

# FARM TO PROFIT FARM BUSINESS UPDATE



**Tambellup** – Tuesday 12 February, 2019  
*Tambellup Community Pavillion*

**Lake Grace** – Wednesday 13 February, 2019  
*Lake Grace Sports Pavillion*

**Moora** – Thursday 14 February, 2019  
*Moora Performing Arts Centre*

**#GRDCUpdates**



## 2019 Western Australian GRDC Farm Business Update steering committee

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**WA GRDC Farm Business Update  
convened by ORM Pty Ltd.**



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## **Welcome to the 2019 GRDC Farm Business Update program for the Western Region**

Farm business management encompasses a range of often complex and evolving areas, requiring growers and their advisers to maintain up-to-date knowledge and skills. Recognising the impact that good farm business management skills can have on grain grower profitability, the GRDC continues to invest each year in GRDC Farm Business Update events. These events receive positive feedback from growers and industry personnel in Western Australia and other Australian cropping regions.

There are many variables and unpredictable factors in farming that are often largely out of growers' control – such as challenging seasonal conditions and market fluctuations. However, growers can make the best of the situation they are faced with from year to year through effective planning and management. This starts with good knowledge which, combined with timely decision making, can help them ensure business sustainability.

The GRDC Farm Business Update series for 2019 will see events held in Tambellup, Lake Grace and Moora, providing growers and advisers with a unique opportunity to hear first-hand from experts in a range of fields and to discuss the application of information to their own businesses. Well-regarded speakers from WA and interstate will address topics ranging from bigger-picture economic issues to farm management tactics.

GRDC Farm Business Updates could not succeed without a local presence. As such, we are very proud to work with local grower groups to help deliver these Update events. I would like to acknowledge and express my thanks to the staff and members of the Gillamii Centre, the Lakes Information and Farming Technology group and the Moora-Miling Pasture Improvement Group for their efforts in assisting us.

We trust that you find the GRDC Farm Business Updates and these proceedings beneficial and inspiring, and that they help you to embark on the year ahead armed with useful information, networks and contacts.

### **CHARLIE THORN**

*GRDC Senior Regional Manager - West*





**GRDC**<sup>TM</sup>

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# Farming the Business

Sowing for your future

The GRDC's **Farming the Business** manual is for farmers and advisers to improve their farm business management skills.

It is segmented into three modules to address the following critical questions:

-  **Module 1:** What do I need to know about business to manage my farm business successfully?
-  **Module 2:** Where is my business now and where do I want it to be?
-  **Module 3:** How do I take my business to the next level?

The **Farming the Business** manual is available as:

- **Hard copy** – Freephone **1800 11 00 44** and quote Order Code: GRDC873  
There is a postage and handling charge of \$10.00. Limited copies available.
- **PDF** – Downloadable from the GRDC website – [www.grdc.com.au/FarmingTheBusiness](http://www.grdc.com.au/FarmingTheBusiness)  
or
- **eBook** – Go to [www.grdc.com.au/FarmingTheBusinessBook](http://www.grdc.com.au/FarmingTheBusinessBook) for the Apple iTunes bookstore, and download the three modules and sync the eBooks to your iPad.







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SOUTHERN/WESTERN REGION\*



# PREDICTA® B

# KNOW BEFORE YOU SOW

\*CENTRAL NSW, SOUTHERN NSW, VICTORIA, TASMANIA, SOUTH AUSTRALIA, WESTERN AUSTRALIA



**Cereal root diseases cost grain growers in excess of \$200 million annually in lost production. Much of this loss can be prevented.**

Using PREDICTA® B soil tests and advice from your local accredited agronomist, these diseases can be detected and managed before losses occur. PREDICTA® B is a DNA-based soil-testing service to assist growers in identifying soil borne diseases that pose a significant risk, before sowing the crop.

