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Farmlet Economics 2005/06–2008/09

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Agenda

-  **Performance compared to industry benchmarks**
-  **Performance compared between farmlets**
 - **Sensitivity analysis**
-  **Conclusions from 1st 4 years**

Basis of Evaluation

-  **Combine actual physical with financial**
-  **Actual; milk, pasture, feed, fert, renovate**
-  **Actual; concentrate ** and forage prices**
-  **Top 10% cost; animal health, breeding, dairy exp, dep'n, electricity, R&M, standing charges, vehicles, wages**
-  **CF higher cost; dep'n, R&M, veh, wages**
-  **CF assets higher; land, plant/mach, cows**








Performance Compared to Industry Benchmarks

	2006 RM	2006 CF	2006 SW T10	2007 RM	2007 CF	2007 SW T10
Return on Cap	10.3%	11.8%	12.9 %	7.9%	5.9%	6.7 %
Profit per Ha	\$1,602	\$1,990	\$1,771	\$1,352	\$1,060	\$1,142
COP \$/kgMS	\$3.08	\$3.15	\$2.74	\$3.29	\$3.75	\$3.21
COP c/litre	23.3	23.9	19.8	26.7	30.2	23.6

Performance Compared to Industry Benchmarks

	2008 RM	2008 CF	2008 SW T10	2009 RM	2009 CF	2009 SW T10
Return on Cap	20.5%	22.5%	13.5%	10.1%	10.0%	? %
Profit per Ha	\$4,413	\$5,247	\$2,625	\$2,218	\$2,378	\$?
COP \$/kgMS	\$3.13	\$3.45	\$4.02	\$3.01	\$3.32	? %
COP c/litre	26.3	28.1	30.1	23.7	26.2	\$?

Comparative Performance

-  **Both RM & CF produced high profitability**
-  **Both RM & CF have improved relative performance compared to benchmarks**
-  **Improvements derived from increased milk and pasture/forage production**
-  **Both RM & CF exceeded Top 10% in 2007/08 and predict same for 2008/09**
-  **.....milk price sensitised (not feed prices) ****


Sensitivity Analysis

RM 2005/06	Low	Actual	High		RM 2006/07	Low	Actual	High
Milk Price (\$/kgMS)	\$ 3.80	\$ 4.45	\$ 4.80		Milk Price (\$/kgMS)	\$ 3.80	\$ 4.35	\$ 4.80
Milk Price (c/litre)	28.8	33.7	36.3		Milk Price (c/litre)	30.8	35.3	38.9
Return on Capital	5.9 %	10.3 %	12.7 %		Return on Capital	4.3 %	7.9 %	10.8 %
Profit per Hectare	\$ 841	\$ 1,602	\$ 2,011		Profit per Hectare	\$ 649	\$ 1,352	\$ 1,927
Operating Profit Margin	18 %	29 %	34 %		Operating Profit Margin	12 %	23 %	29 %
Cost of Production - \$/kgMS		\$ 3.08			Cost of Production - \$/kgMS		\$ 3.29	
Cost of Production - c/litre		23.3			Cost of Production - c/litre		26.7	
CF 2005/06	Low	Actual	High		CF 2006/07	Low	Actual	High
Milk Price (\$/kgMS)	\$ 3.80	\$ 4.45	\$ 4.80		Milk Price (\$/kgMS)	\$ 3.80	\$ 4.35	\$ 4.80
Milk Price (c/litre)	28.9	33.9	36.5		Milk Price (c/litre)	30.7	35.1	38.7
Return on Capital	6.4 %	11.8 %	14.8 %		Return on Capital	1.3 %	5.9 %	9.6 %
Profit per Hectare	\$ 997	\$ 1,990	\$ 2,524		Profit per Hectare	\$ 96	\$ 1,060	\$ 1,850
Operating Profit Margin	16 %	28 %	33 %		Operating Profit Margin	1 %	13 %	21 %
Cost of Production - \$/kgMS		\$ 3.15			Cost of Production - \$/kgMS		\$ 3.75	
Cost of Production - c/litre		23.9			Cost of Production - c/litre		30.2	

