

2015 ANZ Tasmanian Dairy Business of the Year Awards



Dairy Business of the Year Winners

Bill & Jill Chilvers
with Grant & Kim Archer
– ‘Oakdene’



Share Dairy Farmer of the Year Winners

Grant & Kim Archer



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2015 ANZ Dairy Business of the Year & Fonterra Share Dairy Farmer of the Year

Field Day & Farm Walk
Thursday 30th April 2015

Bill & Jill Chilvers with Grant & Kim
Archer at 'Oakdene'

Program

10:00 a.m. – Morning Tea

10:30 a.m. – Welcome

10:40 a.m. – Judges' Comments

10:50 a.m. – Farm Walk

12:30 p.m. – BBQ Lunch

DairyTas

Lesley Irvine, TIA & Nigel
Brock, 2014 DBOY Winner

Grant & Kim Archer, Bill &
Jill Chilvers, and Lesley Irvine,
TIA

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This booklet has been prepared by Alison Hall and Lesley Irvine, TIA Dairy Centre

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2015 ANZ Dairy Business of the Year Awards

DBOY Winners: Bill & Jill Chilvers with Grant & Kim Archer, 20.6% RoA

Runners-up: Brian & Michele Lawrence, 14.8% RoA

Wayne & Linda Hansen, 14.4% RoA

Richard & Melissa Duniam, 14.6% RoA

Share Dairy Farmer Winners: Grant & Kim Archer, Longford

Runners-up: Andrew & Jenny Aldridge, Branxholm

Wayne & Caroline Saward, Riana

Recent Past DBOY Winners

Participants

2014	Nigel & Rachael Brock, Montana	35
2013	Rob, Lesley & Norm Frampton, Gawler	31
2012	Grant & Kim Archer, share farmers plus Rob & Jo Bradley, farm owners, Cressy	40
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



Your Levy at Work



2015 ANZ Dairy Business of the Year Winners – Bill & Jill Chilvers with Grant & Kim Archer, ‘Oakdene’

There was great interest from the dairy industry when a proposed dairy conversion was touted for a property at Symmons Plains. Whether it was because it was going to be one of the most southern of the northern dairy farms; or whether it was because it was located directly beside the Midlands highway making the dairy visible to anyone travelling this north-south route; or whether it was because a lot of people were sceptical that dairy farming could be successful in this region – whatever the reason, everyone was talking about it. Remarkably, just 3 years after starting as a dairy farm, the Oakdene property has become one of the most profitable dairy enterprises in Tasmania, and, rightly so, we are still talking about it.

The Business

Bill and Jill Chilvers own Oakdene at Symmons Plains. A traditional Midlands grazing property, the Chilvers family undertook a decade of cropping while investing in centre pivot irrigation and water storage. When this was installed, they did it in a way as to make putting in a dairy possible, as they had the



foresight to see this could be a viable option for the property in the future.

Grant and Kim Archer moved to Longford in 2007 so their children could go to school in Launceston. They owned a dairy farm at Mella, and had been developing one of their team to take on a management role at the farm once they moved. Grant and Kim knew Rob and Jo Bradley, who are members of the Chilvers family, and were managing a property at Cressy which had un-used dairy. Grant and Kim established a 50:50 share farming arrangement with Rob and Jo Bradley and started milking cows on the property in 2008. Following success with this enterprise, discussions began with Bill and Jill Chilvers to convert part of their 1600 hectare Oakdene property into a dairy farm. The Chilvers and Archers also decided on a 50:50 share farming agreement.

With the centre pivot irrigation already in place, the additional dairy conversion cost approximately \$1.3 million. The first milking season was 2011/12 and 870 cows were milked on the 243 hectare milking platform, of which 225 hectares was irrigated.

Obviously technical expertise is an important part of business success but share farming success is also reliant on both parties in the business being able to work

effectively together. For the Chilvers and Archers, this has been achieved by ensuring there are regular, honest and open discussions focusing on the ‘big picture’ of growing a profitable dairy business.

The Team

As 50:50 share farmers, the Archers are responsible for employing the whole team involved in the dairy enterprise at Oakdene. They employ four full-time team members, one of whom is a manager, and employ casuals who assist with milking on weekends and when other team members are on holiday. In 2013/14, the manager was Steven Saltmarsh who had worked with the Archers for six years, including managing the Cressy dairy farm. The Archer’s have established workplace health and safety policies including an induction process for new team members. They have also recently implemented twice-annual reviews with staff, conducted by an outside party, to get feedback on how everyone feels about their own involvement in the business, how effectively everyone is working together and ideas for improvement.

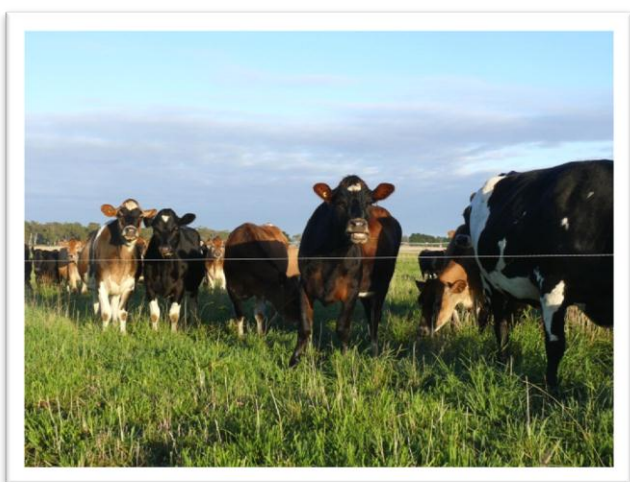
	2011/12	2012/13	2013/14	Average 2013/14
Milking area, ha	258	256	290	183
No. cows milked	870	940	990	511
Area irrigated, ha	232	221	232	101
Rainfall, mm/ha	533	432	693	1342
Water applied, mm/ha	601	622	557	133
Pasture consumption, t DM/ha	10.6	11.9	10.4	9.2
Concentrates, t DM/cow	1.3	1.2	1.3	1.3
Milk production, kg MS	352,219	402,597	436,510	221,680
Milk price, \$/kg MS	5.84	5.00	6.90	6.89
Operating costs, \$/kg MS	3.74	4.03	3.79	5.10
EBIT, \$/kg MS	3.11	1.41	3.81	2.43
RoAM, %	15.2	7.8	20.6	9.9

The System

The Archers believe very strongly in farming to suit the environment and despite moving to a lower rainfall area (550 mm at Symmons Plains compared to 1,100 mm at Mella), it is still possible to achieve very good pasture yields with almost 100% irrigation. Always focussed on costs, Grant and Kim have bred their cows to be efficient pasture harvesters – pasture being the most cost effective feed. They have a cross-bred herd with a target mature cow liveweight of 450 kg. In 2013/14 per cow production was 441 kg MS. A 3-in-2 milking routine (3 milkings in 2 days) is practiced on this farm for two-thirds of the year – during peak milk production through to the end of AI cows are milked twice-a-day.

Pasture Management

Achieving high levels of pasture consumption requires good pasture management. The leaf stage of pasture is monitored regularly to ensure the cows are grazing pasture when it is close to the 3-leaf stage maximising the amount of pasture grown. In spring, this is reduced to the 2-leaf stage so quality is maintained by cows grazing the pasture before the seed head develops. Quality is also maintained by managing residuals to ensure each paddock



is grazed to 1600 kg DM/ha. The residual is checked after the final grazing of each paddock with the whole herd and if the target residual has not been met, the appropriate number of cows will be returned to the paddock. Nitrogen is applied on a weekly basis to grazed paddocks, except through winter when responses are low. Soil moisture is monitored to make sure the right amount of water is applied to maximise pasture growth and avoid any wastage of water. Soil testing is conducted every second year.

Keys to Success

As farm owners, Bill and Jill Chilvers needed firstly the vision to see that they could set-up a dairy farm on their property and secondly, the confidence to make that investment. This confidence was developed through building a relationship with already successful dairy farmers, Grant and Kim, and also working through budgets and talking with other dairy farmers.

For Grant and Kim Archer, this was the third dairy farm in which they had invested. Their years of experience and previous successes had helped them identify key success factors:

- Know the farm, identify the strengths and manage to optimise on these.
- Have the right stocking rate and calving date for the farm, otherwise you won't be able to reach the farm's potential.
- Manage costs.
- Focus on pasture management that will help optimise pasture consumption.
- Have a breed of cow that suits the system and environment in which you farm.

Table 1: Performance Indicators - Archer and Chilvers

		Oakdene	Oakdene	Average all farms
		2012-13	2013-14	2013-14
Farm Details				
Milking area	Mha	256	290	183
Dairy run-off	Ha	<u>35</u>	<u>0</u>	<u>74</u>
Effective area	eff ha	291	290	257
Milksolids	kg	402,597	436,510	220,157
Peak cows milked	Cows	940	990	508
Labour used	FTE	5.0	4.7	3.8
Business Indicators				
Operating profit, EBIT	\$	\$569,099	\$1,664,154	\$566,562
Total income/ eff ha	\$/eff ha	\$7,549	\$11,449	\$6,733
Total income/ kg MS	\$/kg MS	\$5.45	\$7.61	\$7.52
Milk price/ kg MS	\$/kg MS	\$5.00	\$6.90	\$6.88
Operating costs excl finance/ eff ha	\$/ eff ha	\$5,590	\$5,711	\$4,505
Operating costs excl finance/ kg MS	\$/kg MS	\$4.03	\$3.79	\$5.09
EBIT/ eff ha	\$/eff ha	\$1,959	\$5,738	\$2,228
Return on assets (EBIT/Av Assets Managed)	%	7.8%	20.6%	9.9%
Return on equity (EBT/Av Owners Equity)	%	7.8%	20.6%	13.7%
Productivity Ratios				
Milksolids per milking ha	kg MS/ M ha	1,573	1,505	1,206
Milksolids per effective ha	kg MS/eff ha	1,386	1,505	898
Milksolids per cow	kg MS/cow	428	441	422
Milksolids per cow as % of Lwt	kg MS/kg lwt	86%	88%	83%
Feed conversion efficiency	gm MS/kg DM	92	92	73
Stocking rate, cows/Mha	cows/Mha	3.7	3.4	2.8
Cows per full time equivalent	cows/FTE	187	213	137
Hours per cow	hours/cow	13	11	19
Replacement heifers as % of cows milked	%	24%	25%	24%
Feed Indicators				
Pasture & crop utilised - milking area^	tDM/ Mha	11.9	10.4	9.2
Pasture & crop utilised - effective area^	tDM/ eff ha	10.5	10.4	9.0
Effective area % irrigated	%	76%	80%	43%
Nitrogen use	kg N/ eff ha	341	285	158
Average purchased feed price	\$/ t DM	\$319	\$325	\$341
Pasture costs	\$/ t DM	\$107	\$83	\$92
Grazed pasture per cow*	t DM/ cow	3.2	3.0	3.7
Grain per cow*	t DM/ cow	1.2	1.3	1.3
Hay, silage & other feed per cow*	t DM/ cow	<u>0.2</u>	<u>0.5</u>	<u>0.8</u>
Total feed per cow*	t DM/ cow	4.6	4.8	5.8
Farm Assets - averages for the year				
Dairy assets incl leased land	\$	\$7,310,769	\$8,086,439	\$5,539,942
Assets per eff ha	\$/ eff ha	\$25,166	\$27,884	\$22,370
Assets per cow	\$/cow	\$7,777	\$8,168	\$11,141
Assets per kg milksolids	\$/kg MS	\$18	\$19	\$27
Liabilities per cow	\$/cow			\$2,628
Equity %	%			74%
Number of farms		1	1	52