Enquire with your local agronomist or visit

[http://pir.sa.gov.au/research/services/molecular\\_diagnostics/predicta\\_b](http://pir.sa.gov.au/research/services/molecular_diagnostics/predicta_b)

#### Potential high-risk paddocks:

- Bare patches, uneven growth, white heads in previous crop
- Paddocks with unexplained poor yield from the previous year
- High frequency of root lesion nematode-susceptible crops, such as chickpeas
- Intolerant cereal varieties grown on stored moisture
- Newly purchased or leased land
- Cereals on cereals
- Cereal following grassy pastures
- Durum crops (crown rot)

#### There are PREDICTA® B tests for most of the soil-borne diseases of cereals and some pulse crops:

- Crown rot (cereals)
- Rhizoctonia root rot
- Take-all (including oat strain)
- Root lesion nematodes
- Cereal cyst nematode
- Stem nematode
- Blackspot (field peas)
- Yellow leaf spot
- Common root rot
- Pythium clade f
- Charcoal rot
- Ascochyta blight of chickpea
- White grain disorder
- Sclerotinia stem rot

# GRDC Farm Business Update

## TAMBELLUP



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## Program

9.25 am	<b>Announcements</b>	<i>David Smith, ORM</i>
9.30 am	<b>GRDC welcome</b>	<i>GRDC representative</i>
9.40 am	<b>Trade wars, Trump politics and a Banking Royal Commission - what's the fall out for agriculture? The economists view</b>	<i>Saul Eslake, Consulting Economist</i>
10.30 am	<b>Decisions, decisions: Stress testing your farm decision thinking by building your own practical decision matrix</b>	<i>Cam Nicholson, Nicon Rural Services</i>
11.15 am	<b>Morning tea</b>	
11.45 am	<b>'Tax tips': Essential tax management strategies for grain growers</b>	<i>Jo Gilbert, RSM Australia</i>
12.30 pm	<b>Farming to profit: Focusing on the drivers of profit in local farming systems</b>	<i>Rod Grieve, Agricultural Consultant</i>
1.15 pm	<b>Lunch</b>	
2.15 pm	<b>Farm labour arrangements: Are you compliant? What is at risk?</b>	<i>Stephen Park, Pacer Legal</i>
3.00 pm	<b>Grower case study: Drill down session</b>	
3.30 pm	<b>Sustaining the farm family business: Your health is non-negotiable. Critical self-help strategies for farming families</b>	<i>Sue Brumby, National Centre for Farmer Health</i>
4.15 pm	<b>Wrap up and evaluation</b>	
4.25 pm	<b>'Sundowners' compliments of Grain Growers Ltd</b>	

Supporting partner





# GRDC Farm Business Update

## LAKE GRACE



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## Program

9.25 am	<b>Announcements</b>	<i>David Smith, ORM</i>
9.30 am	<b>GRDC welcome</b>	<i>GRDC representative</i>
9.40 am	<b>Trade wars, Trump politics and a Banking Royal Commission - what's the fall out for agriculture? The economists view</b>	<i>Saul Eslake, Consulting Economist</i>
10.30 am	<b>Decisions, decisions: Stress testing your farm decision thinking by building your own practical decision matrix</b>	<i>Cam Nicholson, Nicon Rural Services</i>
11.15 am	<b>Morning tea</b>	
11.45 am	<b>'Tax tips': Essential tax management strategies for grain growers</b>	<i>Cameron Taylor, RSM Australia</i>
12.30 pm	<b>Farming to profit: Focusing on the drivers of profit in local farming systems</b>	<i>Steve Curtin, ConsultAg</i>
1.15 pm	<b>Lunch</b>	
2.15 pm	<b>Farm labour arrangements: Are you compliant? What is at risk?</b>	<i>Stephen Park, Pacer Legal</i>
3.00 pm	<b>Grower case study: Drill down session</b>	
3.30 pm	<b>Sustaining the farm family business: Your health is non-negotiable. Critical self-help strategies for farming families</b>	<i>Sue Brumby, National Centre for Farmer Health</i>
4.15 pm	<b>Wrap up and evaluation</b>	
4.25 pm	<b>'Sundowners' compliments of Grain Growers Ltd</b>	

