

## RED SKY FARM

### BUSINESS ANALYSIS

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



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

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

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

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



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

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

# Where should this farmer focus their efforts?



OVERALL FARM BUSINESS ASSESSMENT		JIM & JILL SMITH				
RATIO	DEFINITION	EXCELLENT or VERY LOW RISK	UPPER QUARTILE or LOW RISK	MEDIAN QUARTILE or AVERAGE RISK	LOWER QUARTILE or HIGH RISK	POOR or VERY RISKY
PROFIT	Return on Assets & Operating Profit per Ha					
RISK	Operating Profit Margin & Cost of Production					
SOLVENCY	Equity Percentage					
<b>MILK PRODUCTION PER HECTARE</b>						
	- Stocking Rate (Cows/ha)					
	- Milk Production per Cow					
<b>PASTURE HARVESTED PER HECTARE</b>						
<b>FEED COSTS</b>						
	Forage Cost/tDM					
	Concentrate Cost/tDM					
<b>LABOUR EFFICIENCY</b>						
	Cows per Staff Equivalent					
	Management & Staff Costs per Cow					
<b>CORE per COW COST</b>						
	Per Cow Expenses excl. Supplements, Irr'n & N					
<b>CORE per HECTARE COST</b>						
	Per Hectare Expenses excl. Supplements, Irr'n & N					

## Summary Farm Performance - Dairy

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

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

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

	2003/04 Actual	2004/05 Actual	2005/06 Budget	2004/05 Tasmania Average	2004/05 Tasmania Top 10%
<b>REVENUE</b>					
Manufacturing Milk Sales	\$ 1,737	\$ 1,901	\$ 1,821	\$ 1,589	\$ 1,753
Quota/Contract/Winter Milk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Livestock Revenue	\$ 120	\$ 132	\$ 232	\$ 160	\$ 193
Other Revenue	\$ 6	\$ 84	\$ 80	\$ 14	\$ 8
Gross Revenue	\$ 1,863	\$ 2,118	\$ 2,132	\$ 1,763	\$ 1,954
<b>EXPENSES</b>					
Administration	\$ 25	\$ 24	\$ 23	\$ 18	\$ 18
Animal Health	\$ 76	\$ 67	\$ 64	\$ 42	\$ 40
Breeding & Her Dairy Shed Exp					
Electricity					
Feeds / Supplier					
- Grazing / Aq					
- Cropping (g					
- Grains, Pelli					
- Forages (In					
Fertiliser (Total					
- Nitrogen					
- Phosphate /					
Freight					
Irrigation					
Other Expenses					
Pasture Mainta					
Repairs & Main					
Standing charg					
Vehicle Expens					
Weed & Pest C					
Management &					
- Wages, Sal					
- Imputed Lab					
Depreciation					
Gross Expens					
Gross Exp excl					
Core Cost Stru					
OPERATING I					
	\$ 320				
	\$ 366				

### Financial Farm Performance - Dairy

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