* Feed used by cows and replacements divided by number of cows

Table 2: Financial Analysis, Total \$, Archer & Chilvers			
	Oakdene 2012-13	Oakdene 2013-14	Average all farms 2013-14
Income			
Milk income (net)	\$2,012,258	\$3,012,650	\$1,531,535
Livestock trading profit	\$168,145	\$307,396	\$120,504
Feed inventory change	\$7,137	-\$8,847	\$9,631
All other income	\$5,526	\$9,073	\$8,121
Total income	\$2,193,066	\$3,320,272	\$1,669,790
Costs			
AI and herd test	\$27,073	\$27,604	\$18,313
Animal health	\$62,568	\$58,205	\$33,103
Calf rearing	\$10,041	\$16,027	\$9,813
Shed Power	\$39,643	\$30,144	\$25,763
Dairy Supplies	\$16,599	\$24,769	\$20,195
Total shed & herd costs	\$155,924	\$156,749	\$107,187
Feed Costs			
Fertiliser	\$185,681	\$170,645	\$106,387
Irrigation (including effluent)	\$92,337	\$54,854	\$26,105
Hay and silage making	\$9,506	\$11,097	\$22,755
Fuel and oil	\$8,848	\$11,843	\$21,657
Pasture improvement / cropping	\$8,049	\$2,491	\$17,645
Other feed costs	\$24,493	\$0	\$11,180
Fodder purchases	\$44,202	\$63,647	\$36,380
Grain / Concentrates / Other	\$428,217	\$532,687	\$306,762
Agistment costs	\$201,462	\$195,958	\$43,401
Total feed costs	\$1,002,795	\$1,043,222	\$592,271
Total Variable costs	\$1,158,719	\$1,199,971	\$699,459
Overhead costs			
Rates	\$10,500	\$10,500	\$8,755
Registration and Insurance	\$0	\$2,770	\$3,493
Farm Insurance	\$6,817	\$10,338	\$14,905
Repairs and Maintenance	\$53,277	\$45,470	\$75,933
Bank Charges	\$588	\$73	\$1,887
Other Overheads	\$22,019	\$13,000	\$18,394
Employed People Cost	\$299,647	\$307,996	\$163,486
Total cash overhead costs	\$392,848	\$390,147	\$286,851
Non-cash overheads			
Depreciation	\$62,000	\$57,000	\$36,543
Imputed labour cost	\$10,400	\$9,000	\$78,375
Total non-cash overheads	\$72,400	\$66,000	\$116,918
Total overhead costs	\$465,248	\$456,147	\$403,770
Total Costs	\$1,623,967	\$1,656,118	\$1,103,228
Earnings Before Interest & Tax	\$569,099	\$1,664,154	\$566,562
Interest and lease costs			\$107,683
Net Profit			\$458,879
Number of farms	1	1	52

Table 3 - Financial Analysis, \$ per kg Milksolids, Archer & Chilvers				
		Oakdene	Oakdene	Average all farms
		2012-13	2013-14	2013-14
Income				
Milk income (net)	\$/kgMS	\$5.00	\$6.90	\$6.88
Livestock trading profit	\$/kgMS	\$0.42	\$0.70	\$0.55
Feed inventory change	\$/kgMS	\$0.02	-\$0.02	\$0.05
All other income	\$/kgMS	\$0.01	\$0.02	\$0.05
Total income	\$/kgMS	\$5.45	\$7.61	\$7.52
Costs				
AI and herd test	\$/kgMS	\$0.07	\$0.06	\$0.08
Animal health	\$/kgMS	\$0.16	\$0.13	\$0.15
Calf rearing	\$/kgMS	\$0.02	\$0.04	\$0.04
Shed Power	\$/kgMS	\$0.10	\$0.07	\$0.13
Dairy Supplies	\$/kgMS	\$0.04	\$0.06	\$0.10
Total Herd & Shed Costs	\$/kgMS	\$0.39	\$0.36	\$0.50
Feed Costs				
Fertiliser	\$/kgMS	\$0.46	\$0.39	\$0.47
Irrigation (incl effluent)	\$/kgMS	\$0.23	\$0.13	\$0.12
Hay and silage making	\$/kgMS	\$0.02	\$0.03	\$0.10
Fuel and oil	\$/kgMS	\$0.02	\$0.03	\$0.11
Pastures & forage	\$/kgMS	\$0.02	\$0.01	\$0.10
Other feed costs	\$/kgMS	\$0.06	\$0.00	\$0.05
Fodder purchases	\$/kgMS	\$0.11	\$0.15	\$0.16
Grain / Conc / Other	\$/kgMS	\$1.06	\$1.22	\$1.28
Agistment costs	\$/kgMS	\$0.50	\$0.45	\$0.17
Total Feed Costs	\$/kgMS	\$2.49	\$2.39	\$2.56
Total Variable costs	\$/kgMS	\$2.88	\$2.75	\$3.06
Overhead costs				
Rates	\$/kgMS	\$0.03	\$0.02	\$0.05
Registration and Insurance	\$/kgMS	\$0.00	\$0.01	\$0.02
Farm Insurance	\$/kgMS	\$0.02	\$0.02	\$0.08
Repairs and Maintenance	\$/kgMS	\$0.13	\$0.10	\$0.35
Bank Charges	\$/kgMS	\$0.00	\$0.00	\$0.01
Other Overheads	\$/kgMS	\$0.05	\$0.03	\$0.10
Employed People Cost	\$/kgMS	\$0.74	\$0.71	\$0.71
Total cash overhead costs	\$/kgMS	\$0.98	\$0.89	\$1.32
Non-cash overheads				
Depreciation	\$/kgMS	\$0.15	\$0.13	\$0.21
Imputed people cost	\$/kgMS	\$0.03	\$0.02	\$0.50
Total non-cash overheads	\$/kgMS	\$0.18	\$0.15	\$0.71
Total Overhead costs	\$/kgMS	\$1.16	\$1.04	\$2.03
Total Costs	\$/kgMS	\$4.03	\$3.79	\$5.09
Earnings Before Int & Tax	\$/kgMS	\$1.41	\$3.81	\$2.43
Interest and lease costs	\$/kgMS			\$0.52
Net Profit	\$/kgMS			\$1.92
Number of farms		1	1	52

Judges' Comments – 2015 ANZ Dairy Business of the Year Award

Judges

Nigel Brock – Dairy farmer & 2014 DBOY Winner

Lesley Irvine – TIA Dairy Centre

The finalists of the 2015 ANZ Dairy Business of the Year Award were:

- Bill and Jill Chilvers with Grant and Kim Archer
- Richard and Melissa Duniam
- Currajong Tas with Wayne and Linda Hansen and Duncan and Sally Sadler
- Brian and Michele Lawrence.

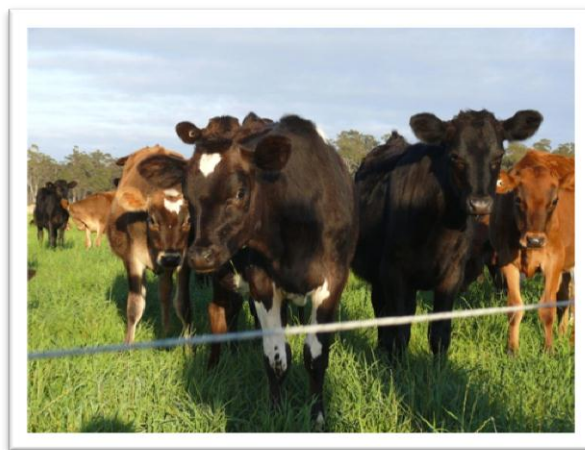
These finalists were selected from all the entrants in the Award based on their Return on Assets Managed (RoAM) and Earnings Before Interest and Tax (EBIT) per hectare. The finalists were then visited by the judges to look over the business financials, discuss how the farm was managed and view the farm operation. Each finalist was scored on their business, pasture, herd, people and environmental management. Finalists were given a point score out of 100 points, with the Award going to the finalist achieving the highest score.

The judges would like to congratulate all the finalists of the 2015 Dairy Business of the Year Award for their achievement and thank them for their time in taking part in the judging process. Special congratulations to the winners of the 2015 ANZ Dairy Business of the Year Award – Bill and Jill Chilvers with Grant and Kim Archer.



Business Management

The finalists in the 2015 DBOY Awards were very diverse in terms of business structures, demonstrating there are many ways to invest in the dairy industry and achieve high financial returns. The winners, Bill and Jill Chilvers converted part of their cropping and grazing farm to dairy under the management of Grant and Kim Archer in a 50:50 share farming arrangement. Brian and Michele Lawrence also undertook a dairy conversion on a grazing property as owner-operators. Richard and Melissa Duniam own one dairy farm and lease two other dairy farms. Currajong Tas has been showcased as an example of a long-standing business relationship; current equity partners and managers, Wayne and Linda Hansen, started in the business owned, at the time, by Duncan and Sally Sadler, through an apprenticeship. Over the years, Wayne and Linda have invested in the business as share farmers. In a recent re-structuring of the business, the Sadlers and Hansens took on a new business partner, Nathan Lawrence,



who had completed his apprenticeship with Wayne and Linda; creating a dairy business with three equity partners. Each of the finalists demonstrated great understanding of their business and were also willing to involve consultants to assist them in identifying and analysing options to improve their business. Monitoring and managing costs was an important aspect of the finalists financial management.

Three of the finalists are regular, long-term, participants in business benchmarking and use the information provided to assist them in making decisions that improve profitability.

Pasture Management

Pasture management was a focus for each of the finalists with each undertaking some form of measurement, most on a regular basis. Within the Chilver/Archer business, rotation length and post-grazing residuals are paramount to good grazing management. Leaf stage is checked on a regular basis to ensure cows are grazing pastures that have reached the 2.5-3 leaf stage. Residuals are measured post-grazing and cows returned to the paddock if the target of 1600 kg DM/ha has not been obtained. At Currajong Tas, a contractor is employed to measure the average pasture cover each fortnight using a C-Dax bike reader. Duniams were utilising a turnip crop on their non-irrigated farm to help maintain feed production in drier times.

Regardless of the system used, achieving good utilisation of pasture was a priority for each of the businesses assisting in achieving high production results and also controlling the cost of production.

Herd Management

In the area of herd management we considered cow condition, the attitudes of the people involved in the business towards the cows, the breeding program, young stock management, and how animal health was managed. Archers agisted their young stock off-farm, paying on a basis of per kilogram of liveweight gain. The young stock had access to irrigated pasture which assists in achieving target liveweights. Hansen's were also able to provide irrigated pasture to their young stock on their run-off area, and in combination with their excellent calf rearing program, were able to produce really well-grown heifers. Duniams had taken the step of stopping tail docking on their farm to improve animal welfare. The care that Lawrence's had for the health and welfare of their cows and young stock was evident in the way they spoke about them and the practices they have in place to grow their young stock and care for the milking herd.

