

Macalister Demonstration Farm

PO Box 87, MAFFRA, VIC 3860

Ph. 0488 175 366

Email: mdf@wideband.net.au Web: www.macalisterdemonstrationfarm.com

NEWSLETTER 73

Monday September 24th 2012



Extension projects at the MDF are funded by Dairy Australia, Sustainability Victoria and Department of Agriculture, Fisheries and Forestry, with support from GippsDairy.

MDF WEBSITE

Don't forget – you can keep up to date with happenings at the farm quickly and easily by logging onto www.macalisterdemonstrationfarm.com – we'd love to hear from you!! Leave a comment on the video blogs created regularly by Frank Tyndall. Do you have an issue you would like Frank to cover with his video blogs – then *let us know!!*

Yellow Rag Bit

Maria Rose Dairy Advisor, DPI Maffra

Dairy Business Management Considerations

Recently I attended a workshop held in the MID, titled "Down to Business", run by DPI and GippsDairy in conjunction with Dairy Australia's *Tactics for Tight Times* campaign. Given that the outlook for 2012/13 suggests a challenging scenario for dairy farmers, in my "bit" this time, I flag what I thought were key interesting points raised by the speakers (in three presentations) for your consideration and reflection.

1. Recently released results of the Dairy Industry Farm Monitor Project for last season (2011/12)
 - Farm profitability was driven by diverse seasonal conditions in each of the three Victorian dairy regions monitored.
 - 68 of the 74 farms recorded positive earnings before interest & tax - included 24 of the 25 Gippsland farms.
 - 53 of 74 farms recorded positive net farm income - included 20 of the 25 Gippsland farms.
 - 85% of Gippsland farms aim to maintain or increase production in 2012/13 despite expected declines in milk price.
2. Dairy Directions research on using marginal economics to maximise returns from key feed inputs.

You need to look at the marginal not the average feed conversion. The profit maximising level of variable input is to use the input as long as it results in profit; that is, use it only up to the level where the return from an extra unit of input just equals the extra cost of that input.

In a partial budget proposal, extra profit of a simple change is expressed as a percentage return on the additional capital invested. The proposal needs to be analysed for one whole season of production at a steady state level, calculating real return on marginal capital after tax.

The partial budget is only the 'first look'. If the plan looks a goer, then a risk and financial analysis is needed. Look at the whole business, testing how robust the plan is under different risk situations. Estimate the borrowings required, peak debt and required length of loan - looking at the interactions and comparisons between the feeds. Do this in the context of knowing your future plans for the business. Ask questions like how will you survive the pear-shaped price years, how will you handle the future debt and are extra facilities needed to handle more cows?

3. Drivers of farm business returns, focusing on making sound business decisions in this current season (2012/13).

Currently in most dairy farm situations there's a massive emphasis on production per cow or production per hectare and minimal emphasis and discussions on business performance and profile. Additionally the concept of margins and marginal analysis is not well understood.

There are three main elements to farm business performance - cash, tax and business efficiency.

Recent tough times (especially the drop in milk price in 2008/09) has identified characteristics of sustainable, resilient, moderate-risk dairy businesses to have the following characteristics;