Sensitivity Analysis

RM 2007/08	Low	Moderate	High	Actual	RM 2008/09	Low	Moderate	Actual
Milk Price (\$/kgMS)	\$ 3.80	\$ 4.30	\$ 4.80	\$ 6.40	Milk Price (\$/kgMS)	\$ 3.80	\$ 4.30	\$ 4.75
Milk Price (c/litre)	31.9	36.1	40.3	53.8	Milk Price (c/litre)	29.9	33.9	37.4
Return on Capital	5.0 %	8.0 %	10.9 %	20.5 %	Return on Capital	5.1 %	7.7 %	10.1 %
Profit per Hectare	\$ 903	\$ 1,578	\$ 2,253	\$ 4,413	Profit per Hectare	\$ 1,008	\$ 1,645	\$ 2,218
Operating Profit Margin	16 %	25 %	32 %	48 %	Operating Profit Margin	19 %	28 %	34 %
Cost of Production - \$/kgMS	\$ 3.13				Cost of Production - \$/kgMS	\$ 3.01		
Cost of Production - c/litre	26.3				Cost of Production - c/litre	23.7		
CF 2007/08	Low	Moderate	High	Actual	CF 2008/09	Low	Moderate	Actual
Milk Price (\$/kgMS)	\$ 3.80	\$ 4.30	\$ 4.80	\$ 6.40	Milk Price (\$/kgMS)	\$ 3.80	\$ 4.30	\$ 4.75
Milk Price (c/litre)	30.9	36.0	39.0	52.0	Milk Price (c/litre)	29.9	33.9	37.4
Return on Capital	3.5 %	7.1 %	10.8 %	22.5 %	Return on Capital	4.0 %	7.2 %	10.0 %
Profit per Hectare	\$ 619	\$ 1,509	\$ 2,399	\$ 5,247	Profit per Hectare	\$ 796	\$ 1,628	\$ 2,378
Operating Profit Margin	8 %	18 %	26 %	44 %	Operating Profit Margin	12 %	21 %	28 %
Cost of Production - \$/kgMS	\$ 3.45				Cost of Production - \$/kgMS	\$ 3.32		
Cost of Production - c/litre	28.1				Cost of Production - c/litre	26.2		




Performance Results

-  **RM meeting target of Top 10% performance**
-  **CF exceeded target of 15% ROC in 2007/08
BUT not in other 3 years**

Sensitivity Analysis

HIGH Milk Price Farmlet / Year	Milk Price (\$/kgMS)	Milk Price (c/litre)	Return on Capital	Profit per Hectare	Operating Profit Margin	Cost of Production (\$/kgMS)	Cost of Production (c/litre)
RM 2005/06	\$ 4.80	36.3	12.7 %	\$ 2,011	34 %	\$ 3.08	23.3
CF 2005/06		36.5	14.8 %	\$ 2,524	33 %	\$ 3.15	23.9
RM 2006/07		38.9	10.8 %	\$ 1,927	29 %	\$ 3.29	26.7
CF 2006/07		38.7	9.6 %	\$ 1,850	21 %	\$ 3.75	30.2
RM 2007/08		40.3	10.9 %	\$ 2,253	32 %	\$ 3.13	26.3
CF 2007/08		39.0	10.8 %	\$ 2,399	26 %	\$ 3.45	28.1
RM 2007/08	\$ 6.40	53.8	20.5 %	\$ 4,413	48 %	\$ 3.13	26.3
CF 2007/08		52.0	22.5 %	\$ 5,247	44 %	\$ 3.45	28.1
RM 2008/09	\$ 4.75	37.4	10.1 %	\$ 2,218	34 %	\$ 3.01	23.7
CF 2008/09		37.4	10.0 %	\$ 2,378	28 %	\$ 3.32	26.2
CF 2008/09 GOAL **		37.4	11.2 %	\$ 2,675	32 %	\$ 3.14	24.8