People Management

Each of the finalists employ staff and all highlighted the importance of providing opportunity for growth within the business. With three dairy farms, Duniams employ a reasonably large team of people. They organise annual training events for the whole team in addition to providing opportunity for individuals to attend training events specific to their own requirements. The team leaders on each of the leased farms provide a fortnightly report to the Duniams and the performance of each farm is discussed amongst the whole team at their annual get-together. The Duniams are also in the process of assisting one of their employees to take on a share farming role on one of the leased farms. The Lawrence's have a goal of making their farm an enjoyable workplace for the whole team. They undertake an annual review with each team member and provide opportunities for them to develop skills in their area of interest. Workplace health and safety is a priority in this business and a large amount of time has been invested in this area. General safety information is provided to each team member along with their pay; a whiteboard is situated in the staff room to record any safety issues and formal team meetings are conducted when an issue needs discussing – a written record of these meetings are kept. If information needs to be shared with the team, or the Lawrence's would like some feedback on an issue, the information is left in the staff room with a jar of lollies, to encourage people to read it and provide the feedback. The Lawrence's also undertake various audits and are implementing an 'everything has its place' policy where they are painting yellow lines around the dairy and sheds to indicate where equipment should be stored when not in use.

We believe that the stand out lesson from all the finalists was the high level of open communication between people within the business. Clear direction and communicated outcomes have enabled each farm to operate efficiently.

Environmental Management

This area covers effluent management, protecting the natural resources on the farm and the general farm aesthetics. Effluent was utilised effectively on each of the farms and regular soil testing was undertaken to target nutrients where they were required. The Hansen's had one of the most challenging environmental situations with two rivers flowing through their property that are prone to flooding. Despite this, both sides of the rivers have been fenced, and re-fenced when necessary, to prevent cows accessing the riparian zones. Tree planting with centre pivot irrigation can be challenging but Chilvers and Lawrences have been working on doing this outside of the pivot circles to provide both wind protection and improve aesthetics on their farms. Irrigation scheduling and monitoring of the water table level is also undertaken on the Chilvers property.

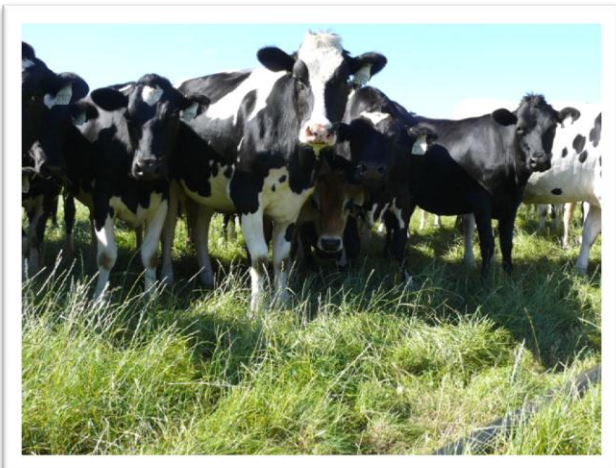


Finalists Profiles

Currajong Tas Pty Ltd



Currajong Tas Pty Ltd is owned by Wayne and Linda Hansen and Duncan and Sally Sadler. The farm, managed by Wayne and Linda, is located at Flowerdale in the north-west of Tasmania. In 2013-14, the business achieved a 14% RoAM and EBIT/ha of \$5,350. The Hansen's achieve high pasture consumption on the farm, 13.8 t DM/ha, as well as high per cow production of 601 kg MS/cow (109% of liveweight). The aim of the business is to return a 'healthy profit and this is something the business has achieved consistently over the years. Also important to Wayne and Linda is to have a happy team – and this means providing opportunity for growth within the business through training, being involved in decision making and investment.



Richard and Melissa Duniam



Thinking 'outside the box' has resulted in very profitable dairy farm business for Richard and Melissa Duniam. In looking for options regarding surplus milking cows, Richard and Melissa made the decision to lease a dairy farm. In 2013-14 they were leasing and managing two dairy farms in addition to their home farm at Sisters Creek where they are based, milking just over 1200 cows. The dairy farm which was judged for the Dairy Business of the Year Awards was one of the leased properties. Located at Trowutta in the state's north-west, the farm is 115 hectares with 330 milking cows and production of 1,052 kg MS/ha. They achieved a 14.6% RoAM and \$3,085 EBIT/ha. Richard and Melissa have three key areas on which they focus within their business: continual improvement in pasture management; fully feeding the cows; and creating a positive, team-based, working environment for their staff.

Brian & Michele Lawrence



With two consecutive years as finalists, Brian & Michele are demonstrating consistently high profitability as they continue to develop their dairy farm conversion. The farm is located at Meander in the central-north of Tasmania. Brian and Michele purchased and converted the property in 2006-07. In 2013-14, they milked 900 cows on the 250 hectare milking platform producing 1,624 kg MS/ha. Brian and Michele believe in keeping their system as simple as possible. They want to breed a type of cow that suits the environment and system which they farm, so they aim to have

moderate sized cows with moderate production. In 2013-14, the cross-bred herd produced an average of 453 kg MS/cow, which is 94% of their liveweight. The other key focus for Brian & Michele is their farm team. They want everyone involved in their business to enjoy coming to work and therefore aim to create an environment that is safe, efficient, flexible to people's needs, and provides opportunity for growth. In 2013-14, Brian & Michele achieved a 14.8% RoAM and EBIT/ha of \$6,708/ha.

An advertisement for GHD featuring a close-up of a black and white cow's face. The text on the left reads: "Get **more** from your **milk**". Below this, it says: "From the farm to processing, GHD is your one-stop-shop to help take your asset further". Further down, it states: "To milk our Tassie team of engineers, planners and environmental managers for practical ideas on how to best grow your business, visit our website". At the bottom left, it says: "Local offices, local people, global thinking". At the bottom right, the website "www.ghd.com" is listed. The GHD logo is in the top right corner of the ad.

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Nick Smith 0400 384 072
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Jason Gibson 0418 141 916
Jack van Brecht 0419 327 933
Daryl Quilliam 0408 543 927
Rodney Duff 0419 378 870

Dairy Development Manager
Ryan Ashby 0408 012 621
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Editor: Carlene Dowie
Phone: 03 5464 1542
Email: carlene.dowie@fairfaxmedia.com.au
Advertising: Peter Roach
Phone: 0417 371 364
Email: peter.roach@fairfaxmedia.com.au

Editor: Andrew Miller
Phone: 03 8667 1218
Email: tasfarmer@fairfaxmedia.com.au
Advertising: Liza Rabbett
Phone: 03 6336 7171
Email: lrabbett@fairfaxmedia.com.au

2015 Fonterra Share Dairy Farmer of the Year Winners – Grant & Kim Archer, share farming for Bill & Jill Chilvers

Grant and Kim Archer began their dairy farming career in Mella, near Smithton. Over a 20 year period, they progressed from being employed on Grant's parents farm to a 33% share farming agreement, a 50% share farming agreement and then ownership of the farm. Even after they bought the farm, they continued to keep surplus heifer calves, leasing them out if they weren't required in their milking herd. In 2007, after owning the farm for 5 years, they moved to Longford. Plenty of planning had gone in to this move and they had employed a manager in the lead-up to the move to work with them on the farm and learn the Archer's farming system. Within 6 months of moving, Grant and Kim had taken on a 50% share farming position with Rob and Jo Bradley at Cressy. They employed Steven Saltmarsh and Jaimie Clarke to manage the farm. The first year, they milked 370 cows made-up of surplus cows from their Mella property as well as heifers they had purchased in anticipation of expanding their business. The second year on the Cressy property they milked 440 cows. The following season, they took on share farmers Leigh and Kellie Schuurung at their Mella property. Leigh and Kellie brought 600 of their own cows into the business which meant the Archer's could take more of their own cows to Cressy and milk as many as they could there – 500 cows and they still owned another 700 cows which they leased out. At this time, Bill and Jill Chilvers approached the Archer's about a 50% share farming agreement on their 1600 hectare property at Symmons Plains,



on which they planned to set-up a 230 hectare dairy farm. In 2011/12 they brought back all their leased cows in order to milk 870 on the Chilver's Symmons Plains farm and 450 cows on the Bradley's Cressy farm. The following season, a new 54 bale rotary dairy was built on the Cressy farm and with some cow purchases and extra young stock, they milked 880 cows. In the 2013/2014 season 1870 cows were milked on both farms. In managing multiple dairy farms, not only has the growth of their dairy herd been critical but also the growth of their team. Having highly competent operational managers is critical in maintaining high profitability across all of the businesses.

Table 5: Key Performance Indicators for Grant & Kim Archer	
Farm Details	2013-14
Milking area, ha	290
Effective area, ha	290
Production, kg MS	436,510
Peak cows milked	990
Labour used, FTE	4.7
Business Indicators	
EBIT, \$	\$782,185
Return on Assets, %	37.7%
Productivity Ratios	
Kg MS/milking ha	1,505
Kg MS/cow	441
Stocking rate, cows/ha	3.4
Cows per FTE	213
Hours/cow	11
Replacement heifers, % of cows milked	25%
Secondary Performance Indicators	
Feed Indicators	
Pasture and crop utilised, milking area	10.4
Irrigation, % milking area	80%
Nitrogen, units kg N/ha	285
Pasture costs, \$/t DM	\$46
Grain per cow, t DM/cow	1.3
Farm Assets	
Total dairy assets, \$	\$2,074,058



Dairy for life

Judges' Comments – 2015 Fonterra Share Dairy Farmer of the Year

Judges:

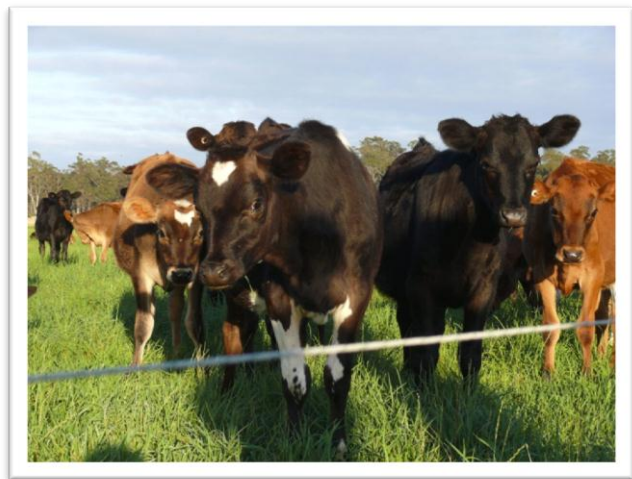
- Troy Franks – Fonterra Milk Supply Officer
- Lesley Irvine – TIA Dairy Centre

There were three entrants in the 2015 Share Dairy Farmer of the Year Award: Andrew and Jenny Aldridge at Branxholm; Grant and Kim Archer at Symmons Plains; and Wayne and Caroline Saward at South Riana. The judges would like to thank each participant for their willingness to open up their business and be scrutinised as part of the judging process.

