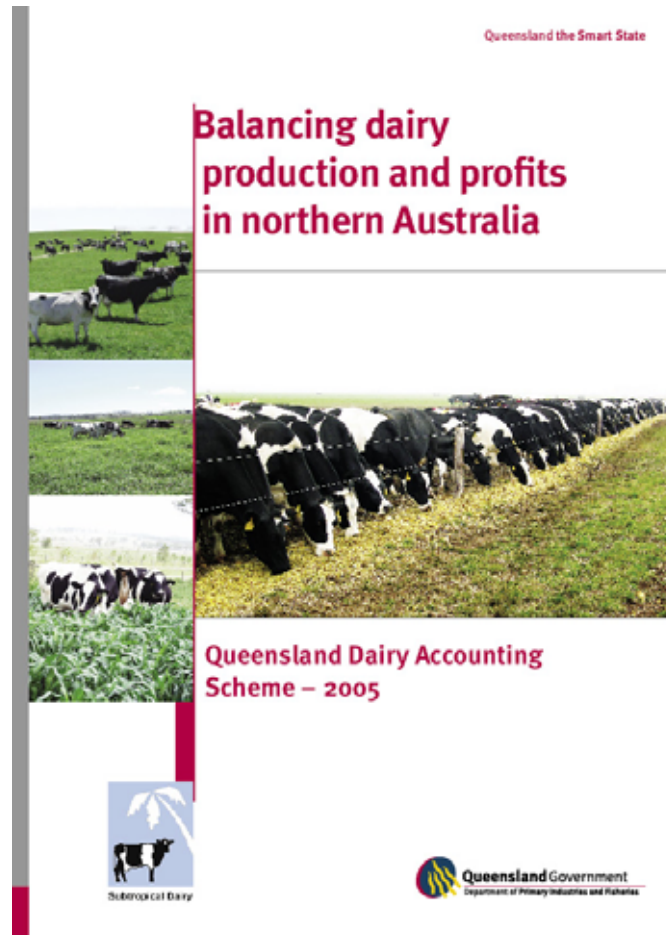


Queensland Dairy Accounting Scheme Financial and production trends - 2005

Central Queensland summary



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Queensland dairy accounting scheme (QDAS) collected the physical and financial data from 157 farms and includes data from all dairy regions in Queensland and northern New South Wales.

This report provides a summary of the data collected in 2004-05 and trends in indicators. It must be noted that participation in QDAS is voluntary and therefore results and trends will need to be interpreted carefully.

A copy of the **full QDAS report** can be found at www.dairyinfo.biz
For more information on QDAS contact Graeme Busby on 07 4688 1254 or
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Introduction

This summary reports on data from collated from 157 farms located in all dairy regions of Queensland and northern New South Wales. The farms in northern New South Wales have production systems similar to those of coastal dairy farms in South East Queensland. For the purpose of the report, the area is called the Northern Australia dairy region. The area is covered by the Subtropical Dairy Group Limited. It is estimated that the region produced approximately 771 million litres of milk from 1,120 farms in 2004–2005.

Participation in the Queensland dairy accounting scheme (QDAS) is voluntary; results and trends need to be interpreted carefully as QDAS farms have larger herds and produce significantly more milk per farm.

Summary of the 2005 QDAS results

- In Queensland, the average herd size is stable at 179 cows per farm but in NNSW, farms have continued to increase their herd numbers. In NQ and CQ, production per cow increased significantly.
- Operating profit margin (OPM) expressed per cow and as a percentage of income has been included on profit maps this year. These indicators show the profits generated irrespective of farm and herd size. The top 25 percent had an OPM per cow of \$602.
- The average cash cost of production was 38.0 cents per litre whereas top farms produced milk for 35.0 cents per litre. This cash cost included a living allowance of \$45,000. The top farms generated higher cash surpluses through higher cattle sales, higher production per cow and lower variable costs.
- Across Northern Australia there are quite marked differences in milk returns and gross margins. Even so, there were very successful farmers in all regions.
- Major differences between farms can be identified in the following areas – production per cow, fertiliser use, size of operations and home-grown feed utilisation. The top 25 percent of farms (when compared to the remaining 75%) had
 - Higher per cow production (+665 litres).
 - Higher margin over feed related costs (+\$455) even through the feed costs per cow were similar.
 - More milk produced from pasture (61 compared to 55 percent).
- Farms with cows producing 6,000-7,000 litres had a high margin over feed costs per cow (\$1,056), a high gross margin per farm (\$129,403) and a high dairy operating profit at \$348 per cow.
- Farms producing in excess of 1.25 million litres recorded higher production per cow (>5,800 litres), higher margins, and higher labour use efficiency (milking almost 100 cows per labour unit) than farms producing less than 1.25 million litres.
- In all regions, farms with highest production from pastures had the highest dairy operating profit per cow.
- In high rainfall areas, farms in the high nitrogen fertiliser group (average 141 units of nitrogen per cow) had the highest gross margin and litres produced from low-cost pasture. Optimum fertiliser use combined with higher stocking rates has always proven to be economical.
- Land accounts for 72 percent of the total asset with livestock making up just 11 percent of the asset value. The high land prices contribute to net worth but impact negatively on the return on asset calculation. For this reason, a range of KPI should be used to monitor business performance.
- Only small savings in overhead costs per litre (0.5 to 1.0 cent) are evident as production increases.