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# GRDC Farm Business Update

## MOORA



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## Program

9.25 am	<b>Announcements</b>	<i>David Smith, ORM</i>
9.30 am	<b>GRDC welcome</b>	<i>GRDC representative</i>
9.40 am	<b>Trade wars, Trump politics and a Banking Royal Commission - what's the fall out for agriculture? The economists view</b>	<i>Saul Eslake, Consulting Economist</i>
10.30 am	<b>Decisions, decisions: Stress testing your farm decision thinking by building your own practical decision matrix</b>	<i>Cam Nicholson, Nicon Rural Services</i>
11.15 am	<b>Morning tea</b>	
11.45 am	<b>'Tax tips': Essential tax management strategies for grain growers</b>	<i>Keiran Sullivan, RSM Australia</i>
12.30 pm	<b>Farming to profit: Focusing on the drivers of profit in local farming systems</b>	<i>David Williams and Brent Searle, BJW Agribusiness</i>
1.15 pm	<b>Lunch</b>	
2.15 pm	<b>Farm labour arrangements: Are you compliant? What is at risk?</b>	<i>Stephen Park, Pacer Legal</i>
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4.15 pm	<b>Wrap up and evaluation</b>	
4.25 pm	<b>'Sundowners' compliments of Grain Growers Ltd</b>	

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Sustainable Agriculture In Practice

## The Gillamii Centre Inc

Motto: “Sustainable Agriculture”

[www.gillamii.org.au](http://www.gillamii.org.au)

Founded in 1994 as an independent community based landcare group, Gillamii has moved on to promote agriculture research extension, as well as maintaining its original roots being Natural Resource Management. Servicing the Shires of Cranbrook and Broomehill / Tambellup in the Great Southern Region of WA the board consists of growers and agricultural industry professionals including a soil scientist, agronomist and farm advisor.

Our history started as the body co-ordinating the amalgamation of LCDC groups which were previously administered through the WA Agricultural Departments Katanning Office with much duplication of information. This management gave Gillamii the opportunity to expand into productivity within landcare, such as establishing perennials, rather than just planting trees on degraded land. Being a pre-dominantly sheep farming district during the years 1994 - 2010 this was very topical, and as a result the Salt Land Genie was developed. Also, during this period many CSIRO and Department of Agriculture Trials were run in the district on saltbush shrubs, perennial grasses and kikuyu on deep sand and degraded paddocks as well as sheep methane omissions.

With our core funding source from South Coast Natural Resource Management and the local Shire of Cranbrook we continue to service revegetation work, along with partnering with various bodies for specific research extension projects.

Moving into 2019 Gillamii is applying for funding with like-minded neighbouring groups, whose members are predominately broad acre cropping and sheep growers, but hold onto a Natural Resource Management focus. The plan is to replicate sustainable agriculture projects across the three groups from Cranbrook to Jerramungup covering North Stirlings Pallinup and Fitzgerald Biosphere Group.

Known for:

- Supporting growers both broadacre, intensive and vineyards through research extension and field days
- Fencing and rehabilitation of creeks on private property
- Hosting annual feral animal shoot nights
- Saltbush and perennial pastures trials to revegetate degraded paddocks
- Local Lakes regeneration part of the Gondwana Link across Australia in partnership with Greenskills
- Raising Awareness of native fauna & flora with three local Primary Schools



*Perennial Pasture Demonstration Site – DPIRD Field Day 2016*

Projects;