To judge the share dairy farmer award, the judges took into consideration:

- Business management – returns, financial understanding, career goals
- Farm management – pastures, feeding, effluent, environment
- Animal health & welfare – practices, record keeping, young stock management
- People – communication, training, involvement in industry
- Safety – induction, standard operating procedures
- Dairy – milk quality, cleanliness, procedures

The business with the highest number of points was the winner and congratulations go to Grant and Kim Archer for their outstanding performance. Grant and Kim have a very strong history with share farming having won the share farming award in 2012 with Rob and Jo Bradley, and



now with Bill and Jill Chilvers. They are also owners of a dairy farm at Mella which is managed by 50:50 share farmers Leigh and Kellie Schuurin. With this history, they have developed a simple but robust system of management which consistently results in good financial returns. With such good all-round performance it is difficult to decide which aspect of their business to highlight, but what did stand out to the judges was the attention to detail given to everything on the farm, from investment decisions to grazing management decisions to cleaning the dairy.

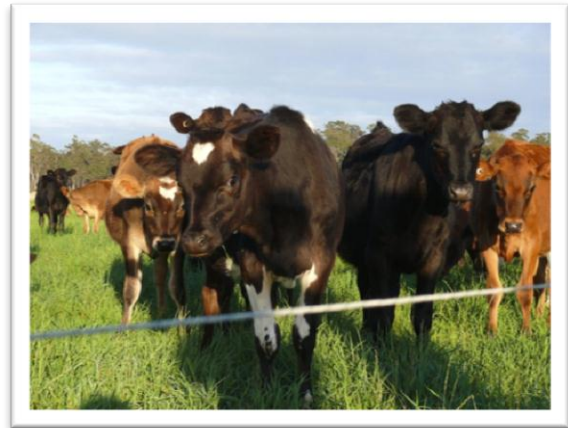
The attitude is much more ‘everything needs to be done well’ rather than ‘she’ll be right’.

Andrew and Jenny Aldridge have big goals for their business and are steadily working towards them. They are aiming to have a simple, low cost system on their farm able to give them consistent, good financial returns. Andrew and Jenny have a young team working with them and have developed some really effective people procedures through both their own experience and also using Dairy Australia’s Employment Starter Kit (ESKi). The milking herd and young stock management was very good and Andrew and Jenny were working with the farm owners to improve some of the environmental management



aspects of the farm business.

Wayne and Caroline Saward moved to the Sustainable Agriculture Fund dairy farm at South Riana at the start of the 2013-14 season. They have a long history with share farming and view themselves as career share farmers. The pastures and cow condition on the farm were excellent. Wayne and Caroline also showed strength in the area of people management, providing training to help people grow within the business and developing steps to help team members share in their successes. They also have a very positive relationship with Sustainable Agriculture Fund manager, Wolfie Wagner, and meet regularly to review and discuss budgets and farm operations.

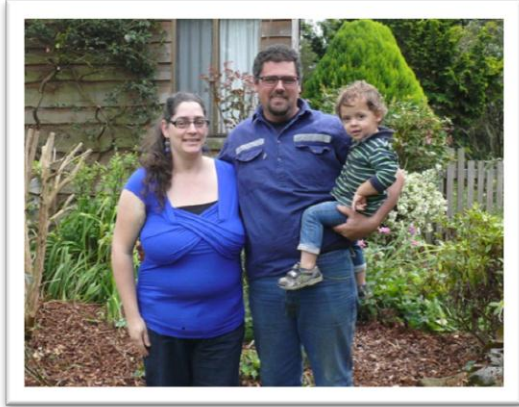


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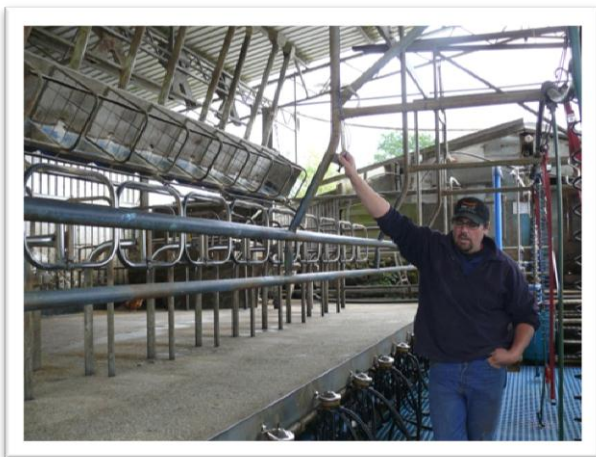


Share Dairy Farmer – Finalists Profiles

Andrew and Jenny Aldridge



Andrew and Jenny Aldridge are 50% share farmers on the Aldridge family dairy farm at Branhholm in north-east Tasmania. They milk 380 cows on the 150 hectare milking area. Andrew and Jenny have been managing the farm for five years, increasing from a 20% share to the 50% share two seasons ago. During this time, they have lifted milk production on the farm from 94,000 kg MS to 150,000 kg MS in 2013-14. Andrew and Jenny are aiming for a low cost, low input system and have a focus on improving pasture management to achieve pasture consumption of 12 t DM/ha. They are continuing to grow herd size with a target of milking 450 cows.



Wayne and Caroline Saward



Wayne and Caroline Saward started their share farming career in 1997 and have managed farms from Circular Head to the north-east. 2013-14 was their first year of managing the Sustainable Agriculture Fund dairy farm at Riana in Tasmania's north-west. The farm is 240 hectares with 790 milking cows. They achieved 1,416 kg MS/ha for the season. Wayne and Caroline aim to achieve the most production they can, profitably. They also have a focus on ensuring the people that work on the farm enjoy the work but also have time for activities outside of work. To achieve this, they have a set-roster for the whole year so that people know when they are working – any swapping of work days is organised by the individuals involved. Wayne and Caroline have monthly meetings with Wolfie Wagner, the Sustainable Agriculture Fund Manager, to discuss farm finances and how they are tracking against their budget for income and expenses. They have found this to be a positive exercise and appreciate the effort that is put in to address their business needs and provide opportunity for growth within the business.

Milk Production & Milk Price

Milk production in Tasmania over the last two decades has seen a continual increase, with an average annual growth over the last ten years of 3%. The addition of a new milk factory, Tasmanian Dairy Products, commissioned during the 2012 season, combined with continued strong demand for milk, saw milk production exceed the predicted trends in the 2013-14 season, reaching 805 million litres, 8% of Australia’s national milk production. This increase has continued into the 2014-15 season, with the first quarter seeing Tasmanian milk production reaching record levels with 14.6% growth compared to the same period in 2013-14.

The graph below shows the annual Tasmanian milk production and milk price for the 20 years to 2015, including an estimated milk production and milk price figure for 2015. While the general trend has been upwards in annual milk production,

the chart demonstrates that there is a link between milk price and changes in milk supply. Increases in milk price tend to be associated with an increase in milk production and supply, and vice versa. This can be seen for 2013-14, where strong milk prices (approximately \$6.90/kgMS) coupled with good spring conditions resulted in an increase in milk production and supply compared with 2012-13 where the milk price was lower, closer to \$5.01/kgMS.

There is significant scope for this increase in milk production to continue, with continued investment in irrigation schemes adding to the comparative advantage Tasmania has over other dairying regions in Australia. With added demand for milk production on a global scale, and further investment in processing, Tasmania’s milk output could increase to over a billion litres annually in the coming years.

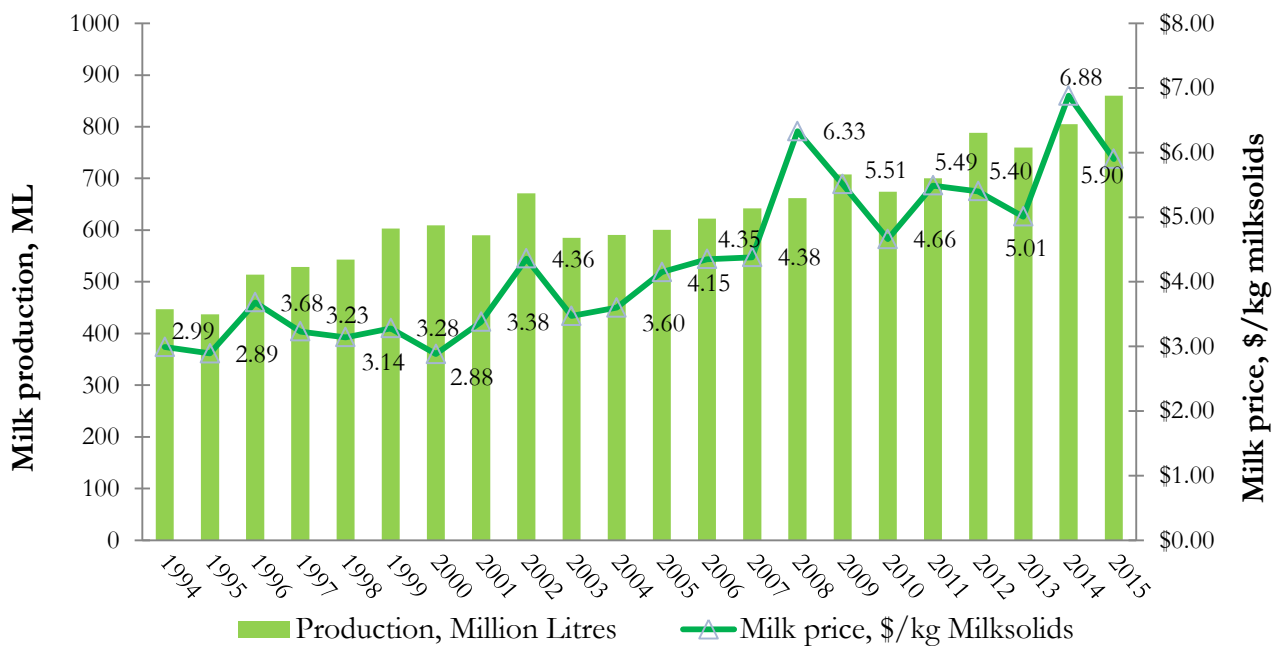


Figure 1: Tas milk production (ML) and milk price (\$/kg milksolids) 1994 to 2015 est

Dairy Benchmarking

Introduction

The Tasmanian dairy industry has a long history of benchmarking, with dairy farmers having the opportunity to submit their figures and benchmark their business performance on an annual basis for over 30 years. Since 2011, the Tasmanian Institute of Agriculture (TIA), with support of Dairy Australia funding, have been using software developed by the Victorian Department of Primary Industries (now the Department of Economic Development, Jobs, Transport and Resources) as part of the Dairy Farm Monitor Project (DFMP). All business information is analysed using the DFMP software and reports are produced, enabling year to year comparisons of business performance, and now also enabling comparisons between Tasmanian farms and other states and dairying regions of Australia.

Tasmanian Dairy Farm Performance

There were 52 farms providing information about their farm business as part of the 2013-14 benchmarking program, with a relatively even spread of farms across the major dairying regions in the state.