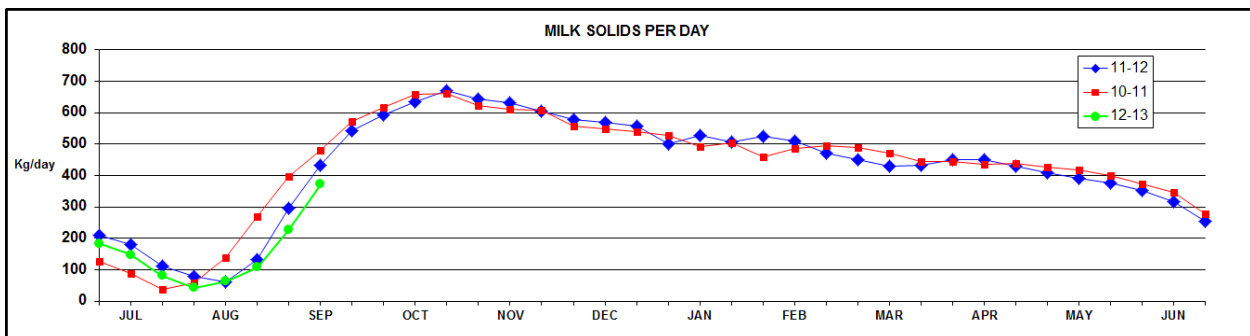
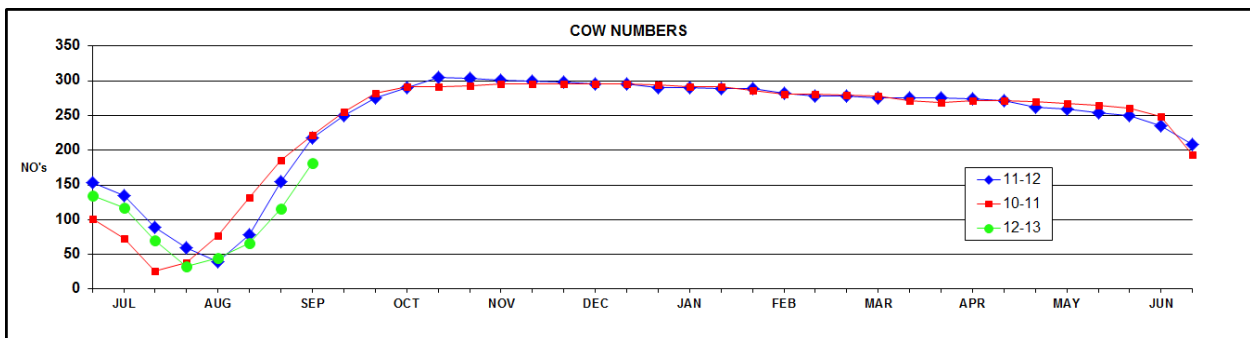
- They're in the top 40% of management skills.
- Use less than 40% of purchased feed.
- Total milker feed costs are around \$160/T dry matter or less.
- Farm working expenses (excluding labour) are not more than \$3.00/kg milk solids.
- Equity in total assets around 65%, less than 20% short term debt and Farm Management Deposits used.
- Debt servicing is less than \$1.00/kg milk solids or less than \$500/cow.
- Significant owner-operator labour with less than 40% paid labour.