### **Project Title: “Chicken Poo Trial” Cropping Systems Soil Health**

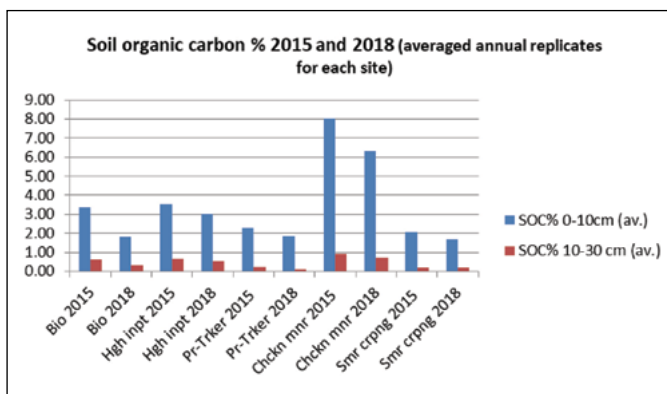
This project examined a broad range of soil health indicators and fertiliser inputs relative to yield and soil health trends in five innovative cropping systems. Sites were located in a broad-acre cropping context on different properties for 3 winter cropping seasons being 2015 – 2018. Statistical significance indicators of change over time and coefficient correlation with yield were carried out by UWA. Results were shared with farm industry stakeholders and researchers at a field day and farmer breakfast, a soil health conference, and in newsletter stories.





The five cropping systems studied include: Biological, summer cropping, Pro-Trakker, chicken bedding recycling and high input. A final report has been peer reviewed by two well-known soil scientists. It will be put on the Gillamii website and available to interested parties on request.

Project was supported by Mt. Barker Free Range Chicken and Landcare Australia. Extra funds were also leveraged from South Coast NRM which enabled additional biological soil testing. Out of this project has come clear areas of focus that require ongoing research to build on the knowledge gained here which is currently in the pipeline seeking ongoing funding.



Soil sample from Chicken manure site in January 2018 showing matchhead soil macro-aggregates and well aerated soil



Cropping Systems Soil Health – Field Day 2016

## Project Title: Resilience through Perennials

<https://www.youtube.com/watch?v=moEUCBG3Z0Q>

“Bringing land that was eyesore to something that is productive and aesthetically pleasing, somewhere where you want to be, you see your work and your reward for effort” Sam Lehmann Cranbrook WA grower.

Trial investigates growing perennials on marginal lands using a combination of Anameka saltbush with an understorey of tall wheatgrass & puccinellia suits waterlogged land. Planting millet into establishing kikuyu provides excellent early feed. And perennials systems in marginal farming have environmental benefits from better ground water management including increased ground cover, reduced runoff and the potential for carbon sequestration.

Sam Lehmann, a third generation farmer from Cranbrook Western Australia, talks about his passion for a farming life. Working close with his parents, he has transformed unproductive country into land that is now an important and profitable part of his farming business. He shows how perennial species such as salt bush and kikuyu have positively changed the way he farms and the important role his wife and children play in keeping a balanced life and plans for the future.



Sam Lehmann property – 2018 Field Day Perennials

## Project Title: Birds on the Edge: WA’s Cranbrook Community Helping Threatened Shorebirds – Gondwana Wetlands North Stirling Lakes Project

<https://www.youtube.com/watch?v=DwO5s3XWM8c>

The Salt Lakes around Cranbrook, north of the iconic Stirling Range National Park, are one of WA’s hidden treasures. This 7minute film shows how the Cranbrook community and landholders are taking action to conserve these lakes, for the benefit of their prolific birdlife. Farmers, working with community groups the Gillamii Centre and Green Skills, are fencing and rehabilitating the foreshores of their Salt Lakes, helping threatened shorebirds such as the Hooded Plover.



Cranbrook Salt Lakes – Protecting the Hooded Plover habitat Gondwana Link



# Lakes Information & Farming Technology

# LIFT



Lakes Information and Technology (LIFT) is a not-for-profit grower group, formed in 2010 to address gaps in localized agricultural research, across all of the Lakes area. This covers mixed enterprises and 100% cropping systems. The aim of the LIFT group is to provide representation, coordinate and attract projects, events and trials, and better communicate activities in the area. With over 45 members, (and a mailing list of 90) the group runs trials, field days, producer tours, and MLA funded Producer Demonstration Sites.

The group aims to address what locals want, taking direction from its members. If you are in the area, enjoy talking shop with your fellow farmers and learning how you could improve your business, get involved. And, if you're running a trial at home, have a good idea or want to attract something to the area, let us know!