Table 5 shows several of the key performance indicators, KPI's, (average per farm) for the 52 participants in the benchmarking program:

Number participants	52
Average cows milked	508
Milksolids produced	220,157 kg MS
Production per ha	1,206 kg MS/ha
Pasture consumed	9,200 kg DM/ha
Labour	3.8 FTEs
Return on Assets Managed	9.9%

Herd Size

Tasmania continues to have the largest average herd size compared with other dairy regions, and is continuing to increase. This suggests that the majority of farmers are seeing some benefit from increasing herd numbers. Analysis of the benchmarking data over the last 7 years supports the conclusion that the larger farms tend to have a higher return on assets than smaller farms. However, a large amount of variation is evident in return on assets for farms that are in the same herd size category. In addition to between herd size categories, confirming that increasing herd and farm size is not linked directly with increased profitability. Figure 2 shows the average return on assets by herd size for the 7 years to 2014. This chart shows return on assets for the following herd sizes as:

- <200 cows 3.9%
- 201-350 cows 6.7%
- 351-500 cows 7.5%
- >500 cows 8.1%

In Figure 2, the horizontal line within each box is the average return on assets for that herd size category. The top and bottom lines of the boxes show the 75th and 25th

percentile of farms respectively, and the small horizontal lines on the top and bottom of the vertical lines show the maximum and minimum of return on assets for farms in the corresponding category. As the chart illustrates, though there is a large range of return on assets between farms with similar herd numbers, the average return on assets does increase as herd size increases. The chart also shows that the average return on assets for farms with less than 200 cows

(RoA 3.9%) is substantially lower than the average return on assets for farms with over 500 cows (RoA 8.1%).

However, there are farms in the smaller herd size categories that are performing very well in terms of return on assets. This was more evident in the 2013-14 benchmarking program, where perhaps the greatest diversity was seen with regards to the scale and size of farming operations and business structure.

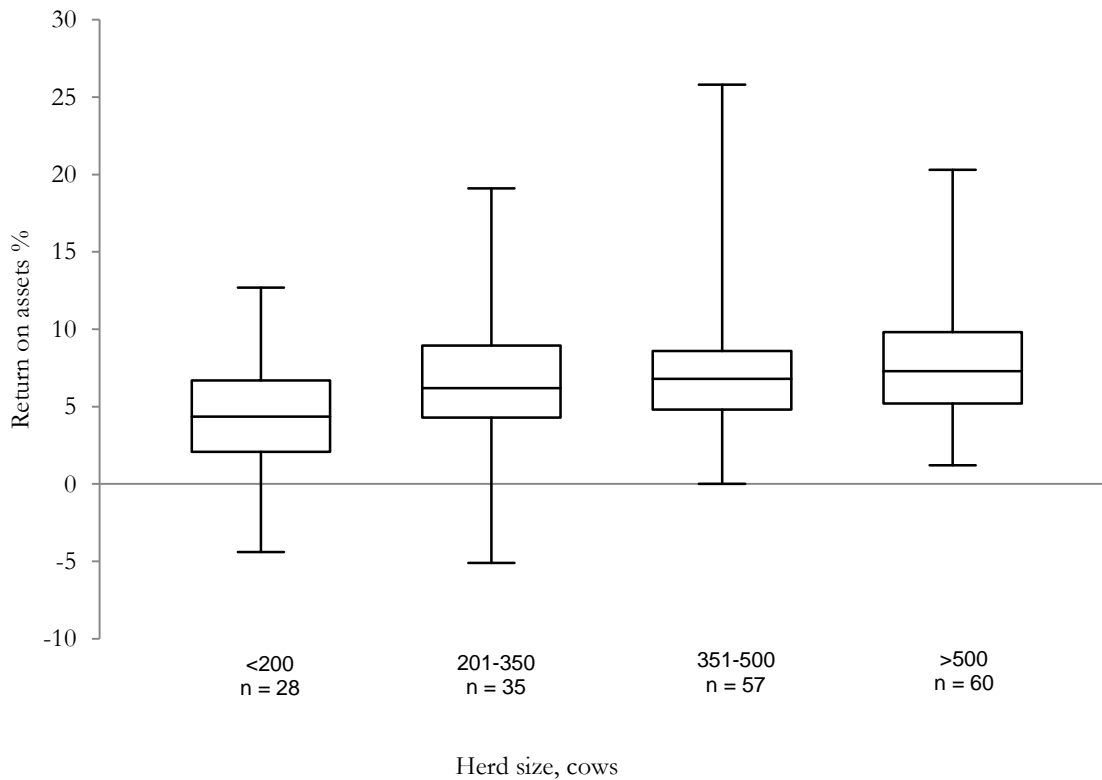


Figure 2: Return on assets % vs Herd size, cows

Feed Consumption

Figure 3 presents the contribution of different feed sources to the total metabolisable energy (ME) consumed on farm, for the 52 participants in Tasmanian benchmarking. This also included feed consumed by dry cows and young stock.

From the participants in the 2013-14 benchmarking, almost 80% of the diet was forage based, with 65% grazed pasture. Figure 4 shows the average estimated home grown feed production per cow, for the 52 participants. Figures 3 and 4 are calculated using the Victorian Department of Primary Industries Pasture Consumption Calculator. This involves first a calculation of the total energy required on the farm, which is a factor of stock numbers held on the farm,

stock weights, distance stock walk to the dairy on average and milk production. From the total farm energy requirements 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.

The amount of home grown feed produced per cow will be dependent on numerous factors, with water availability, fertiliser application rates and grazing management being central. The total home grown feed produced in 2013-14 is estimated at 5.8 t DM/cow in total, with 3.7 t DM/cow as pasture grazed directly, 0.8 t DM/cow conserved, and a total of 1.3 t DM/cow of concentrates.

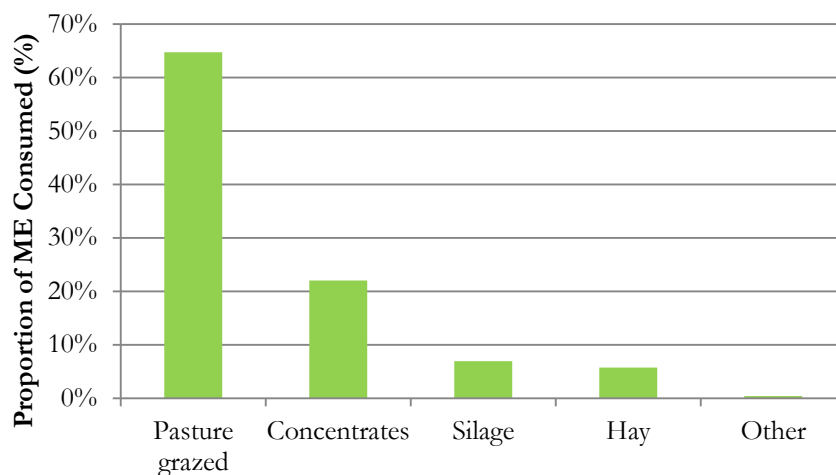


Figure 3: Proportion of ME Consumed (%)

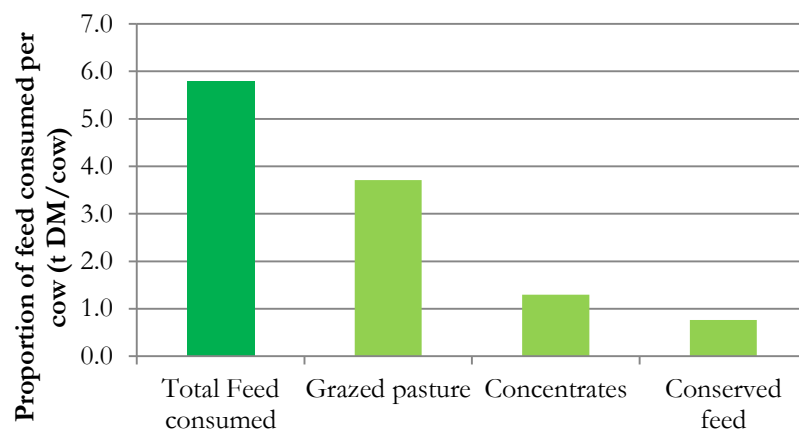


Figure 4: Proportion of feed consumed, t / cow

Seasonal Conditions

The 2013-14 season began with a mild winter which maintained good pasture growth rates in the lead-up to the main calving period, during spring. This was followed by a wetter than average spring which resulted in low pasture growth rates, and subsequently lower than average conserved forage. In addition to a relatively poor spring, rainfall during the summer months from December to February was lower than average, resulting in low growth

rates on dryland areas in particular and added pressure on conserved feed. Autumn rainfall was higher than average which helped maintain milk production through this period and also reduced the impact of low levels of conserved forage. Despite some challenging seasonal conditions during 2013-14, Tasmanian milk production reached a record high of 804.5 million litres.