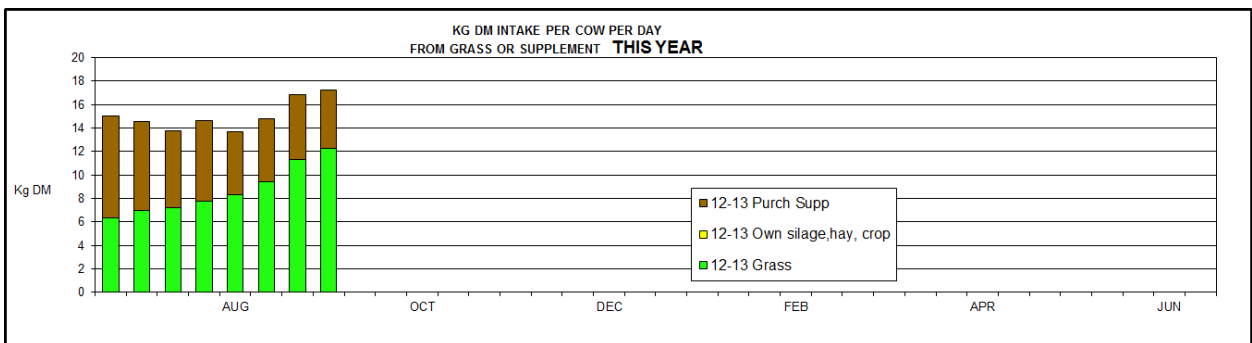
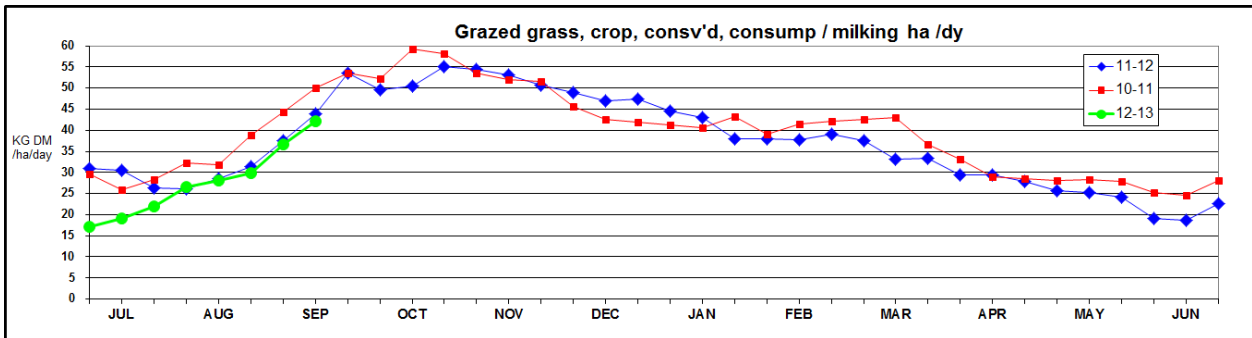
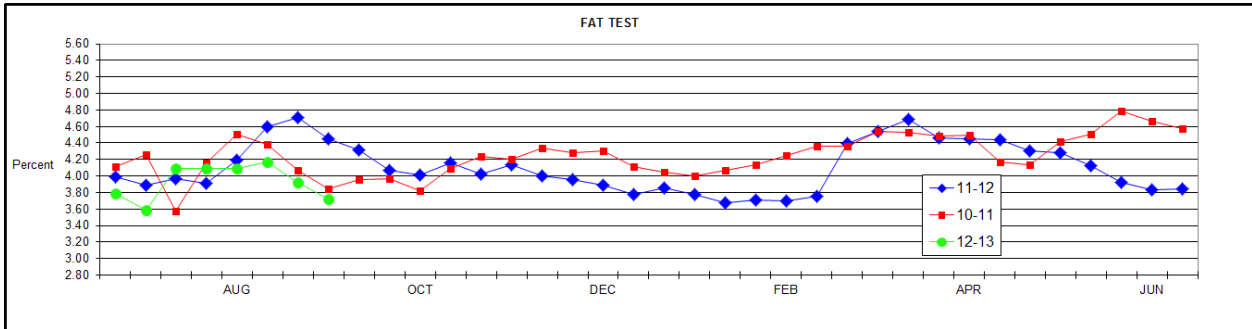
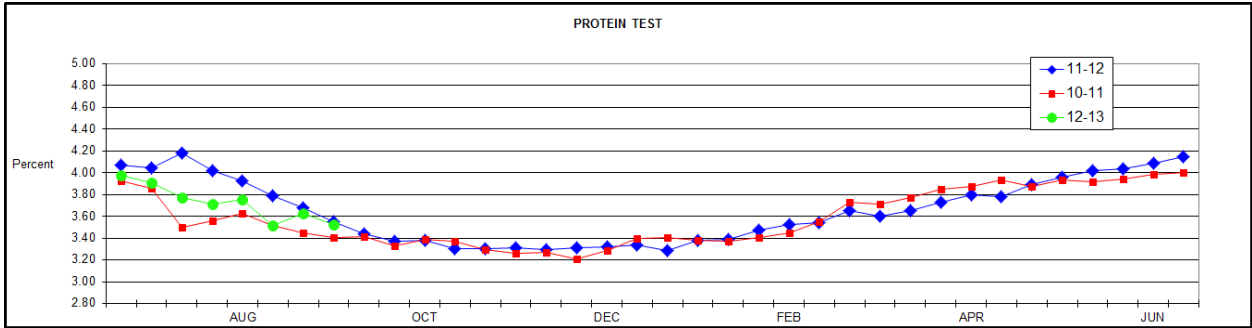
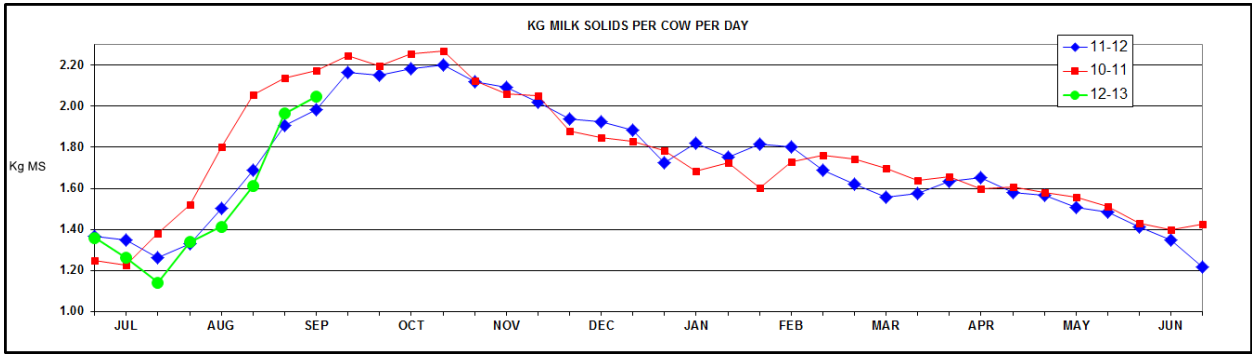
But remember it is not about rights or wrongs of these above-listed characteristics! It's about the balance of them in a given farm situation in order to achieve the appropriate resilience.

