

2018

“JILLAMATONG” CASE STUDY:
PROFITABILITY REPORT

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**Profitability in grazing enterprises –
Farm 5 Financial Results:**

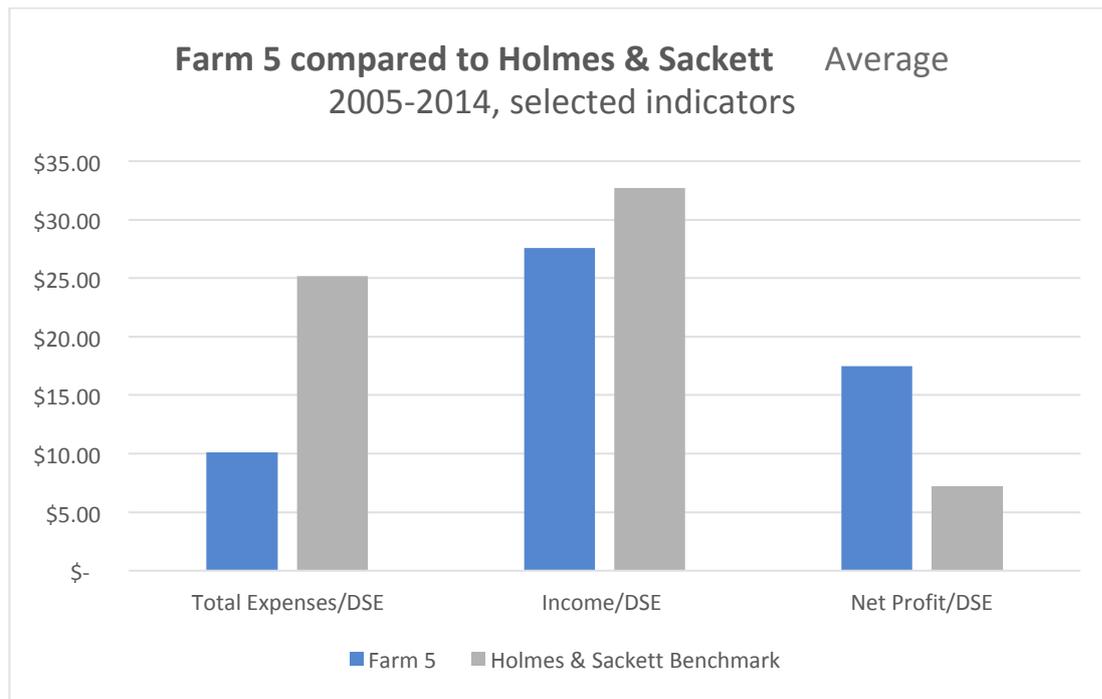
This section of the report summarises some key financial and productivity statistics of the farm business and presents these alongside some selected industry benchmarks.

1. Selected Productivity Indicators:

Holmes and Sackett run an industry leading farm financial benchmarking program incorporating 146 farms across South Eastern Australia and publish long term averages across a range of financial and production criteria.

The following chart presents a comparison of Farm 5 with the Holmes and Sackett average from 2005 to 2014 for the selected farm productivity indicator of Income and Expense per DSE.

a. Income and Expenses per DSE comparative:



These indicators of productivity suggest that Farm 5 has a significantly lower expense structure per DSE and also a lower income per DSE than the average Holmes & Sackett Benchmark participant over the time frame. The combined effect in this instance is a higher net profit per DSE. The following table itemises these categories in dollar values:

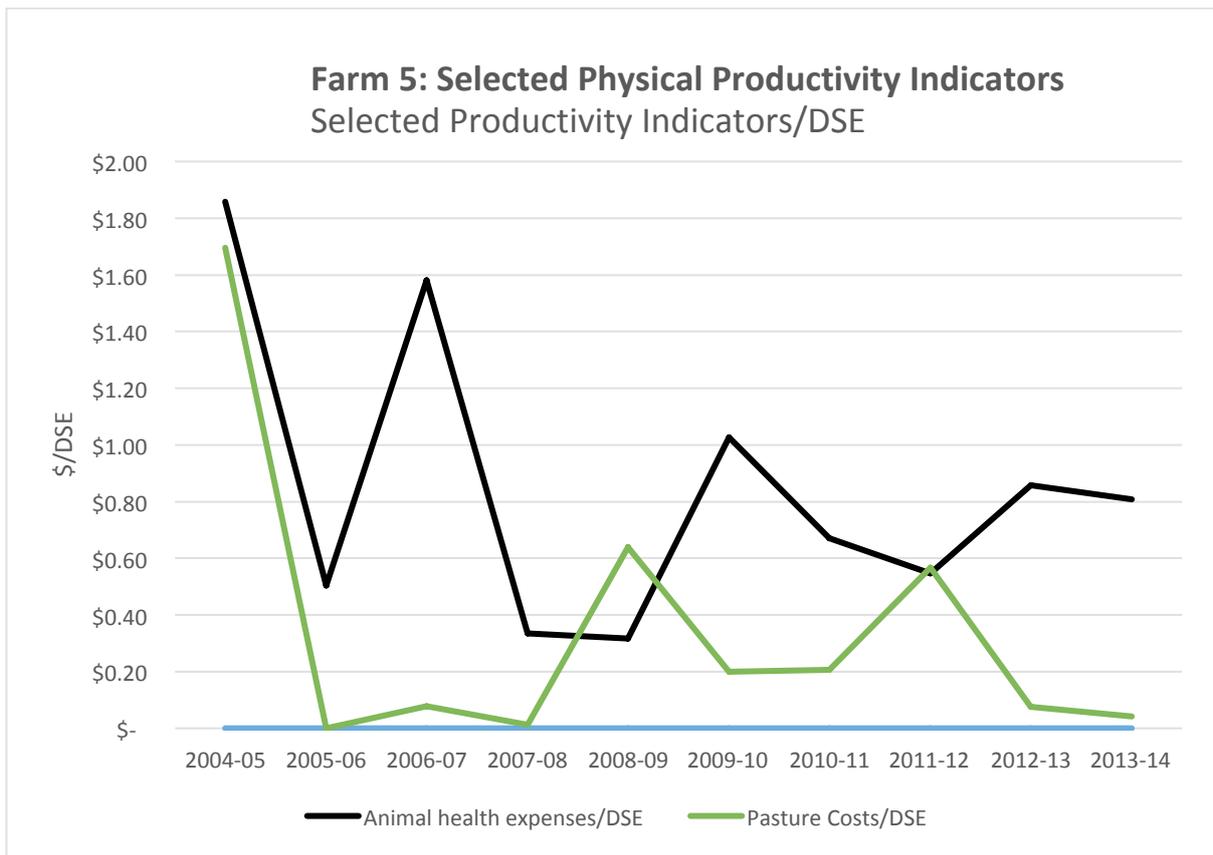
Average 2005-2014	Farm 5	Holmes & Sackett Benchmark	Farm 5 as % of H & S
Total Expenses/DSE	\$ 10.09	\$ 25.17	40%

Income/DSE	\$ 27.56	\$ 32.70	84%
Net Profit/DSE	\$ 17.47	\$ 7.53	230%

b. Key Income and Expenses per DSE

As can be seen from the Graph below, Farm 5 has very low Pasture costs/DSE and Animal Health costs per DSE, and very low Supplementary Feed Costs/DSE. This helps to explain some of the lower cost structures in the business. The grazing approach taken by this farm has led to low pasture costs, and the capacity to budget feed ahead, and adjust animal numbers accordingly, allows the business to run at a very low cost base for these important costs.

Key Farm 5 expenses for running livestock are very low compared to Holmes & Sackett producers.