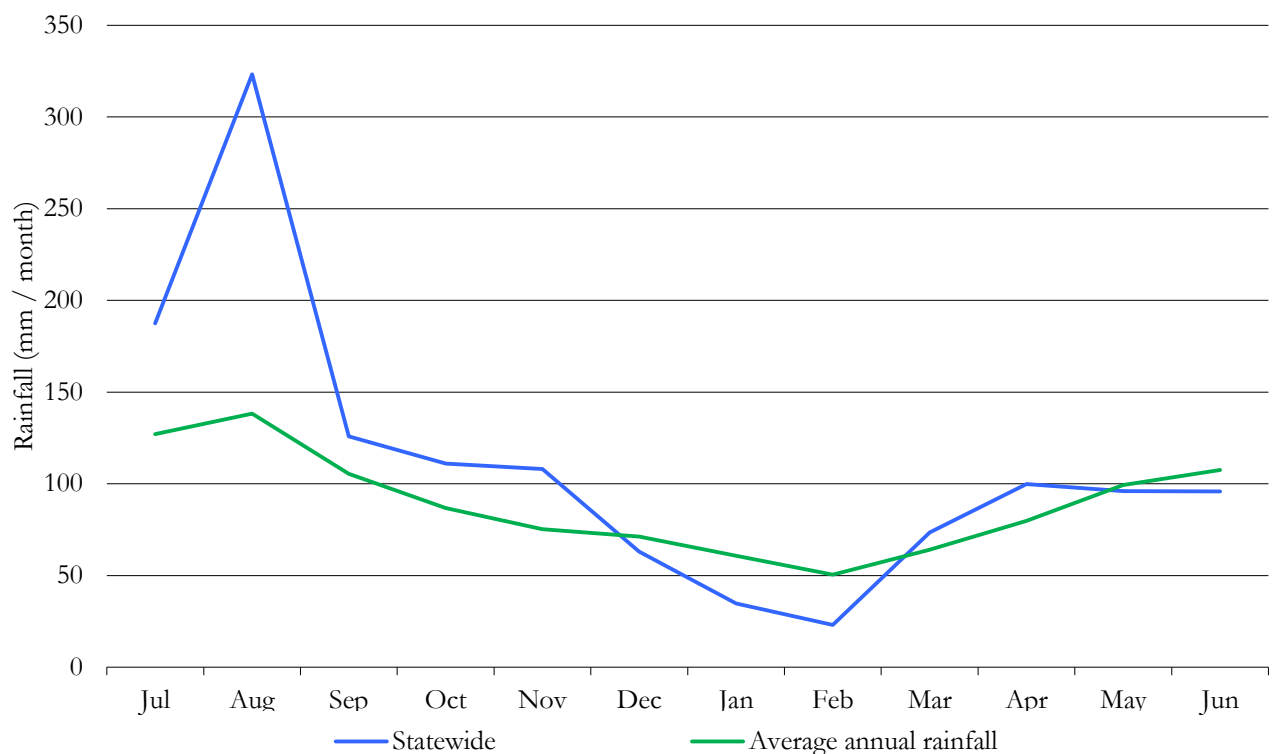


Figure 5: Monthly rainfall for 2013-14 compared with historical average



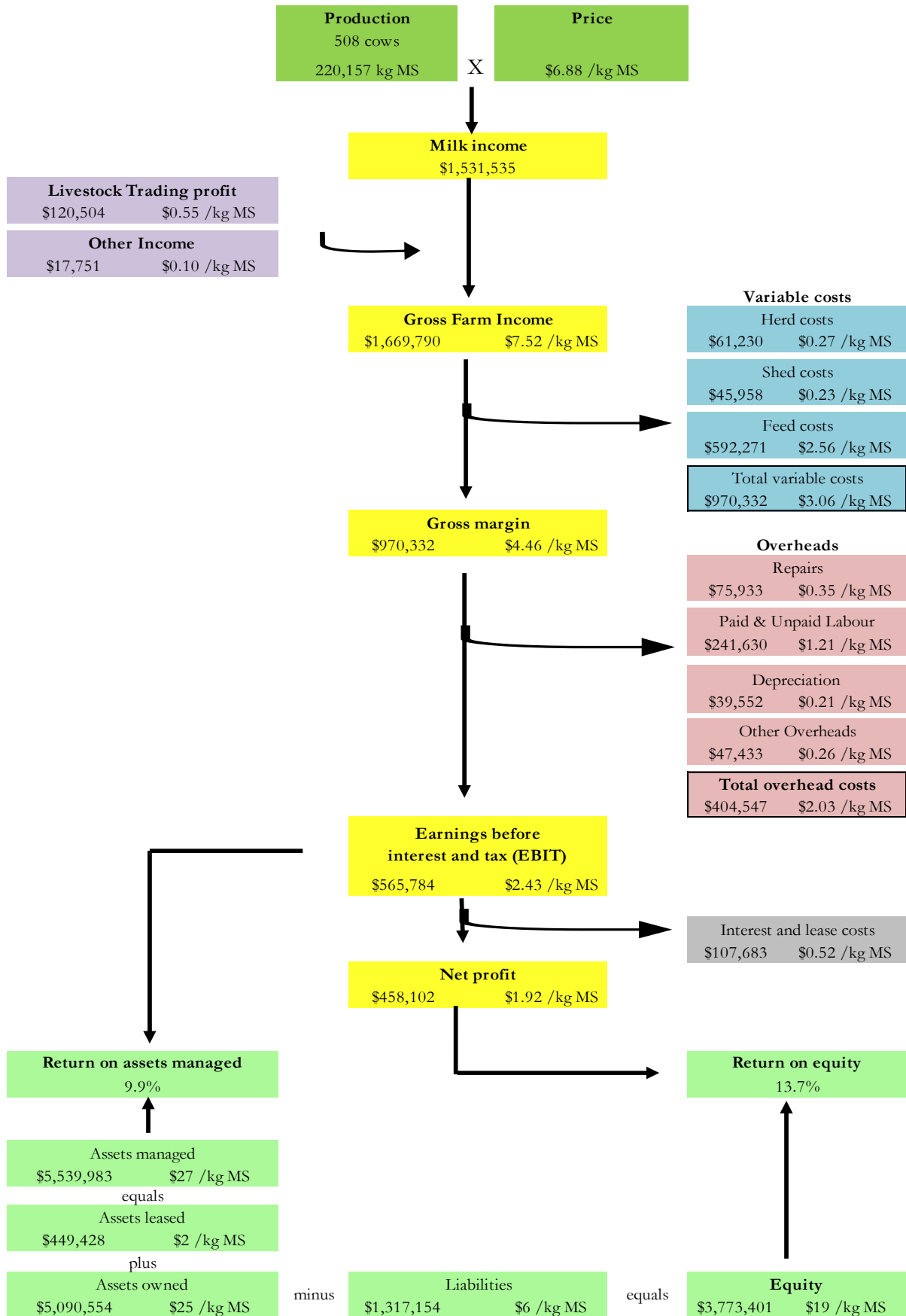
Table 6: Tasmanian Dairy Benchmarks

Averages for All Participants

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Key Performance Indicators											
Return on Assets, %	4.8%	7.9%	5.7%	4.6%	7.9%	6.1%	3.4%	7.2%	8.4%	4.6%	9.9%
Operating Profit (EBIT), \$	\$86,985	\$171,939	\$174,626	\$163,185	\$385,024	\$271,890	\$172,525	\$340,747	\$462,923	\$296,170	\$565,784
Farm Details											
Production, kg MS	108,767	129,653	142,701	151,646	171,995	187,360	157,637	173,714	218,651	232,381	220,157
Cows Milked, nos	294	335	364	400	466	484	404	415	514	548	508
Dairy Area, ha	178	192	206	220	239	236	204	206	233	186	183
Labour used, FTE	3.6	3.7	4.0	4.1	4.5	4.8	4.2	3.3	3.6	3.7	3.8
Irrigation, % area irrigated	28%	27%	24%	29%	32%	34%	38%	43%	38%	43%	43%
Performance Indicators											
Milksolids, kg MS/ha	617	686	729	750	739	835	772	878	971	1,032	1,206
Milksolids kg MS/cow	368	391	392	386	373	400	374	407	422	420	422
Heifers, % of cows milked	27%	26%	26%	27%	27%	25%	24%	26%	23%	25%	24%
Stocking Rate, cows/ha	1.7	1.8	1.9	1.9	2.0	2.1	2.0	2.1	2.3	3.0	2.8
Pasture, kg DM/milking ha	7,460	8,040	8,320	8,500	8,340	9,950	9,260	9,770	9,250	10,090	9,200
Grain intake, tonne/cow	0.57	0.72	0.82	0.87	0.92	0.94	0.89	1.04	1.17	1.33	1.30
Nitrogen, kg N/ha	115	151	163	156	212	201	173	157	140	142	158
Cows per FTE	82	89	90	97	105	105	94	120	137	126	137
Assets & Liabilities Owned											
Dairy Assets, \$'000	\$1,584	\$2,172	\$2,675	\$3,471	\$4,811	\$5,040	\$4,512	\$4,658	\$5,200	\$5,345	\$5,090
Assets per ha, \$/ha	\$9,364	\$11,436	\$13,969	\$16,924	\$20,442	\$22,094	\$22,514	\$22,661	\$23,818	\$23,166	\$19,834
Assets per cow, \$/cow	\$5,635	\$6,482	\$7,348	\$9,186	\$10,641	\$10,949	\$11,737	\$11,220	\$10,619	\$9,750	\$10,020
Liabilities, \$'000	\$410	\$484	\$683	\$944	\$1,602	\$1,560	\$1,176	\$1,351	\$1,607	\$1,602	\$1,317
Liabilities per cow, \$	\$1,314	\$1,444	\$1,876	\$2,206	\$3,346	\$3,167	\$3,306	\$3,254	\$3,370	\$3,171	\$2,628
Equity, %	74%	78%	74%	73%	69%	70%	72%	70%	68%	70%	71%
Income & Expenses per Ha											
Milk Income, \$/ha	\$2,233	\$2,828	\$3,206	\$3,311	\$4,732	\$4,502	\$3,561	\$4,854	\$5,257	\$5,215	\$6,200
Total Income, \$/ha	\$2,418	\$3,061	\$3,413	\$3,480	\$4,938	\$4,746	\$3,861	\$5,469	\$5,985	\$5,670	\$6,733
Animal Costs, \$/ha	\$208	\$243	\$249	\$270	\$299	\$341	\$311	\$363	\$417	\$452	\$435
Feed Costs, \$/ha	\$853	\$1,053	\$1,248	\$1,404	\$1,878	\$1,940	\$1,441	\$1,770	\$1,940	\$2,433	\$2,361
Labour, \$/ha	\$614	\$587	\$667	\$723	\$735	\$824	\$866	\$948	\$985	\$1,047	\$650
Overheads, \$/ha	<u>\$308</u>	<u>\$352</u>	<u>\$475</u>	<u>\$515</u>	<u>\$543</u>	<u>\$597</u>	<u>\$546</u>	<u>\$652</u>	<u>\$638</u>	<u>\$554</u>	<u>\$1,154</u>
Operating Costs, \$/ha	\$1,983	\$2,236	\$2,639	\$2,911	\$3,455	\$3,701	\$3,164	\$3,734	\$3,979	\$4,541	\$4,600
EBIT, \$/ha	\$435	\$825	\$774	\$569	\$1,483	\$1,046	\$697	\$1,735	\$2,006	\$1,129	\$2,228
Income & Expenses – per kg MS											
Milk Income, \$/kg MS	\$3.60	\$4.15	\$4.35	\$4.39	\$6.33	\$5.50	\$4.66	\$5.51	\$5.40	\$5.01	\$6.88
Total Income, \$/kg MS	\$4.03	\$4.64	\$4.82	\$4.64	\$6.87	\$6.01	\$5.17	\$6.24	\$6.17	\$5.50	\$7.52
Operating Costs, \$/kg MS	<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>\$4.26</u>	<u>\$4.07</u>	<u>\$4.48</u>	<u>\$5.09</u>
EBIT, \$/kg MS	\$0.72	\$1.27	\$1.13	\$0.83	\$2.10	\$1.48	\$0.92	\$1.98	\$2.09	\$1.02	\$2.43
Finance costs, \$/kg MS	<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>\$0.81</u>	<u>\$0.66</u>	<u>\$0.54</u>	<u>\$0.52</u>
EBT, \$/kg MS	\$0.43	\$0.97	\$0.74	\$0.38	\$1.47	\$0.85	\$0.16	\$1.17	\$1.43	\$0.49	\$1.91
Participants											
Numbers	50	40	35	36	46	40	33	40	27	34	52
As % of dairy farmers	9%	8%	7%	8%	10%	9%	8%	9%	6%	8%	13%

Profit Map 2013-14

Averages for all participants



Regional Overview & Farm Analysis

Table 7 presents a comparison of physical farm parameters in the 2013-14 season for Tasmania (average of the 52 participants in benchmarking), Victoria (average of 75 farms state-wide), and the Victorian regions of Northern Victoria (average of 25 farms), South West Victoria (average of 25 farms) and Gippsland (average of 25 farms). Average annual rainfall was greater than for all Victorian regions. Water use, a combination of irrigation and rainfall, was also greater for Tasmania than Victoria. Consequently, Tasmania continues to have a higher stocking rate at 2.8 cows/ha than the

Victorian 1.6 cows/ha, in addition to higher production per hectare at 1,206 kgMS/ha compared to 810 kgMS/ha for Victoria. Average herd size for Tasmania also continues to remain greater than Victoria, with 508 cows compared to 335 cows. The greater average herd size for Tasmania accounts for the higher average labour productivity when compared to Victorian regions. The average milk price for Tasmanian benchmarking participants, at \$6.88/kgMS, was higher than the majority of Victorian regions, with the exception of South West Victoria at \$6.91/kgMS.