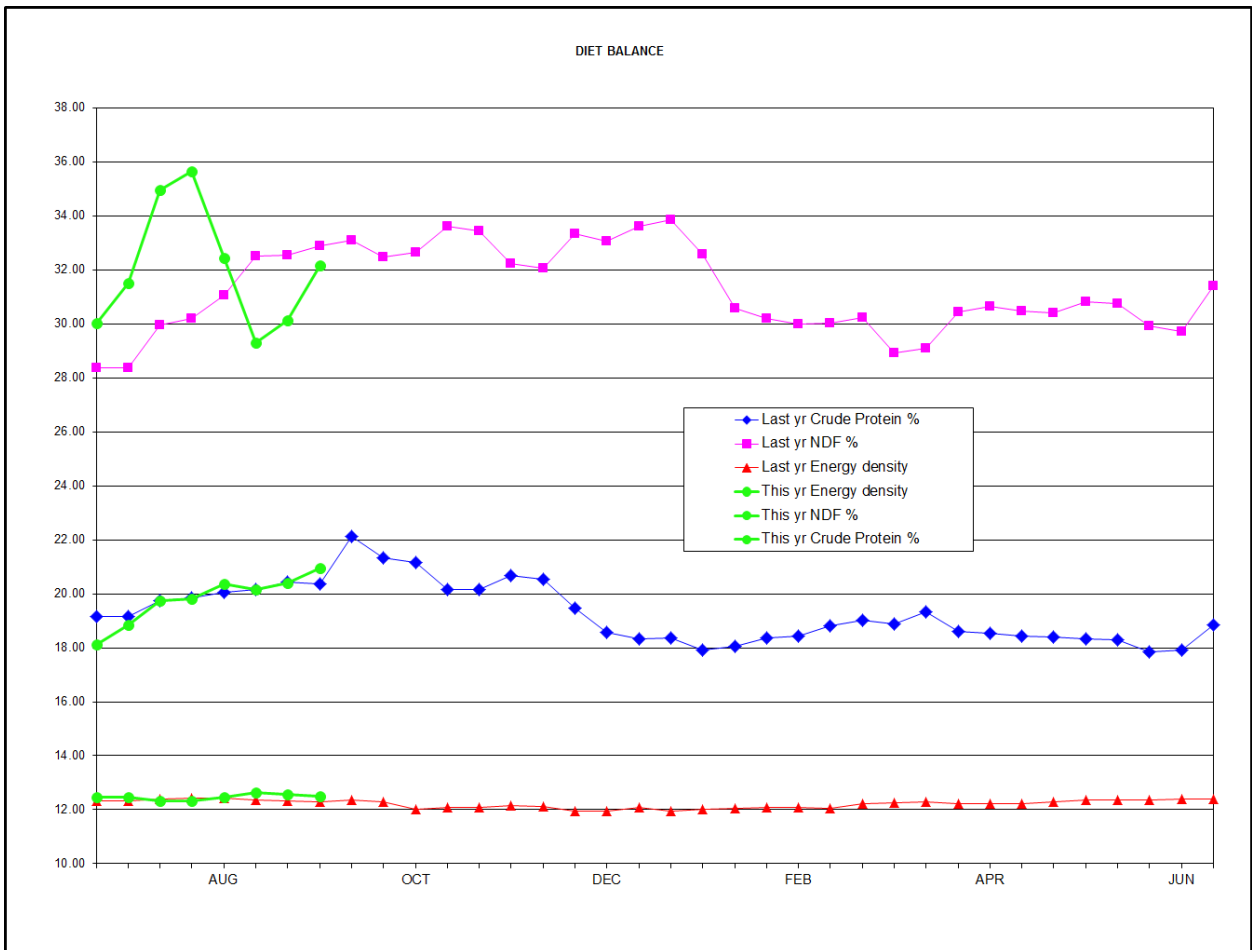
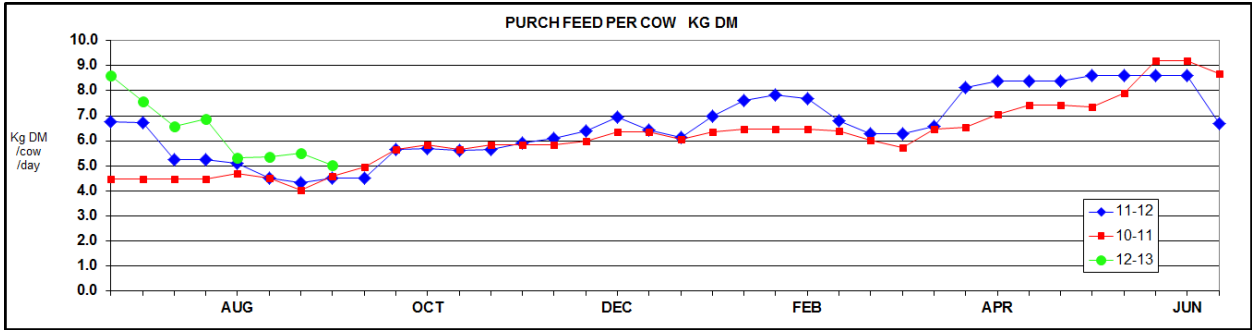
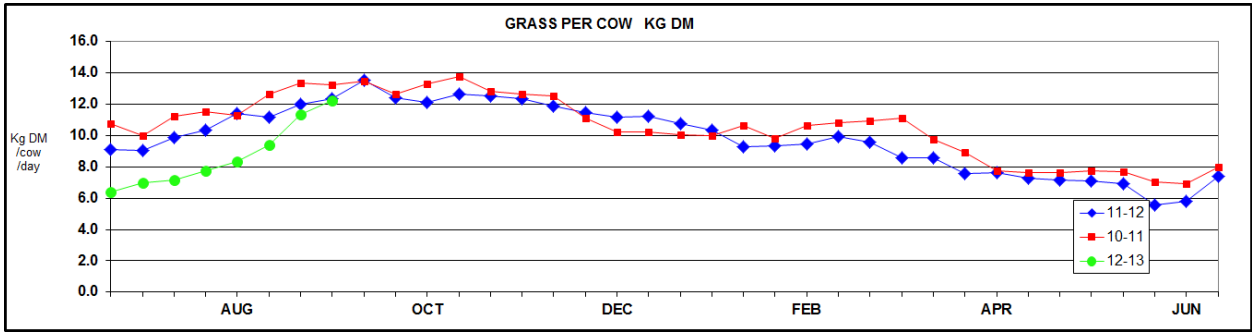
For more information about the speakers and details of their presentations, contact me on 51470843 or maria.rose@dpi.vic.gov.au

