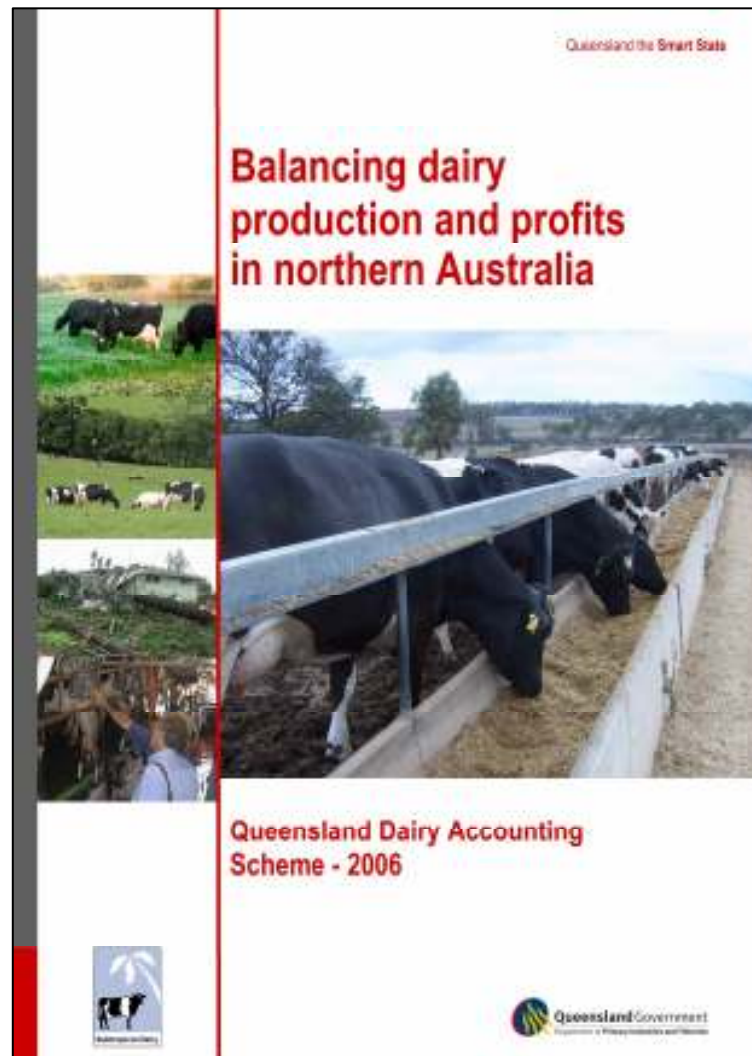


Queensland Dairy Accounting Scheme 2006 Summary



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Queensland dairy accounting scheme (QDAS) collected the physical and financial data from 142 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 2005-06 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



Major findings for farmers

The average cost of production was 38.7 cents per litre, giving a cash surplus of just 2.8 cents per litre. The group labelled top had a much higher surplus of 6.9 cents per litre attributed to higher cattle sales and feed related costs being approximately 2 cents lower.

The variable costs for each region range from 22.1 to 25.0 and are shown on the right.

Feed related costs account for 83 to 86 percent of total variable costs and it is impossible to achieve healthy cash or profit margins without optimising feed inputs.

Variable costs	
South-east Queensland	24.0 c/L
Central Queensland	23.7 c/L
North Queensland	22.1 c/L
Northern NSW	25.0 c/L

Regional trends

87 farms provided continuous data over the last 4 years. Analysis on this data (on the back of this information sheet) shows the trends since 2003. Farms in South-east Queensland and Central Queensland showed an improved dairy operating profit while farms in North Queensland and Northern NSW showed a decline. Farmers in Central Queensland have made a concerted effort to raise per cow production and the result achieved is a creditable increase of 575 litres to 6,197 litres.

Top 25%

The top 25% farms have been identified as the farms with the highest dairy operating profit measured as dollars per cow. Dairy operating profit highlights the amount of profit retained after paying all expenses except finance costs and taxes. These expenses include the non-cash items of depreciation and an allowance for the manager's time and skill. Cattle trading profit and inventory adjustments are also included.

The group labelled top achieved their status because:

- They had higher per cow production, 6,095 versus an average figure of 5,535 litres
- Feed related costs were 1.4 cents lower, 18.5 versus 20.9 cents per litre
- They had a higher gross margin per cow
- They produced more milk from home grown feed, 60% versus 55%

This all translated to the bottom line where operating profit per cow was \$800 versus \$325.

Efficiency

Farms with high production per cow, for example greater than 6,000 litres, had higher operating profits in both total dollars and when expressed as a percentage.

Farms producing large volumes of milk, for example the groups averaging 1.6 & 2.6 million litres annually, showed that size was not an impediment to achieving high volumes per cow. The largest producers achieved 6,198 litres per cow, with an average herd of 424 cows. These two high groups achieved the highest operating profits.

When all farms were divided into two groups based on variable cost of production, the group with costs below the average of 23.8 cents per litre had the highest production from home grown feed and the highest operating profit per cow.