In 2018, the LIFT group activities included:

- Cropping field days, with visits to local trial sites: (ConsultAg' sowing timing frost trial, DPIRD's early sown lentils, low rainfall malt barley)
- Soils Focus Day (current DPIRD trials on deep rippers, reeferator & depth chargers)
- Sheep Focus workshops
- WA Pasture and Livestock Updates host
- MLA Producer Demonstration Site: Using cereals to increase pasture bulk and fill the autumn fed gap

In 2019, after the GRDC we plan to start Business Forums- if you are interested in 'open book' style sessions, this could be for you. The group is also looking at a closed book version.

## Committee

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## Group Sponsors





# Moora Miling Pasture Improvement Group

## Description

Formed in 1939, Moora-Miling Pasture Improvement Group (MMPIG), is the oldest WA grower group.

MMPIG is a farmer driven group that aims to promote best-practice farming to ensure agricultural sustainability for a profitable future in the region. MMPIG does this through the dissemination of the latest farming information at local field days, the sharing of information at practical workshops and meetings and by encouraging social interaction at entertaining and informative events.

## Current Activities

- Winter dinner event (July)
- AGM dinner (Feb)
- MLA crop grazing project x 1
- Landcare partnership projects with Moore Catchment Council – protection and revegetation of natural assets, Sustainable Ag projects review project

## Past Activities and Accomplishments

- Saltbush demonstrations for unproductive land reclamation; Pasture manipulation and crop grazing trials
- Successful social events including Feb AGM dinner and July winter party attracting 60-80 people at each

---

## Committee

### *Chair:*

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### *Vice Chair:*

**Jim Hamilton**

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### *Contact/Secretary:*

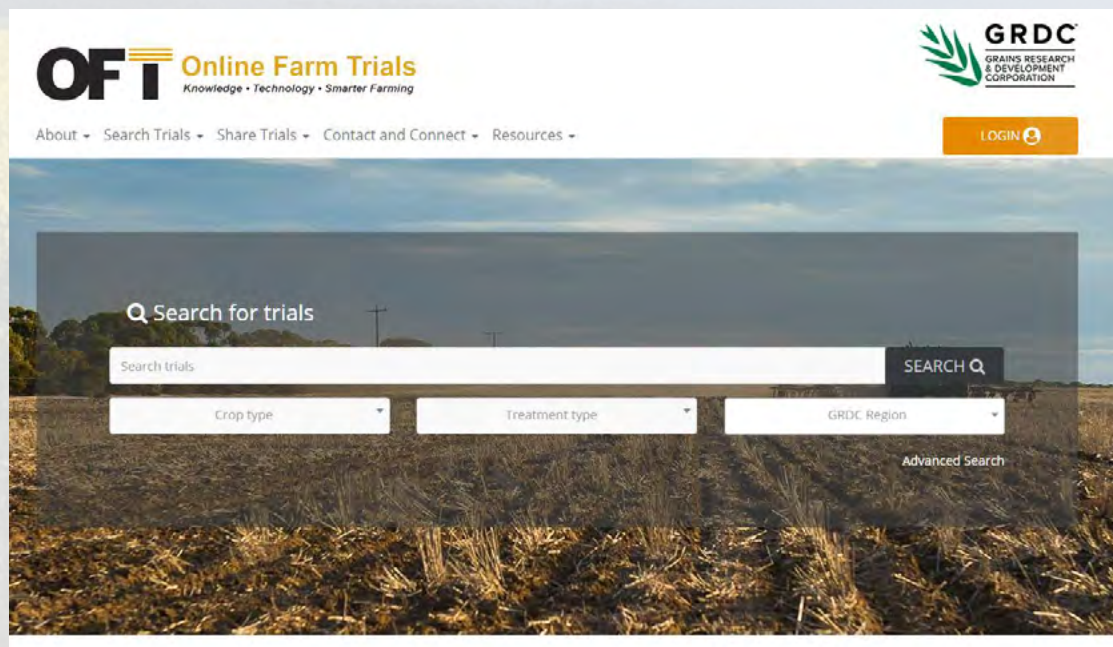
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- **Access** trials data and reports from across Australia
- **Share** your grains research online
- **View** seasonally relevant collections of trials
- **Search** by GRDC programs
- **Refer** to location specific soil and climate data
- **Compare** results from multiple trials to identify trends

**Looking for relevant and freely accessible information on issues such as crop nutrition, disease control or stubble management in your region?** Online Farm Trials (OFT) contains more than 6000 trial projects, 80% of which are publically available, from across Australia on a wide variety of crop management issues and methods. Use OFT to discover relevant trial research information and result data, and to share your grains research online.