Performance Results

-  **RM meeting target of Top 10% performance**
-  **CF exceeded target of 15% ROC in 2007/08
BUT not in other 3 years**
-  **RM has low level of risk with moderate SR &
supplement use, reliance home grown
pasture**

Sensitivity Analysis

MEDIUM Milk Price ----- Farmlet / Year	Milk Price (\$/kgMS)	Milk Price (c/litre)	Return on Capital	Profit per Hectare	Operating Profit Margin	Cost of Production (\$/kgMS)	Cost of Production (c/litre)
RM 2005/06	\$ 4.35	33.7	10.3 %	\$ 1,602	29 %	\$ 3.08	23.3
CF 2005/06		33.9	11.8 %	\$ 1,990	28 %	\$ 3.15	23.9
RM 2006/07	\$ 4.45	35.3	7.9 %	\$ 1,352	23 %	\$ 3.29	26.7
CF 2006/07		35.1	5.9 %	\$ 1,060	13 %	\$ 3.75	30.2
RM 2007/08	\$ 4.30	36.1	8.0 %	\$ 1,578	25 %	\$ 3.13	26.3
CF 2007/08		36.0	7.1 %	\$ 1,509	18 %	\$ 3.45	28.1
RM 2008/09	\$ 4.30	33.9	7.7 %	\$ 1,645	28 %	\$ 3.01	23.7
CF 2008/09		33.9	7.2 %	\$ 1,628	21 %	\$ 3.32	26.2
CF 2008/09 GOAL **		33.9	8.3 %	\$ 1,925	25 %	\$ 3.14	24.8

Performance Results

-  **RM meeting target of Top 10% performance**
-  **CF exceeded target of 15% ROC in 2007/08
BUT not in other 3 years**
-  **RM has low level of risk with moderate SR &
supplement use, reliance home grown
pasture**
-  **CF carries higher risk with higher SR & high
reliance on crops (but NOT imported feed!)**

Sensitivity Analysis

LOW Milk Price Farmlet / Year	Milk Price (\$/kgMS)	Milk Price (c/litre)	Return on Capital	Profit per Hectare	Operating Profit Margin	Cost of Production (\$/kgMS)	Cost of Production (c/litre)
RM 2005/06	\$ 3.80	28.8	5.9 %	\$ 841	18 %	\$ 3.08	23.3
CF 2005/06		28.9	6.4 %	\$ 997	16 %	\$ 3.15	23.9
RM 2006/07		30.8	4.3 %	\$ 649	12 %	\$ 3.29	26.7
CF 2006/07		30.7	1.3 %	\$ 96	1 %	\$ 3.75	30.2
RM 2007/08		31.9	5.0 %	\$ 903	16 %	\$ 3.13	26.3
CF 2007/08		30.9	3.5 %	\$ 619	8 %	\$ 3.45	28.1
RM 2008/09		29.9	5.1 %	\$ 1,008	19 %	\$ 3.01	23.7
CF 2008/09		29.9	4.0 %	\$ 796	12 %	\$ 3.32	26.2
CF 2008/09 GOAL **		29.9	5.1 %	\$ 1,093	16 %	\$ 3.14	24.8

Performance Results

-  **No persuasive case for farmers to move from RM to CF**

Sensitivity Analysis

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Performance Results

-  **No persuasive case for farmers to move from RM to CF**
-  **If consumed crop yields were 20 tDM/ha still no persuasive case**

Sensitivity Analysis

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Performance Results

-  **No persuasive case for farmers to move from RM to CF**
-  **If consumed crop yields were 20 tDM/ha still no persuasive case**
-  **CF still has impressive level of profitability so how else might technology be applied?**
-  **The future...need low cost of production... so forages grazed in situ...?**

Sensitivity Analysis

MEDIUM Milk Price Farmlet / Year	Milk Price (\$/kgMS)	Milk Price (c/litre)	Return on Capital	Profit per Hectare	Operating Profit Margin	Cost of Production (\$/kgMS)	Cost of Production (c/litre)
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