When farms were analysed based on stocking rate (cows/ha) the data showed that production per hectare could be increased but the economics indicated that a slightly more conservative rate, 2.0 to 2.4 cows per hectare, produced the highest gross margin.

Investment and administration

The investment required for dairying in all regions was analysed in 2005-06. Land accounted for approximately three quarters of the asset value. Tradable water in NNSW adds considerably to the values recorded.

Administration costs get proportionately lower as farm production increases, varying from 3.2 c/l (\$17,815) on small farms to 1.8 c/l (\$48,023) on the largest farms.

The characteristics of profitable farms

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.

The data (in the table below) shows that it is not the farms with the small herds that are able to have high production per cow. In fact it is the farms with large herds that are implementing management systems to greatly increase production per cow, 6,572 and 7,077 litres in the higher production groups.

Furthermore, while the margin over feed related costs per litre fluctuated on a per litre basis, the margin per cow increased from \$472 to \$1,059.

Finally as production per cow increases so does operating profit per farm.

Production group	<4,000 L	4-5,000 L	5-6,000 L	6-7,000 L	>7,000 L
Production/cow (L)	3,561	4,625	5,557	6,572	7,077
Margin over FRC (c/L)	13.2	14.5	16.1	15.9	14.9
Margin over FRC/cow (\$)	472	671	895	1,047	1,059
Dairy operating profit (\$/cow)	105	229	321	411	455

Herd size

2005.06 data found that production per cow and gross margin per cow increase as herd size increases. This indicates that the farmers with larger herds are able to produce milk efficiently. Increased cow numbers does not have to mean lower margins. Gross margin per cow was highest for the greater than two million litres group. As the variable costs account for 60 to 70 percent of every milk dollar, a high gross margin is important.

	<750,000 L	750,000 – 1.25mil L	1.25 – 2.0mil L	>2.0mil L
Herd Size	116	178	267	424
Production per cow (L)	4,737	5,567	5,975	6,198
Gross Margin/cow (\$)	535	652	734	773
Dairy operating profit (\$/cow)	224	355	273	442

Milk production from home grown feed

Past reports and research have shown that optimising utilisation of home grown feed can control feed related costs and improve gross margins. Farms with high paddock feed utilisation can also maintain acceptable individual cow production. 2005-06 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 per cow.

Strategic nitrogen fertiliser application

The impact on production from home grown feed is shown below. As nitrogen fertiliser use per cow increases the result is:

- Higher production per cow;
- More milk produced from home grown feed.

Units of N per cow (kg)	43 (Low)	75 (Medium)	119 (High)
Production per cow (L)	5,600	5,425	6,236
Production/ farm (L)	996,909	1,105,957	1,682,018
Litres from HGF/cow	2,910	3,358	3,329

Regional Trends

The trends in the tables below are the averages of farms with a minimum of four years past data.

South-east Queensland	2002-2003	2003-2004	2004-2005	2005-2006
Total milk income (c/L)	34.5	34.0	35.2	37.0
Average herd size	176	182	187	189
Production per cow (L)	5,571	5,564	5,660	5,751
Feed related costs (c/L)	20.9	18.9	19.6	20.7
Total variable costs (c/L)	23.8	21.8	22.5	23.7
Gross margin (c/L)	10.7	12.2	12.6	13.4
Return on assets (%)	1.6	2.5	2.5	2.2
Dairy operating profit (\$/cow)	132	236	220	308

North Queensland	2002-2003	2003-2004	2004-2005	2005-2006
Total milk income (c/L)	33.5	30.8	31.7	34.7
Average herd size	204	203	200	195
Production per cow (L)	5,456	5,359	5,691	5,695
Feed related costs (c/L)	18.9	17.4	17.4	18.8
Total variable costs (c/L)	22.8	21.3	21.1	22.5
Gross margin (c/L)	10.7	9.5	10.6	12.1
Return on assets (%)	3.2	0.3	2.4	1.4
Dairy operating profit (\$/cow)	427	46	279	239

Central Queensland	2002-2003	2003-2004	2004-2005	2005-2006
Total milk income (c/L)	40.0	42.0	42.6	42.6
Average herd size	140	149	149	158
Production per cow (L)	5,355	4,972	5,622	6,197
Feed related costs (c/L)	20.8	19.1	19.9	18.6
Total variable costs (c/L)	25.8	23.8	23.8	21.8
Gross margin (c/L)	14.3	18.2	18.7	20.8
Return on assets (%)	3.7	4.0	3.6	5.8
Dairy operating profit (\$/cow)	330	397	407	632

Northern NSW	2002-2003	2003-2004	2004-2005	2005-2006
Total milk income (c/L)	36.5	35.4	35.1	35.8
Average herd size	220	237	254	273
Production per cow (L)	5,364	5,481	5,400	5,366
Feed related costs (c/L)	21.0	18.6	21.4	21.0
Total variable costs (c/L)	24.6	22.6	24.8	25.4
Gross margin (c/L)	11.8	12.8	10.3	10.4
Return on assets (%)	3.1	2.3	1.1	1.0
Dairy operating profit (\$/cow)	229	143	171	160