[www.farmtrials.com.au](http://www.farmtrials.com.au)

 [@onlinefarmtrial](https://twitter.com/onlinefarmtrial)

# Trade wars, Trump politics and a Banking Royal Commission - what's the fall out for agriculture?

*Saul Eslake.*

*Consulting Economist.*

Notes

## Contact details

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Notes





# Decisions, decisions - using a practical process to test your decision thinking

Cam Nicholson.

Nicon Rural Services.

GRDC project code: 9176148

## Keywords

- decision making, risk.

## Take home messages

- Decision making is a skill. It can be learnt and practiced.
- Past negative experiences can have a major influence on future decisions, sometimes resulting in significant missed opportunity.
- A structured approach to making complex and sometimes difficult decision can help in making a good decision.

## Introduction

We make many decisions every day. Some are habitual, we don't even think about them. For example, how many of us went through a process this morning to decide whether to have tea, coffee or something else with breakfast? Probably not many. Yet we made a decision and didn't think much about it.

At the other end of the spectrum we are sometimes confronted with decisions that appear more difficult – hard decisions. The difficulty can arise because of a range of reasons. We may not know all the facts, there are lots of pros and cons to weigh against each other, getting it wrong has severe consequences or it has a strong emotional element. Yet we still need to make a decision, even if it is to do nothing.

Decision making is a skill. There are processes that can be followed. It can be taught, and it can be practiced. Can you remember when you were taught how to make a good decision?

This paper will focus on providing some background and tools to assist with making better tactical or operational decisions.

## Key points around making a decision

### *Good and right decisions*

Often 'good' and 'right' decisions are used interchangeably, however I believe there is a useful distinction. A 'good' decision is an informed decision whereas a 'right' decision relies on hindsight. We judge a decision as being 'right' or 'wrong' depending on the outcome. Good decisions can both be 'right' and 'wrong'. Good decision can go wrong – and they will.

Unfortunately, we need to make decisions before the dice is rolled, so it is better to focus on attempting to make the best decision possible.

### *Elements of a good decision*

I believe good decisions have three elements. Firstly, you **appreciate the consequences and likelihood** of the various actions you could take. In other words, what are the possible outcomes if I decided to do A or B and what are the chances of this happening? This is where risk comes in (as risk is defined as likelihood x consequence). Our decisions need to be made by understanding the odds.



Secondly you understand what **level of regret** you would have with each different outcome. Regret is a very powerful emotion and can have profound effects on subsequent decision making. Sadly, we often appreciate regret only after a negative result (a wrong decision) rather than before. We need to be open about what could go wrong and how you would feel if this were to happen.

Thirdly we try and **identify actions that could increase the chances of a favourable outcome.** What could be done to reduce the chances of a negative result?

### *Influences on our decisions*

Decisions are influenced by our head, our heart and our gut (Figure 1). The head is the logical or orderly approach to analysing and solving a problem. The heart is the emotional influence on the decisions. They are based on our values, beliefs and fears. The gut refers to the intuitive influence on a decision and is shaped by our experiences and knowledge.