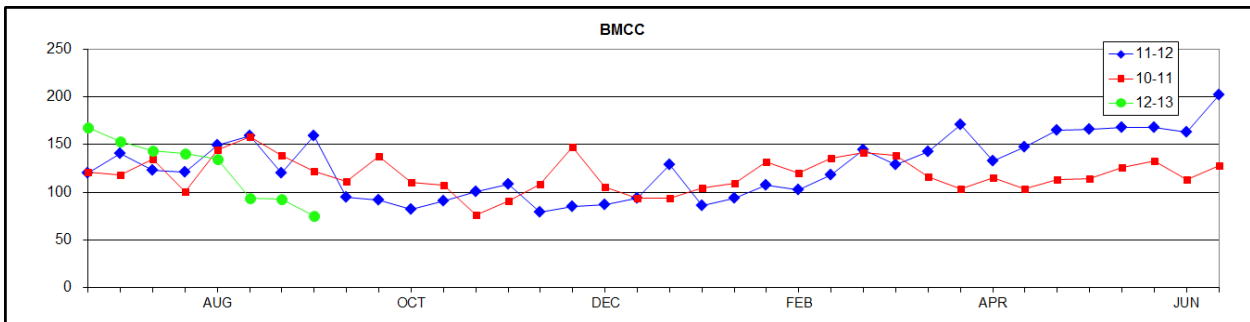
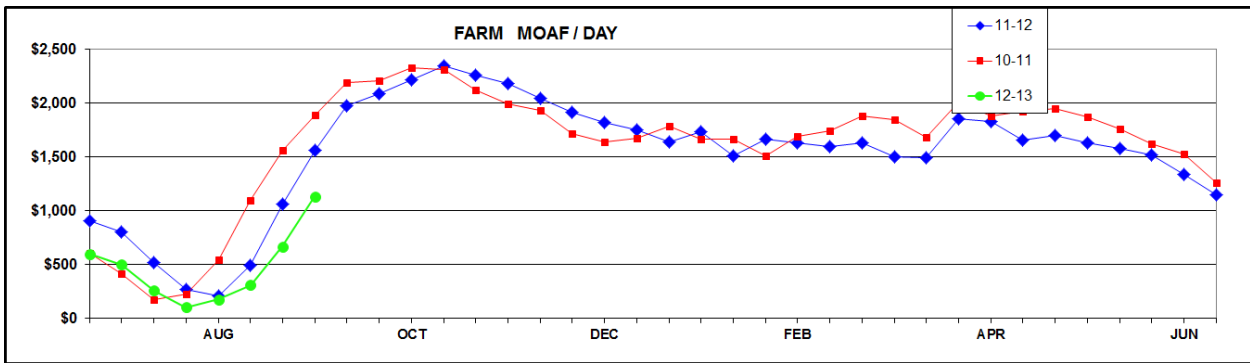
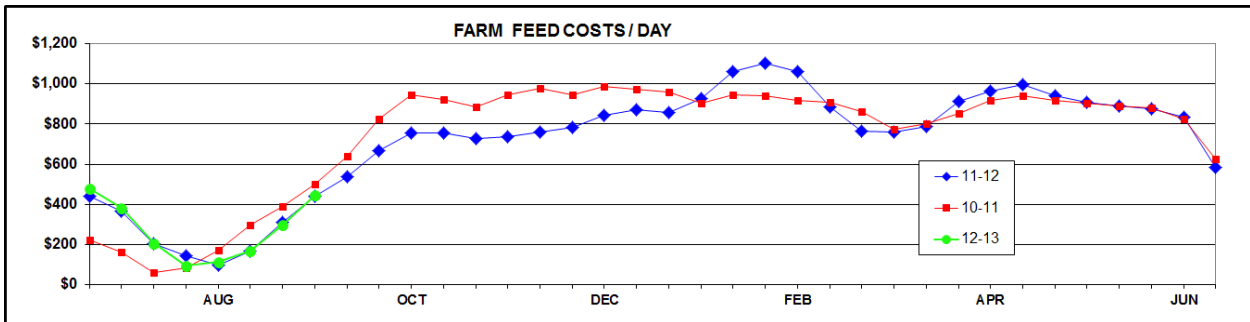
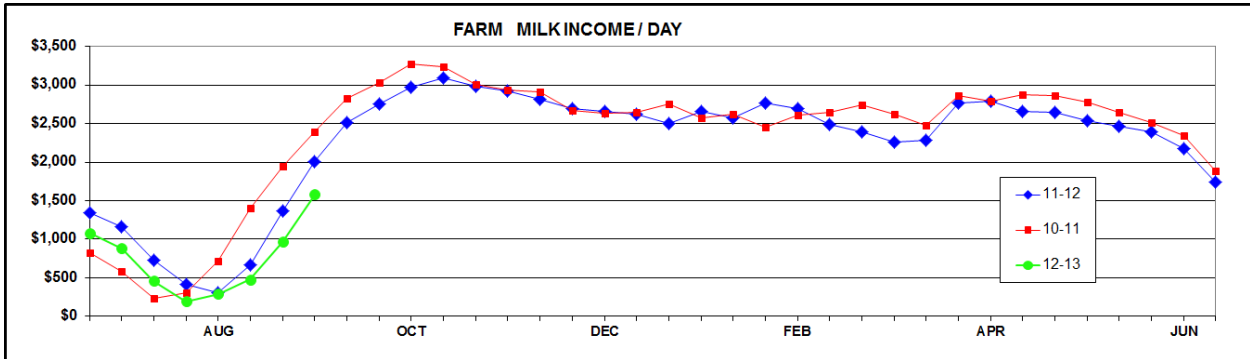
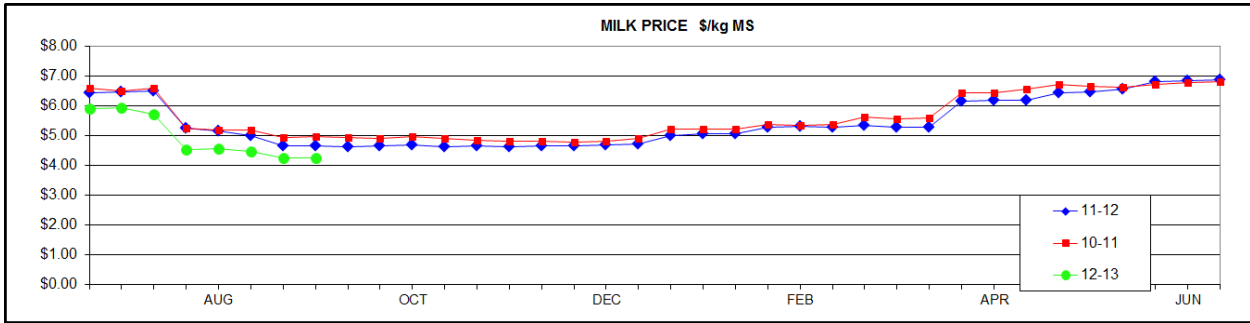
Macalister Demonstration Farm Profitability Project