Table 7: Farm Physical Data for Dairy Regions

Farm Physical Parameters	TAS	VIC	Northern Vic	South West Vic	Gippsland
Number of farms in sample	52	75	25	25	25
Herd size (no. cows)	508	335	332	390	284
Annual rainfall 2013/14	1,342	792	527	943	905
Water used (irrigation + rainfall) (mm/ha)	1,475	993	986	951	1,044
Total useable area (ha)	257	242	210	330	186
Stocking rate (milking cows per hectare)	2.8	1.6	1.9	1.2	1.8
Milk sold (kg MS/cow)	422	498	522	503	468
Milk sold (kg MS/ha)	1,206	810	995	600	835
Milk price received (\$/kg MS)	\$6.88	\$6.79	\$6.83	\$6.91	\$6.62
People productivity (milkers / FTE)	137	105	109	102	104
People productivity (kg MS / FTE)	57,936	52,251	56,611	51,524	48,617

Farm Income

Table 8 presents the average farm income and costs (\$/kgMS) for the 52 participants in the Tasmanian benchmarking, compared to Victoria state-wide and the three individual Victorian regions. In both Tasmania and Victoria, total income was

substantially greater in 2013-14 than 2012-13 due an increase in milk price (2012-13 \$5.01/kgMS for Tasmania and \$4.90/kgMS for Victoria; 2013-14 \$6.88/kgMS for Tasmania and \$6.79/kgMS for Victoria).

Operating Costs

Table 8 shows a comparison of operating costs between Tasmania and the Victorian regions. Total operating costs for the 52 Tasmanian farms participating in the benchmarking were substantially lower than those for all Victorian regions and Victoria as a whole, at \$5.05/kg MS compared to \$5.42/kg MS for Victoria. This difference is largely due to the lower cost of purchased

feed and agistment for Tasmanian farms, at \$1.61/kg MS compared to \$1.90/kg MS for Victoria. The majority of overhead costs for Tasmanian farms were lower than for Victorian farms, with the exception of employed labour costs, which were greater for Tasmania at \$0.71/kgMS compared to \$0.48/kgMS for Victorian farms.

Table 8: Income and Costs by Region, \$/kg MS

Farm costs, \$/kg MS	TAS	VIC	Northern Vic	South West Vic	Gippsland
Income					
Feed inventory change	\$0.05	\$0.15	\$0.10	\$0.21	\$0.15
Other farm income	\$0.05	\$0.10	\$0.12	\$0.05	\$0.12
Livestock trading profit	\$0.55	\$0.41	\$0.41	\$0.38	\$0.48
Milk income (net)	\$6.88	\$6.79	\$6.83	\$6.91	\$6.62
Total income	\$7.52	\$7.44	\$7.46	\$7.54	\$7.33
Variable Costs					
Shed cost	\$0.23	\$0.22	\$0.21	\$0.23	\$0.21
Herd cost	\$0.23	\$0.28	\$0.27	\$0.25	\$0.31
Home grown feed cost	\$0.95	\$1.00	\$1.17	\$0.96	\$0.88
Purchased feed and agistment	\$1.61	\$1.90	\$1.96	\$1.94	\$1.79
Total variable costs	\$3.02	\$3.39	\$3.61	\$3.37	\$3.19
Overhead Costs					
All other overheads	\$0.16	\$0.25	\$0.23	\$0.26	\$0.27
Repairs and maintenance	\$0.35	\$0.33	\$0.29	\$0.41	\$0.28
Depreciation	\$0.21	\$0.21	\$0.19	\$0.24	\$0.21
Employed labour	\$0.71	\$0.48	\$0.46	\$0.47	\$0.49
Imputed labour	\$0.51	\$0.76	\$0.66	\$0.77	\$0.86
Total overhead costs	\$2.03	\$2.03	\$1.83	\$2.14	\$2.11
Total operating costs, \$/kg MS	\$5.05	\$5.42	\$5.44	\$5.51	\$5.30
EBIT, \$/kg MS	\$2.43	\$2.02	\$2.02	\$2.03	\$2.03

Earnings Before Interest & Tax (EBIT)

When assessing whole farm business performance, Earnings Before Interest and Tax, EBIT, is used to analyse individual farms and compare different farms. EBIT excludes interest and lease costs, so it is also equivalent to the profit that would be achieved at 100% equity. An increase in milk price for the 2013-14 season saw a substantial increase in EBIT/kg MS compared to 2012-13 for participants in the

Tasmanian benchmarking, and Victoria. Average EBIT/kg MS for Tasmanian farms for 2013-14 was \$2.43/kg MS, compared to \$1.02/kg MS in 2012-13. Victorian farms EBIT/kg MS also increased, from \$0.09 in 2012-13 to \$2.02 in 2013-14. Figure 6 presents the operating profit, EBIT/kg MS for Tasmania, Victoria state-wide and Victorian regions for the 2013-14 season.



Figure 6: Operating Profit, \$ per kg MS

Return on Assets & Equity

Return on Assets (RoA) is EBIT expressed as a percentage of total farm assets, and is thus an indicator of the earning power of total assets, irrespective of capital structure. RoA can also be used as an indicator of the overall efficiency of use of the resources that are involved in the production system and can be compared with returns achieved elsewhere in the economy. In the Tasmanian benchmarking program, the Return on Assets Managed (RoAM) is used, as it takes

into account leased land as an asset in the farming business.

Return on equity is the net farm income (EBIT less interest and lease charges) expressed as a percentage of the owners' equity, and is a measure of the owners' rate of return on their investment. Items not accounted for in net farm income are loan principle repayments and tax.

The average RoA for the 52 Tasmanian dairy farms in the benchmarking was 9.9%, which is higher than the Victorian state average. Tasmanian farms also had a higher return on equity than Victoria, at 13.7% compared to 11.6%. Due to an increase in milk price from the 2012-13 season,

Tasmania and all Victorian regions saw a substantial increase in return on assets and equity for 2013-14. Table 9 presents the average return on assets and return on equity percentage for Tasmanian farms, Victoria state-wide and the three individual Victorian regions.

Table 9: Return on assets and equity by region (%)

	TAS	VIC	Northern Vic	South West Vic	Gippsland
Return on assets	9.9%	8.5%	11.3%	7.9%	6.4%
Return on equity	13.7%	11.6%	14.7%	9.9%	10.2%

Risk

Table 10 presents the risk indicators for Tasmanian and Victorian dairy farm businesses. Only one participant out of the 52 Tasmanian farms in the benchmarking did not use imported feeds, the remaining farms (and all of the Victorian farms) sourced at least some of their metabolisable energy (ME) from imported feeds. Consequently, these farms are thus somewhat exposed to the fluctuations in imported feed prices and supply. The percentage of purchased feed indicates the sensitivity of a business to these changes. The average price of purchased feed in 2013-14 was \$341/tonne DM; however there was a large variation around this value, depending on feed type. In Tasmania, an average of 22% of the feed (as a percentage of total ME or energy) is imported, compared to 38% for Victoria. In Victoria, concentrates make up 30% of the cows' diet, compared to 23% in Tasmania.

The cost structure ratio provides variable costs as a proportion of total costs. A lower ratio implies that overhead costs comprised a greater proportion of total costs which in turn indicates less flexibility in the business. Table 10 shows that across the state for

every \$1.00 spent, \$0.60 was used to cover variable costs. One hundred minus this percentage gives the proportion of total costs that are overhead costs (40%).

Debt per cow is frequently used as a risk indicator in the dairy industry, with the average debt per cow reflected in the debt servicing ratio. The debt servicing ratio shows interest and lease costs as a proportion of gross farm income; with the higher the debt per cow, the higher the debt servicing ratio. Tasmanian farms had a slightly lower debt per cow, and a lower debt servicing ratio, than Victorian farms. The figure in Table 10 indicates that on average Tasmanian farms repaid \$0.07 of every dollar of gross farm income to their creditors.

The benefit of taking some risks and borrowing money can be seen when farm incomes yield a higher return on equity than on their return on assets. In 2013-14 there were 41 (out of 52) businesses which had a higher return on equity than their return on assets.

Table 10: Risk Indicators by Region

	TAS	VIC	Northern Vic	South West Vic	Gippsland
Cost structure (proportion of total costs that are variable costs)	60%	63%	66%	61%	60%
Debt service ratio (finance costs as % of income)	7%	9%	7%	9%	9%
Debt per cow	\$3,171	\$3,977	\$3,489	\$4,476	\$3,964
Equity percentage (ownership of total assets managed)	71%	62%	59%	60%	66%
Percentage of feed imported (as a % of total ME)	22%	38%	43%	38%	32%

Cost of Production – Tasmania

The cost of production for Tasmanian dairy farms has continued to increase over the last four seasons, as shown in Figure 7, due predominately to an increase in several key variable and overhead costs. Variable costs are those costs directly associated with production, such as animal health, supplementary feeding, fertiliser, agistment costs and so on. Overhead costs are relatively unresponsive to small changes in the scale of operation of a business, and includes costs such as depreciation, administration, repairs and maintenance.

Figure 8 presents the three major variable costs and major overhead costs that have increased from 2010-11 to 2013-14. These

are made up of grain and concentrate purchases, hay and silage purchases, fertiliser and labour. These four areas have seen a marked increase over this period. Of the total variable costs for 2013-14 (\$3.06/kgMS), grain and concentrate purchases made up 42%. Of total overhead costs for 2013-14 (\$2.03/kgMS), labour costs made up 35%. As a percentage of total costs for the 2013-14 season, at \$5.09/kgMS, labour costs made up the largest portion at 35%, with grain and concentrate purchases 25%, fertiliser 23% and hay and silage purchases 8% - together accounting for 91% of the total costs for Tasmanian dairy businesses.