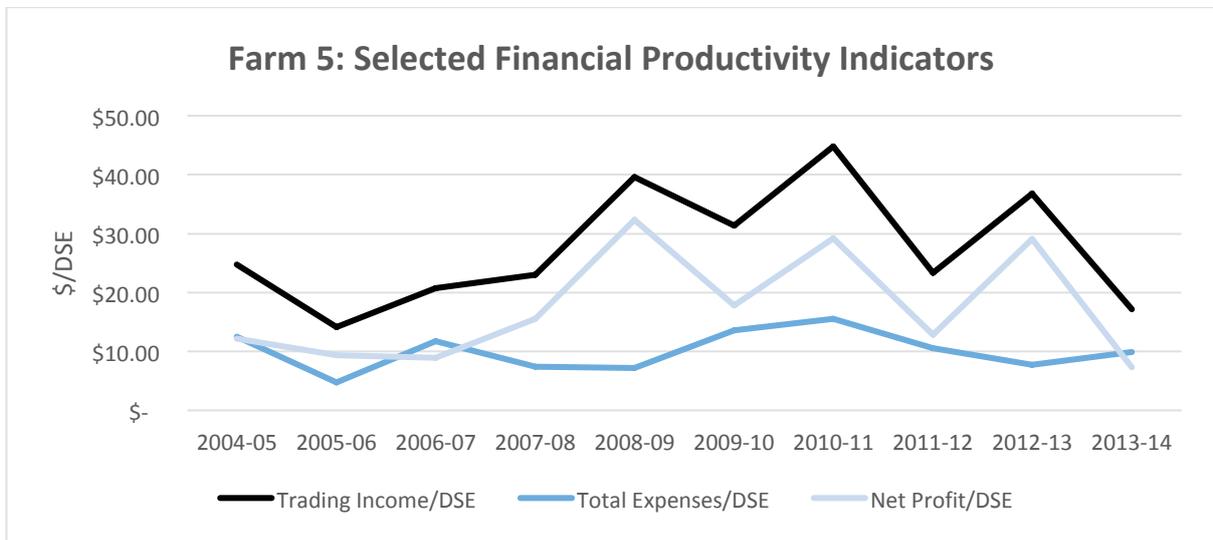
For comparisons:

Animal health per DSE for Holmes & Sackett Benchmark participants (Beef (Trading Cattle) was \$4.14 (Top 20%), \$2.68 (Average), \$3.72 (Bottom 20%). The average animal health cost per DSE over time in this case study was \$0.51.

Supplementary feed per DSE for Holmes & Sackett Benchmark participants (Beef: Trading Cattle) was \$15.04 (Top 20%), \$5.43 (Average), \$4.46 (Bottom 20%). This business spent a negligible amount on supplementary feed, preferring to adjust stock numbers to match carrying capacity.

c. Key Profit Indicators per DSE

As can be seen from the Graph below Income, Expenses and Profit per DSE has varied over time.



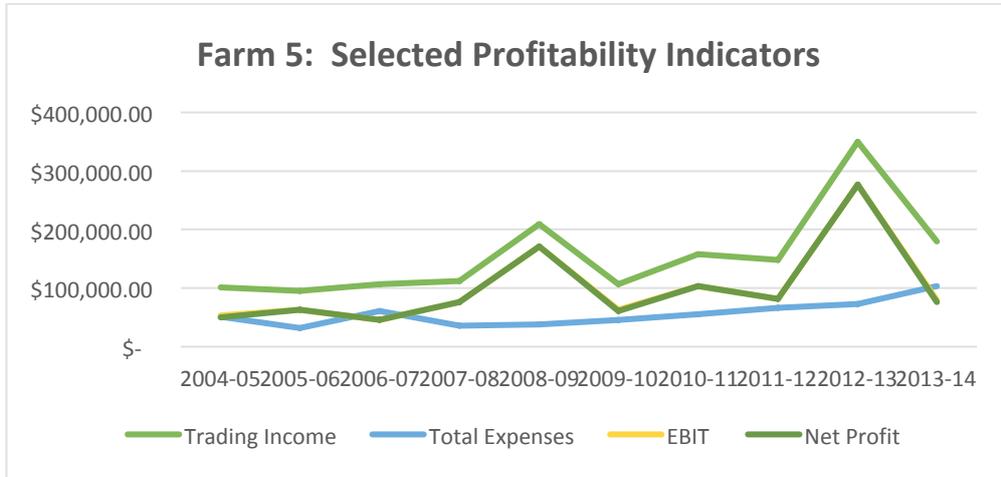
The two years 2005/06 to 2006/07 were considered well below average rainfall years, receiving 398mm and 375mm of annual rainfall respectively when the long term average is 655mm/year. Net profit/DSE was clearly impacted in both these years.