Macalister Demonstration Farm Profitability Project











Frank Tyndall 0409 940 782 ftyndall@ozemail.com.au

MDF AGM 16th October 2012 & Call for Nominations for RF (Bob) Pitman Award



**Nomination of Directors
Macalister Demonstration Farm**

The Macalister Demonstration Farm invites nominations of candidates for election to its Board of Directors. Four current directors are due to retire at the Annual General Meeting on October 16th, 2012 in accordance with the Co-operative rules. G. Lamb, C. Wright, B. White and M. Humphris are offering themselves for re-election. Details of eligibility, duties and responsibilities of directors and nomination forms are available from the Secretary, MDF PO Box 87, Maffra 3860, email mdf@wideband.net.au or by phoning 0488 175 366. Nominations must be lodged with the Secretary, PO Box 87 Maffra, 3860 by Friday 5th October, 2012.



**MACALISTER DEMONSTRATION FARM
ANNUAL GENERAL MEETING
and
DAIRY INDUSTRY DINNER**
with guest speaker
Sue Brumby
Director, National Centre for Farmer Health
Western Distric Health and Deakin University
TUESDAY 16TH OCTOBER, 2012
Duart Reception Rooms, McLean St, Maffra
Pre-dinner savouries at 6pm, MDF Annual General Meeting at 6:30 pm followed by dinner at 7pm and the presentation of the RF (Bob) Pitman Award.
The complimentary dinner (drinks at bar prices) is an MDF shareholder priority event but is now open to all MID dairy farmers and industry professionals for bookings on a first come, first served basis.
RSVP to Sandie Brown at mdf@wideband.net.au, PO Box 87, Maffra 3860, or phone 0488 175 366.



**RF (Bob) Pitman Award
CALL FOR NOMINATIONS**

The Directors at the Macalister Demonstration Farm are seeking nominations for the RF (Bob) Pitman Award. This award was established in honour of Bob Pitman to recognise others within our farming community that make an outstanding contribution to the many facets of our industry. In creating this legacy we are seeking nominations from the community of people who have gone above and beyond the call of duty to strive to better the lot for the broader farming community. The recipient of this award should have one if not all of the following attributes:

- Commitment to the betterment of the dairy industry in the Macalister Irrigation District via one/all of the following: Production, Technology, Extension, Environmental awareness or mentorship
- Served on Boards or committees which support the dairy industry
- Served with integrity, humility and altruism.

The award is open to public nomination but ultimately decided by the present day board. Nominations can be mailed to: The Secretary, Macalister Demonstration Farm, PO Box 87, Maffra 3860 and will close on Friday 5th October, 2012. The winner shall be announced at our AGM on the 16th October, 2012 starting at 6:30pm.

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