Drivers of farm production and profitability

Increasing production per cow

The detailed operational costs obtained from farmers has provided information that consistently shows that as you improve a cow's diet, thereby utilising her genetic potential, you increase the margin over feed costs and the gross margin per cow and per farm. QDAS found that the group of surveyed farms who produced 6-7,000 litres per cow had the highest dairy operating profit per cow at \$348. The margin over feed costs increased from \$565 (for the <4000L group) to \$1,056 (for the 6-7,000L group). The group of farms over 7,000 litres had high margins but could not translate this into a profit per cow. The significance of this is inconclusive due the small number of farms in this group.

Production group	<4,000 L	4-5,000 L	5-6,000 L	6-7,000 L	>7,000 L
Annual production (L)	490,490	846,752	957,255	1,144,568	1,633,061
Herd size	148	188	174	181	222
Margin over FRC (c/L)	17.0	16.9	18.8	16.7	16.0
Margin over FRC/cow (\$)	565	761	1,029	1,056	1,179
Gross margin/farm (\$)	53,530	96,125	125,806	129,403	178,704
DOP (\$/cow)	94	239	273	348	171

Increasing herd size

More cows managed effectively, increase milk sales but does this lead to more profit? 2004-05 data shows that surveyed farms producing over two million litres had higher production per cow, and while the gross margin per cow tapers off, the gross margin per farm increases. Dairy operating profit per cow was also highest on the large farms. Litres per labour unit on the largest farms was just over 500,000 litres. This equates to 80 cows per labour unit.

	<750,000 L	750,000 – 1.25mil L	1.25 – 2.0mil L	>2.0mil L
Herd Size	117	180	273	386
Production per cow (L)	4,451	5,244	5,878	6,341
Margin over feed /cow (\$)	770	947	1,004	1,055
Gross Margin/farm (\$)	58,114	117,699	195,494	265,096
DOP (\$/cow)	25,418	41,977	68,317	135,876

Optimising milk production from home grown feed

Past reports and research have shown that optimising utilisation of home grown feed (HGF) can control feed related costs and improve gross margins. Farms with high paddock feed utilisation can also maintain acceptable individual cow production. 2004-05 data again shows that farms with low variable cost had the highest litres from home grown feeds. Furthermore, farms with the highest production from pastures had the highest dairy operating profit (DOP) per cow.

In CQ there were not enough farms in each category to make a valid comparison. The data from other regions shows the trend.

Region	TVC < 22.2 c/L		TVC > 22.2 c/L	
	Litres/cow from HGF	DOP (\$/cow)	Litres/cow from HGF	DOP (\$/cow)
SEQ	10.9	405	7.7	157
NQ	10.3	228	8.9	161
NNSW	11.4	252	10.6	75

Strategic nitrogen fertiliser application

As nitrogen fertiliser use per cow increases we have higher production per cow, higher gross margins per farm and more milk produced from home grown feed. In high rainfall areas, the high user group averaged 141 kgs N per cow. The table shows the result in production per cow, and gross margin.

Units of N per cow (kg)	32 (Low)	84 (Medium)	141 (High)
Production per cow (L)	4,574	5,305	6,041
Gross margin per farm (\$)	97,807	121,546	138,704
Litres from HGF	397,454	504,286	772,003

Increasing the stocking rate

- In the high rainfall area, as stocking rate increases from 1.5 to 4.1 cows per hectare the milk produced increases from 6,984 litres to 20,803 litres per hectare. Farm gross margin rose from \$85,191 at 1.5 cows to \$140,716 at 2.4 cows per hectare. When stocking rates increased, the milk produced rose but the margins were lower, suggesting that the optimum stocking rate was exceeded.
- In the low rainfall areas, as stocking rate increases from 0.5 to 2.4 cows per hectare the milk produced increases from 2,748 litres to 13,931 litres per hectare. Farm gross margin rose from \$79,670 to \$142,600.

