

# Farm Business Management Fundamentals



**During May and June this year, Subtropical Dairy ran four Farm Business Fundamentals workshops and a webinar across Queensland and northern NSW. The workshops were led by Ray Murphy from the Queensland Department of Agriculture and Fisheries. Ray is a national expert in dairy farm business management and manages the Queensland Dairy Accounting Scheme (QDAS).**

The content of the workshops varied from location to location with participants given the chance to vote on the topics that were most important to them. There were some great discussions as Ray shared his expertise along with the experiences of the participants.

The Standard Chart of Accounts was one such topic discussed at the NSW Mid North Coast workshop day which had 11 attendees from nine different farm businesses. The Standard Chart of Accounts has been developed by Dairy Australia for dairy businesses to easily implement into their own systems and to drive consistency across the Australian dairy industry regarding how we discuss, describe, calculate and report farm business performance. Given that all businesses need to complete quarterly Business Activity Statements (BAS), implementing the Dairy Australia Standard Chart of Accounts provides an opportunity to categorise revenue and expenses to monitor business performance. The Standard Chart of Accounts can be downloaded as an excel file from the Dairy Australia website and we encourage all dairy businesses to implement it and share with their accountant. DairyBase is a web-based tool designed for dairy farmers and their advisers to use to measure and compare their farm business performance over time. During the workshops Ray showed the participants what DairyBase looks like and demonstrated some quick and easy reports including how to compare your own results against that of

other farms that had been collected and validated from various dairy businesses across Australia through programs such as QDAS and NSW Dairy Industry Farm Monitor. You can register for DairyBase if you haven't already by going to [www.dairybase.com.au](http://www.dairybase.com.au).

Another financial tool covered by Ray in the workshops was using a cash budgeting tool so you have a better understanding across a calendar or financial year of your cash flow. This will help to make better financial decisions within the business but will also help discussions with your bank if needed. Dairy Australia have developed a helpful Dairy Cash Budgeting Tool that you can download and input your own details into. You can download the tool by visiting the DairyBase website and choosing the Dairy Cash Budgeting Tool option. It is recommended the tool be downloaded using a desktop or laptop computer rather than a mobile device.

Ray also discussed with the participants some Farm Business Management practices of leading farms in Australia. Some of these practices included; have shared and aligned goals and vision for the business; good family communication; understanding of the business's ability to pay bills; monthly cash flow budgets and reviewing them regularly; keeping good financial and physical records; having a well organised dairy office; having an annual review of business performance and understanding profit drivers.

Understanding profit drivers and the current high grain prices was key focal point of discussion amongst participants. Without a current understanding of the major influences of your farm profit, it is difficult to identify areas that you can review and improve. Some of the areas that farm businesses should have a good understanding of include number of cows, total farm production (L), production per cow (L), milk produced from home grown feed for those using pasture based or PMR systems, milk receipts (c/L), feed related costs (c/L), variable costs (c/L) and margin over feed costs (c/L). If you can identify your current margin over feed costs and the drivers that impact that figure, you can review and implement changes on farm to manage that cost. With increasing grain prices, the groups discussed current strategies that farms were using for minimising the impact of that margin such as reducing grain inputs, culling cows and moving to differential feeding. These strategies can also be used in times when grain prices aren't the driving force to maximise that margin over feed cost. Production per cow is another key area that can be reviewed including all the elements that will have an influence on this result. Some of these elements include fertility, heifer rearing and diets. A good understanding of these elements will help farm businesses make better decisions on farm to improve overall herd performance and profitability. ■■



**Over the coming financial year, Subtropical Dairy will be running more Farm Business Management workshops.**

**Please keep an eye out in the weekly eNews for events, workshops and webinars on offer or contact your local Extension Co-ordinator.**

**For help and support with DairyBase please contact Alicia Richters on [alicia@subtropicaldairy.com.au](mailto:alicia@subtropicaldairy.com.au) or 0427 916 650 or you can contact the DairyBase support team directly via [dairybasesupport@dairyaustralia.com.au](mailto:dairybasesupport@dairyaustralia.com.au) or phone 1800 548 073.**