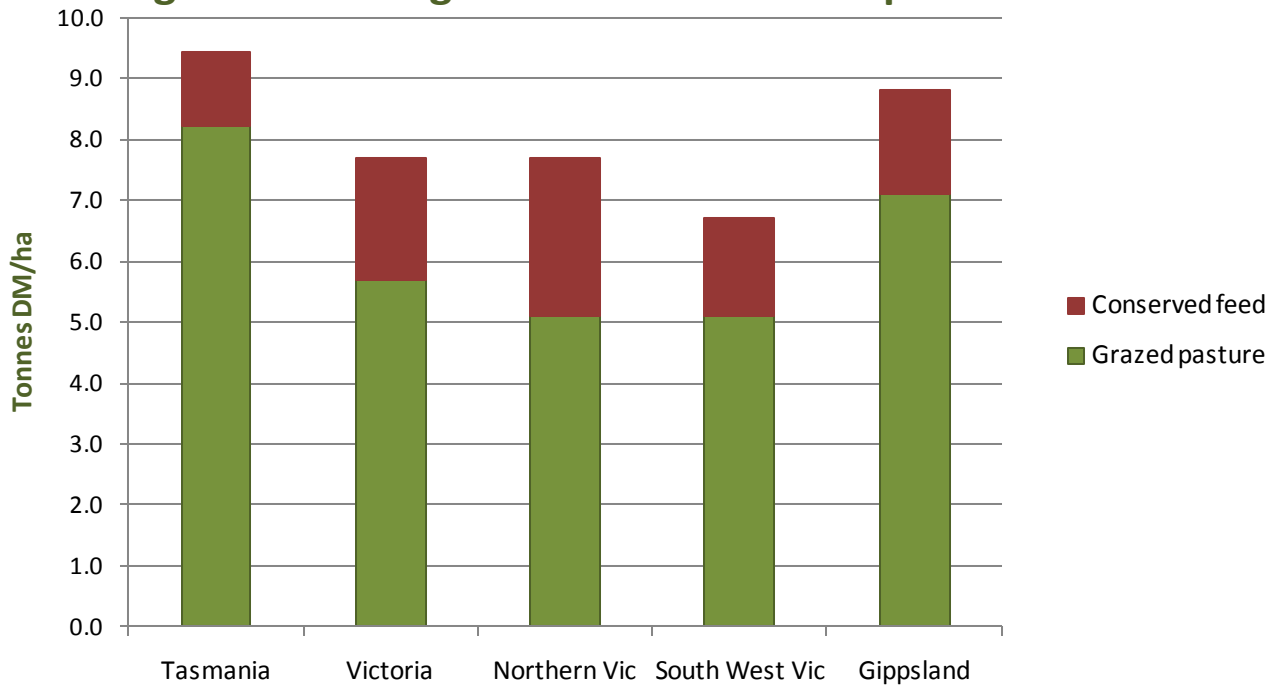


Figure 3: Nutrient application per hectare



Table 7: Performance Indicators for All Participants
Ranked by Return on Assets %

	Dairy area	% irrigated	Cows milked	Labour eff	Pasture used	Milksolids production		Milk price	COP exd interest	EBIT	Assets inc leased/ha	Return on assets	Return on equity
	ha	%	nos	cows/FTE	kg DM/ha	kg/ha	kg/cow	\$/kg MS	\$/kg MS	\$/ha	\$/ha	%	%
1	142	88%	500	146	14,219	1,528	434	\$5.70	\$3.40	\$4,259	\$21,018	20.3%	20.3%
2	240	23%	345	119	9,959	760	529	\$5.78	\$3.40	\$2,349	\$16,082	14.6%	16.6%
3	318	13%	424	123	6,481	595	446	\$5.83	\$3.93	\$1,378	\$13,617	10.6%	12.1%
4	93	97%	320	161	13,247	1,383	402	\$5.68	\$3.95	\$3,214	\$31,551	10.2%	11.0%
5	158	22%	270	137	6,414	509	297	\$5.19	\$2.18	\$1,717	\$18,133	9.5%	
6	253	74%	690	123	9,783	1,268	465	\$6.16	\$5.18	\$2,355	\$25,265	9.3%	11.2%
7	293	0%	910	183	12,589	1,220	393	\$5.68	\$3.67	\$2,359	\$26,653	8.8%	9.0%
8	400	28%	580	124	8,267	728	502	\$5.51	\$4.15	\$1,475	\$17,747	8.3%	8.8%
9	240	50%	590	153	11,155	946	385	\$5.76	\$4.32	\$1,879	\$22,919	8.2%	8.3%
10	169	92%	464	94	14,498	1,577	574	\$5.49	\$4.67	\$2,377	\$29,118	8.2%	8.2%
11	175	51%	428	120	10,363	1,220	499	\$5.23	\$3.81	\$2,254	\$28,935	7.8%	7.3%
12	460	58%	940	127	8,032	921	451	\$5.78	\$4.56	\$1,460	\$18,954	7.7%	8.5%
13	195	47%	427	132	8,634	789	360	\$5.26	\$4.15	\$1,881	\$24,483	7.7%	4.4%
14	78	32%	182	85	11,546	981	420	\$5.45	\$3.94	\$2,387	\$33,897	7.0%	4.9%
15	246	24%	427	175	8,157	557	321	\$5.58	\$3.37	\$1,536	\$21,840	7.0%	9.5%
16	73	0%	154	87	8,050	756	359	\$5.21	\$3.83	\$1,876	\$26,861	7.0%	6.0%
17	150	67%	455	148	15,200	1,261	416	\$5.27	\$3.83	\$2,719	\$39,403	6.9%	5.6%
18	58	69%	170	125	12,403	1,075	367	\$5.17	\$4.55	\$1,680	\$25,266	6.6%	6.2%
19	298	18%	345	156	6,847	510	441	\$5.33	\$3.68	\$1,190	\$18,214	6.5%	6.3%
20	288	49%	440	100	7,932	673	440	\$5.26	\$4.01	\$1,090	\$17,160	6.4%	4.7%
21	330	15%	390	123	6,643	455	385	\$5.63	\$4.06	\$1,003	\$18,648	5.4%	4.9%
22	451	9%	700	137	6,596	617	398	\$5.39	\$4.40	\$867	\$16,564	5.2%	3.6%
23	127	35%	245	131	7,939	833	432	\$5.49	\$4.81	\$1,116	\$21,854	5.1%	3.0%
24	40	100%	80	95	9,789	617	309	\$6.04	\$6.86	\$1,315	\$27,395	4.8%	3.3%
25	139	41%	240	76	8,158	661	383	\$5.36	\$4.58	\$1,139	\$25,960	4.4%	-0.2%
26	226	31%	320	87	11,433	548	387	\$5.71	\$4.56	\$1,046	\$24,219	4.3%	4.1%
27	241	39%	520	120	11,145	801	371	\$5.35	\$4.67	\$1,649	\$41,169	4.0%	2.0%
28	119	61%	147	88	6,245	396	320	\$6.03	\$5.10	\$726	\$20,387	3.6%	1.3%
29	210	26%	180	99	5,892	284	332	\$4.69	\$3.93	\$521	\$26,372	2.0%	1.1%
30	170	41%	270	139	7,655	676	426	\$5.48	\$4.90	\$375	\$29,214	1.3%	0.4%
31	73	49%	130	78	7,172	565	317	\$4.85	\$5.44	\$192	\$32,910	0.6%	-4.6%
Av	208	43%	396	122	9,434	829	405	\$5.49	\$4.25	\$1,657	\$24,575	7.1%	6.3%