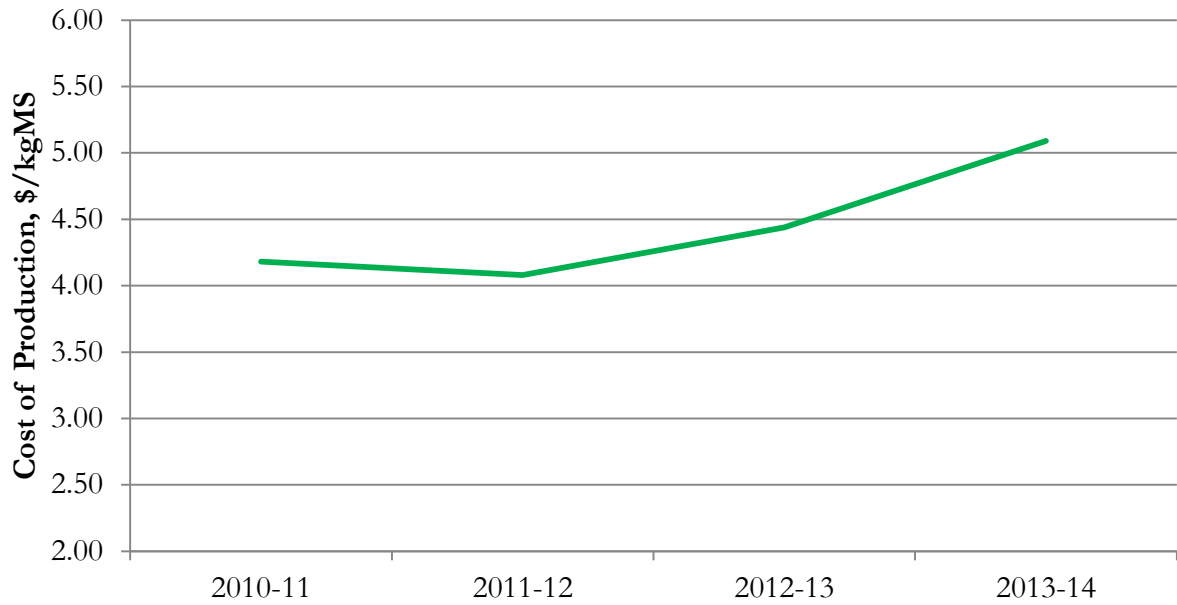


Figure 7: Cost of production, per kg MS

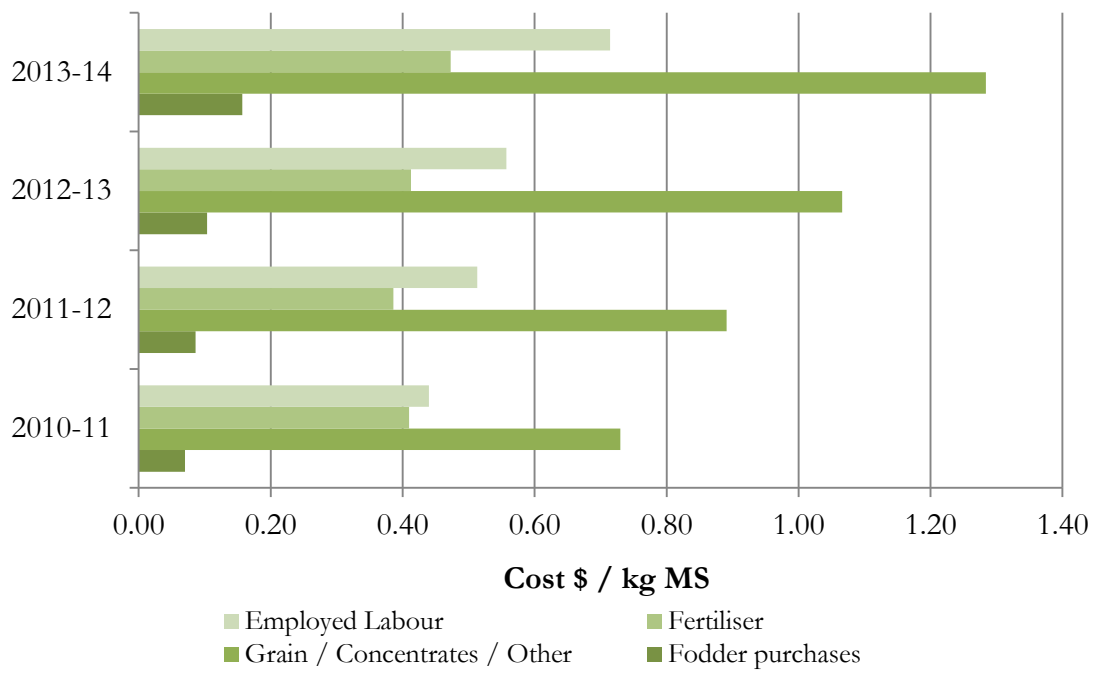


Figure 8: Major dairy farm costs, 2010-11 to 2013-14

Performance Indicators for All Participants 2013-14

Ranked by Return on Assets %

Farm	Eff area	% eff area irrigated	Cows milked	Labour	Pasture utilisation	Milksolids production		Milk price	COP, excl interest	EBIT	Assets, owned & leased	Return on assets	Return on equity
	ha	%	nos	cows/FTE	kg DM/Mha	kg MS/Mha	kg MS/cow	\$/kg MS	\$/kg MS	\$/Mha	\$/Mha	%	%
1	110	0%	365	170	12,127	1,409	425	\$7.10	\$4.27	\$4,662	\$22,104	21.1%	27.1%
2	290	80%	990	213	10,425	1,505	441	\$6.90	\$3.79	\$5,738	\$27,884	20.6%	20.6%
3	400	55%	700	124	12,380	1,841	526	\$7.02	\$4.03	\$6,864	\$39,406	17.4%	25.1%
4	266	80%	702	154	13,087	1,520	402	\$6.69	\$4.15	\$6,357	\$41,062	15.5%	16.6%
5	115	0%	330	134	9,755	1,052	366	\$6.95	\$4.63	\$3,189	\$20,853	15.1%	49.6%
6	411	12%	424	117	8,341	898	481	\$7.40	\$5.04	\$2,469	\$16,763	14.7%	16.7%
7	174	21%	282	161	6,946	881	331	\$6.36	\$4.00	\$2,325	\$16,007	14.5%	12.0%
8	218	77%	478	93	11,214	2,316	601	\$6.92	\$5.28	\$5,558	\$38,549	14.4%	15.5%
9	435	96%	896	212	11,725	1,624	453	\$7.26	\$4.02	\$6,498	\$45,324	14.3%	15.5%
10	143	44%	390	95	8,452	907	330	\$7.11	\$5.15	\$2,726	\$19,129	14.3%	82.3%
11	86	64%	246	100	11,179	1,311	458	\$6.66	\$4.35	\$3,896	\$28,304	13.8%	21.3%
12	139	0%	465	144	11,523	1,393	417	\$6.97	\$5.03	\$3,073	\$22,794	13.5%	16.3%
13	190	12%	500	173	9,081	1,103	419	\$6.85	\$4.54	\$2,911	\$21,629	13.5%	16.2%
14	468	17%	1,100	183	7,151	867	339	\$6.73	\$4.49	\$2,860	\$21,519	13.3%	27.9%
15	259	74%	755	247	9,354	1,249	428	\$7.31	\$5.02	\$3,431	\$25,980	13.2%	13.0%
16	344	26%	520	124	7,082	1,037	537	\$7.08	\$5.41	\$2,444	\$19,680	12.4%	19.1%
17	502	42%	850	136	10,177	1,649	458	\$6.57	\$4.45	\$4,359	\$35,352	12.3%	23.6%
18	508	24%	730	90	8,056	1,347	554	\$7.36	\$5.35	\$3,882	\$34,656	11.2%	20.6%
19	427	33%	663	114	9,353	1,100	432	\$7.85	\$5.36	\$3,739	\$33,433	11.2%	13.1%
20	300	67%	930	179	10,102	1,380	445	\$6.86	\$5.23	\$2,797	\$25,862	10.8%	10.9%
21	370	43%	790	150	10,774	1,592	534	\$7.22	\$5.55	\$3,494	\$33,388	10.5%	17.8%
22	330	35%	450	125	4,343	642	402	\$7.02	\$4.00	\$1,843	\$17,895	10.3%	12.0%
23	60	42%	220	299	13,584	2,142	467	\$6.63	\$4.78	\$3,776	\$37,447	10.1%	15.7%
24	194	69%	368	101	7,983	950	387	\$6.38	\$4.51	\$2,483	\$25,697	9.7%	10.3%
25	138	80%	385	139	11,301	1,230	441	\$6.70	\$3.79	\$4,216	\$43,920	9.6%	10.0%
26	241	48%	334	89	7,906	1,396	623	\$7.35	\$5.83	\$3,284	\$35,048	9.4%	9.9%
27	130	25%	307	116	10,820	1,013	379	\$6.92	\$5.09	\$2,434	\$26,113	9.3%	6.8%
28	176	40%	451	186	8,914	840	289	\$6.45	\$3.38	\$2,725	\$29,438	9.3%	9.4%
29	106	19%	125	139	6,186	459	356	\$6.96	\$4.54	\$2,121	\$23,706	8.9%	11.4%
30	430	67%	900	149	11,425	1,449	483	\$7.17	\$5.42	\$3,195	\$35,714	8.9%	11.8%
31	435	0%	430	94	6,155	1,589	554	\$6.72	\$5.12	\$3,955	\$45,768	8.6%	9.5%
32	226	46%	360	93	9,621	960	400	\$7.48	\$5.70	\$2,764	\$32,584	8.5%	5.2%
33	240	79%	790	169	9,937	1,416	430	\$6.96	\$5.22	\$2,654	\$31,338	8.5%	8.5%
34	559	59%	1,325	237	8,296	754	310	\$6.70	\$4.49	\$2,144	\$26,030	8.2%	8.2%
35	173	49%	380	112	9,855	1,021	395	\$6.47	\$5.63	\$2,051	\$25,126	8.2%	14.6%
36	178	46%	235	130	7,445	684	390	\$6.73	\$5.30	\$1,876	\$23,610	7.9%	8.3%
37	430	28%	680	144	8,645	1,155	424	\$7.30	\$4.88	\$3,023	\$38,719	7.8%	11.5%
38	128	35%	245	127	10,030	1,303	426	\$6.78	\$5.03	\$2,701	\$34,739	7.8%	8.1%
39	55	73%	168	158	8,721	914	299	\$6.20	\$3.67	\$2,195	\$28,295	7.8%	7.8%

Farm	Eff area	% eff area irrigated	Cows milked	Labour	Pasture utilisation	Milksolids production		Milk price	COP, excl interest	EBIT	Assets, owned & leased	Return on assets	Return on equity
	ha	%	nos	cows/FTE	kg DM/Mha	kg MS/Mha	kg MS/cow	\$/kg MS	\$/kg MS	\$/Mha	\$/Mha	%	%
40	315	32%	443	117	9,600	1,026	361	\$6.15	\$4.81	\$2,878	\$36,900	7.7%	12.3%
41	248	65%	460	89	10,328	1,673	655	\$7.72	\$6.19	\$3,737	\$48,480	7.7%	12.9%
42	239	57%	596	69	11,640	1,646	525	\$7.42	\$6.05	\$3,171	\$48,655	6.5%	4.7%
43	200	35%	710	211	7,791	1,537	433	\$6.72	\$5.82	\$1,847	\$29,397	6.3%	6.3%
44	120	0%	157	66	6,483	435	333	\$7.18	\$6.06	\$701	\$11,278	6.2%	6.2%
45	430	24%	470	98	8,939	1,322	473	\$6.53	\$5.44	\$1,804	\$32,688	5.5%	6.3%
46	92	39%	144	86	11,908	631	338	\$6.53	\$5.91	\$965	\$20,423	4.7%	4.4%
47	166	76%	489	184	9,270	1,354	458	\$6.71	\$5.78	\$1,530	\$35,414	4.3%	2.0%
48	431	44%	502	104	7,228	991	377	\$6.81	\$5.80	\$1,513	\$46,119	3.3%	1.6%
49	89	68%	269	97	10,865	661	218	\$6.76	\$7.12	\$575	\$21,484	2.7%	2.7%
50	173	23%	126	76	2,801	433	254	\$6.09	\$6.42	\$55	\$34,068	0.2%	-0.9%
51	135	0%	210	97	7,480	809	270	\$6.78	\$7.47	-\$171	\$36,247	-0.5%	-7.5%
Avg	255	42%	507	137	9,290	1,185	422	\$6.89	\$5.07	\$2,969	\$30,432	10.0%	13.9%

Note: Performance indicators in above table are calculated on a per milking ha (Mha) basis while in the body of the report these indicators are expressed per effective ha.

The data presented in this table may not reflect averages presented elsewhere in this booklet, as not all farms that entered their information have been included in this table. Please note, however, that the exclusion of these farms has had minimal impact on the figures presented.