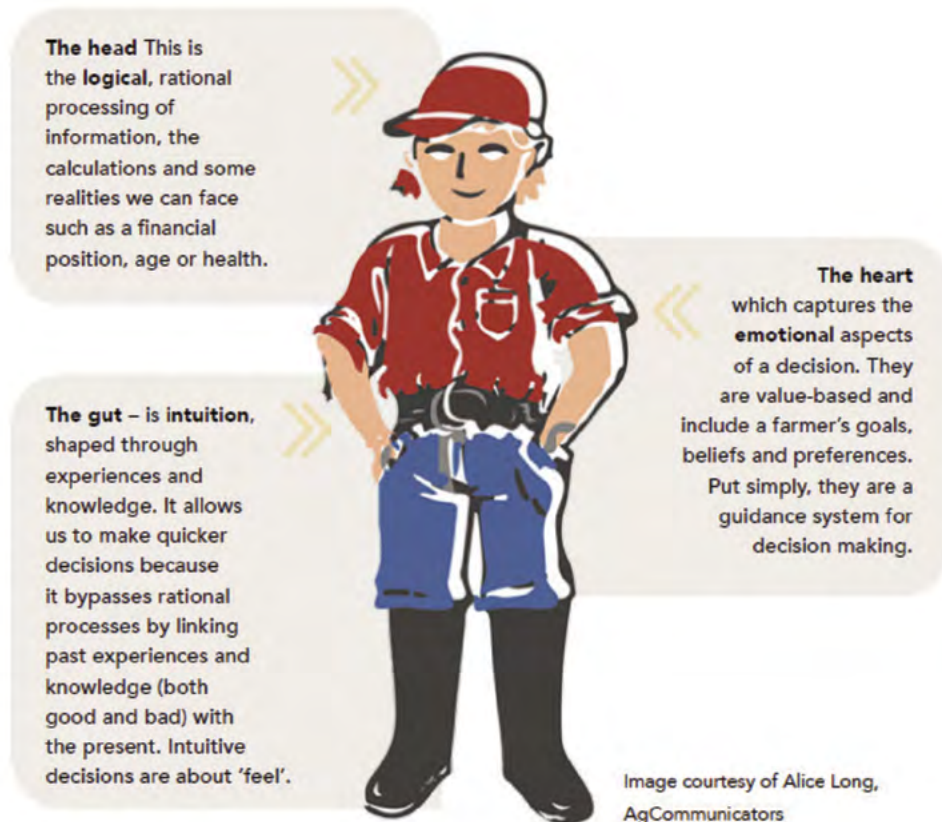
The relative influence of the head, the heart and the gut also depends on the type of decision we need to make. The more difficult or complex a decision is, the more we rely on experience or gut to inform the decision. Complex decisions don't

have a single 'right' answer, instead they have many possible approaches to achieve the same desired outcome. Commonly they have pros and cons to consider, so the decision needs to be made 'on balance'.

Our temperament also influences how much the head, heart and gut influences a decision. This is explained in more detail in the GRDC Farm Decision Making Booklet (Nicholson et al., 2014) and won't be discussed here except to highlight that most farmers (approximately 80%) have a temperament that naturally defaults to relying more on the gut and heart than the head.

An example may help illustrate how these various forces are shaping the decision we might make.

Imagine you wake one morning when crops are flowering and there has been a severe frost overnight in the district. You've experienced severe frosts many times before and last time decided not to cut the crop, instead it was taken through to grain. Yields at harvest were estimated to be 70% lower than the unfrosted areas, with much higher screenings. In hindsight you kicked yourself for making the 'wrong' decision – you should have cut the crop. This time, without hesitation you decide to cut it for hay.



**Figure 1.** The head, heart and gut influence on a decision.



What can be learnt from this example and the subsequent decision to cut the crop? Firstly, regret or pain from the previous experience is dominant in shaping this current decision. This is understandable, you don't want to feel that disappointment again. Psychology professor Dr Daniel Kahneman describes the pain of loss as being twice the pleasure of gain (Kahneman, 2011). In other words, to erase the pain of the previous loss requires a gain much greater than the actual loss incurred. So, a critical skill to learn in decision making (as hard as it is), is to recognise and acknowledge that negative feelings and the unconscious requirement for a big win to make the choice attractive again, might be influencing the next decision you make.

## A way of structuring a good decision

South Australian farmer and part time consultant Barry Mudge developed a simple approach to making critical decisions – called the decision matrix. It combines the elements of what makes a good decision (as described earlier in this paper) and helps balance the influence of the head, heart and gut. It is particularly good for a recurring decision, as it can be refined over time as new knowledge and experience builds.