Central Queensland trends

Participation in QDAS is voluntary so the farm data collated is not a random sample of industry data. In fact, the average QDAS farm produces 263,000 litres of milk more annually than the average north Australian dairy farm. From the cooperating group in northern Australia in 2005, 85 farms have a minimum **four years past data**. To highlight the real trends on this group since deregulation their data is shown in tables below.

- Farm production increased to 789 537 litres, an increase of 23 percent over the period.
- Herd size has increased from 130 to 147 milkers, and production per cow has increased in 2005 after falling in the period 2002 to 2004. The group currently averages 5371 litres per cow.
- Milk returns continue to improve and this is reflected in the higher milk gross margin and dairy operating profit per cow.
- Land values increased in all areas. While the cash position, as measured by additional debt repayment capacity remains tight for many farmers, the higher land values will be reflected by an improvement in net worth on the balance sheet.

The table below shows the regional trends in KPI over four years in CQ, (2002 to 2005)

	2001-2002	2002-2003	2003-2004	2004-2005
Total milk income (c/L)	37.5	40.5	42.1	42.6
Average herd size	130	142	150	147
PPC (L)	4901	4983	4724	5371
FRC (c/L)	17.4	18.9	16.9	17.0
TVC (c/L)	23.9	26.3	25.3	24.4
DOP (\$/cow)	253	374	342	441

Group cash gross margin

Period ending 6/2005

CQ Farms

Income	Cents/litre	Dollars/cow	Total \$ earned
Milk	40.3	2,195.0	338,976
Milk bonuses/incentives/rebates/other	2.1	117.1	18,088
Milk income (840002 I)	42.5	2,312.1	357,064
Stock sales - dairy	2.6	142.2	21,969
Stock sales - other	0.0	0.0	0
Produce sales	0.0	0.0	0
Other income	1.5	82.3	12,723
Non-milk income	4.1	224.6	34,693
Total farm income	46.6	2,536.8	391,758

Production costs	Cents/litre	Dollars/cow	% Milk income	Total \$ spent
Purchased feeds	10.0	547.5	23.6	84,558
Fertiliser	1.5	84.8	3.6	13,108
Fuel & oil	1.4	78.8	3.4	12,184
Seed	0.6	32.7	1.4	5,050
Irrigation costs	1.3	74.9	3.2	11,576
Other feed costs	0.8	44.2	1.9	6,831
Feed related costs	15.8	863.2	37.3	133,309
Margin over feed related costs	26.6	1,448.9	62.6	223,755
Heifer feeds	0.0	2.0	0.0	310
Animal health	0.7	40.0	1.7	6,189
Herd improvement	0.4	24.1	1.0	3,723
Herd costs	1.2	66.1	2.8	10,222
Dairy shed costs - electricity	0.4	24.8	1.0	3,831
Dairy shed costs - chemicals	0.5	27.4	1.1	4,232
Shed costs	0.9	52.2	2.2	8,064
Cartage	1.9	108.2	4.6	16,715
Levies	0.4	21.7	0.9	3,362
Repairs & maintenance	2.2	120.9	5.2	18,671
Sundry variable costs	0.1	5.9	0.2	919
Other variable costs	4.7	256.8	11.1	39,669
Total variable costs	22.7	1,238.5	53.5	191,265
Gross margins: milk only	19.7	1,073.6	46.4	165,799
whole farm	23.8	1,298.2	56.1	200,493
Permanent wages	2.6	144.6	6.2	22,339
Personal drawings etc	3.3	182.8	7.9	28,242

Labour inputs		Areas (ha)		Stock		Production		
Permanent unpaid	1.6	Milking cow	75	Milking cows	130	Fed to calves (l)	10649	1%
Permanent paid	0.6	Effective dairy	177	Dry cows	24	Protein total (kg)	26928	3.18%
Casual paid	0.1	Agistment	0.0	Heifers 15+	50	Butterfat total (kg)	33279	3.92%
		Winter irrigation	25	Heifers <15	46	Total solids (kg)	60207	
		Summer irrigation	30	Adult equivalents	209	Litres / cow	5439	
						Total solids / cow (kg)	389	

Farms in report 7

Total Operating Costs	\$303,901
Dairy Operating Surplus (EBIT)	\$82,044
ROA	6.2%
Asset value	\$1,328,634
Equity	77%

Group dairy farm profit map

CQ

Group of 7 farms