Rainfall returned to around average levels in 2007/08 and 2008/09, while in 2009/10 year a well above average season was experienced with over 1 000 mm of rainfall being recorded. In the following years it appears that income and expenditure was a little erratic, however it did allow for the generation of some good net profits.

2. Selected whole Farm Business performance indicators

a. Summary:

Selected financial indicators of Whole Farm Business Performance are presented below. This analysis produces two measure of Farm Business Profit, EBIT (Earnings before Interest and Tax) and Net Profit (after Interest and Tax).



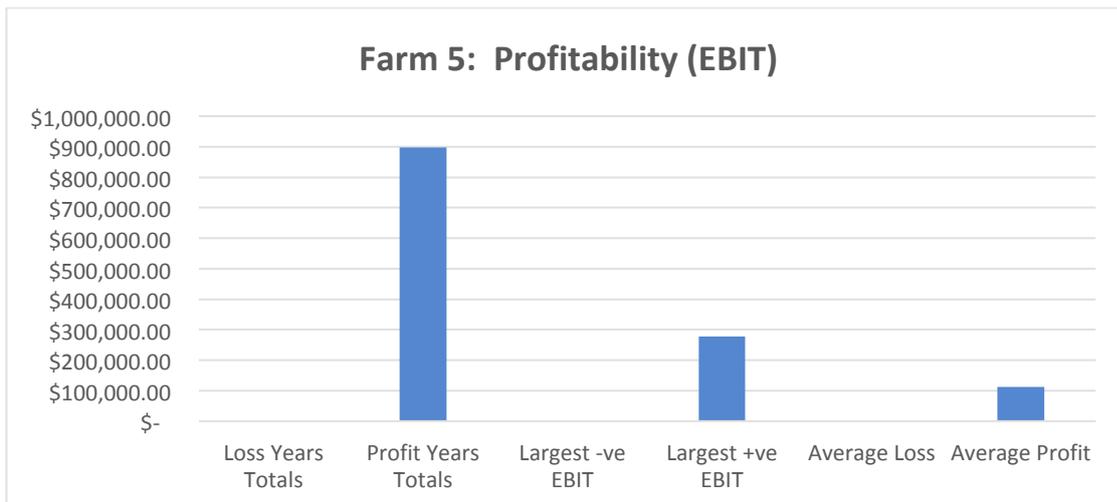
Variations in Income are evident and can be attributed to seasonal conditions and commodity prices. It is significant that the business decision makers have been able to keep expenses at a fairly consistently low level over the 10 year period.

In this case study, EBIT is identical to Net Profit indicating there are no interest expenses.

b. Profile of profit and loss:

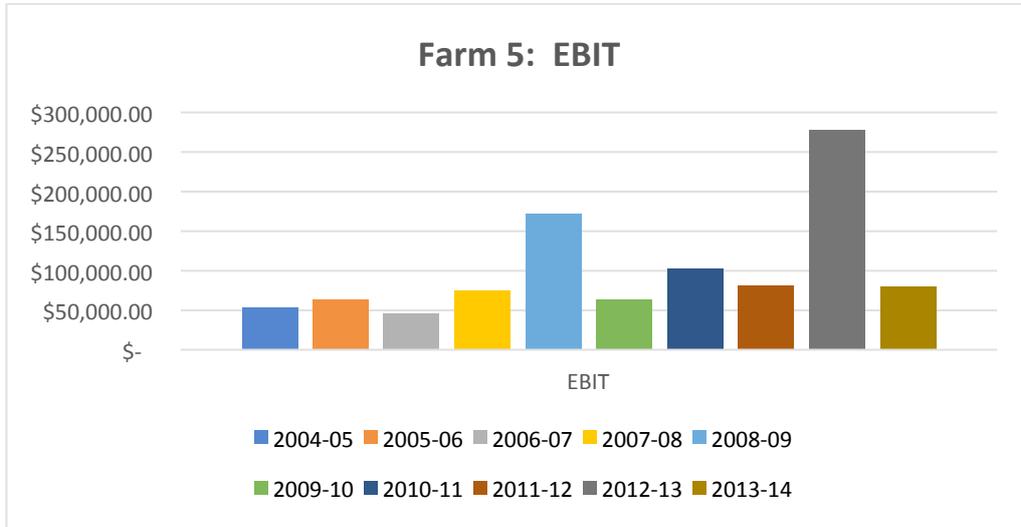
This business has recorded a positive EBIT in all ten years of figures. During the study period the average EBIT was a positive \$112 259. The below graph represents the total of EBITs for the ten year period, the largest EBIT and then also the average EBIT.

The overall cumulative EBIT position was a net \$898 071 over the ten year period, or an average of \$112 258.

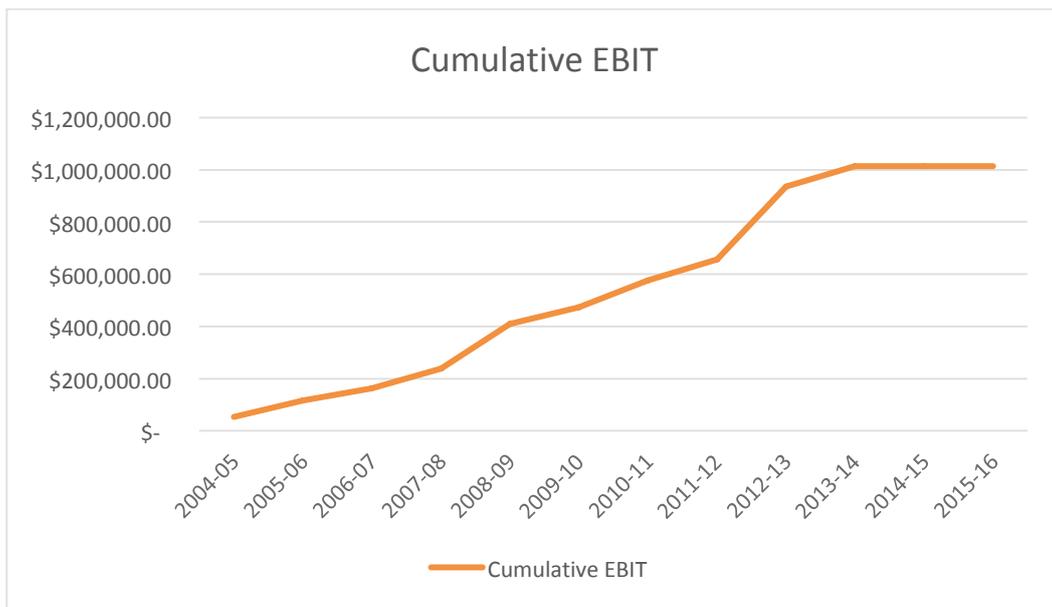


Over the study period it can be seen that this grazing enterprise has recorded profits in each of the years over the study period.

The EBIT profile across all years is given below and gives the profit/loss profile of each year in the study:



The cumulative EBIT profit in the business over time is given below, the business accumulating some \$1.0m of profits over the study period.



C. Capital:

Return on Capital is presented below for nine of the ten years in the study. Figures were not available for the tenth year. Net Profit Return on Capital Averaged some 3%.

It should be pointed out that land values in this area over the study period substantially increased which has the impact of increasing Equity, as well as suppressing return on capital (due to high capital values of land).