So how could the decision matrix be applied to the frost decision? A seven-step approach is required:

- Step 1: Clearly define the decision you need to make. In this case it is 'Should I cut this crop for fodder or take it through for grain?'
- Step 2: List the major considerations that should influence the decision. Usually there are only four to eight considerations. In the frosted crop example, it could include obvious things like;
  - o Estimated area frosted.
  - o Grain value if harvested, compared to other uses for the fodder.

But may also include other things like;

- o Likelihood the unfrosted parts of the crop will finish.
- o Can the fodder be stored?
- o Is there a market to sell into?
- o Presence of problem weeds that could be cleaned up by hay making.

- Step 3: Take each major consideration in turn and ask 'at what point would I think differently about my response?' So for the estimated area frosted it might be;
  - o Less than 20% of crop frosted.
  - o 20% to 50% frosted.
  - o 50% to 80% frosted.
  - o Greater than 80% frosted.

For the value of the crop (which includes yield and price) it might be;

- o Grain value much higher than the fodder value.
- o Grain and fodder value about equal.
- o Grain value much higher than the fodder value.

This is repeated with the other major considerations. Once all considerations have been examined a table can be created (Table 1).

- Step 4: Assign scores to each condition. A handy tip is to assign all the lowest conditions as 0. Then consider the highest described condition and give them a score relative to the other highest conditions. i.e. if you decide the highest condition in first major consideration is twice as critical as the highest condition in the third major consideration, then the first needs twice the points. Once the top and bottom are established, it is relatively easy to fill in the remaining condition scores (Table 2).
- Step 5: Add up the maximum score if all conditions were at their highest (maximum is 38). Describe the answer to the decision you would make under the maximum possible score and the worst possible score (which will be zero). This is relatively easy because it is black or white. It becomes more difficult in the grey area, where there are pros and cons. The best you can do is fill in other possible decisions you could make in between the two extremes. In this case, a wise decision might be to hedge your bets and do a bit of both. Assign some preliminary scores (Table 3).
- Step 6: Think of an extreme historic example (usually a year, season) when, in hindsight, it was the 'right' decision to cut for fodder. Calculate the score for that example **at the time the decision needed to be made**. Does the 'right' decision correspond with the score.



**Table 1:** Major considerations and conditions for the example decision; should I cut this crop for fodder or take it through for grain?

Major considerations	Condition when I think differently about the decision
Estimated area frosted	Greater than 80% frosted
	50% to 80% frosted
	20% to 50% frosted
	Less than 20% of crop frosted
Grain value if harvested compared to other uses for the fodder	Fodder value much higher than the grain value
	Grain and fodder value about equal
	Grain value much higher than the fodder value
Likelihood the unfrosted parts of the crop will finish	Low (minimal soil moisture and unfavourable forecast)
	Moderate (combination of current soil moisture and forecast OK)
	High (good soil moisture and favourable forecast)
Fodder storage	Yes
	No
Market to sell into	Yes, and immediate
	Yes, but over time
	Limited
Presence of problem weeds	Yes, and could be successfully controlled with cutting
	Yes, but cutting won't help
	No

**Table 2:** Major decisions, conditions table and scores for example decision; should I cut this crop for fodder or take it through for grain?

Major consideration	Condition when I think differently about the decision	Score
Estimated area frosted	Greater than 80% frosted	10
	50% to 80% frosted	7
	20% to 50% frosted	4
	Less than 20% of crop frosted	0
Grain value if harvested compared to other uses for the fodder	Fodder value much higher than the grain value	10
	Grain and fodder value about equal	5
	Grain value much higher than the fodder value	0
Likelihood the unfrosted parts of the crop will finish	Low (minimal soil moisture and unfavourable forecast)	6
	Moderate (combination of current soil moisture and forecast OK)	3
	High (good soil moisture and favourable forecast)	0
Fodder storage	Yes	2
	No	0
Market to sell into	Yes, and immediate	6
	Yes, but over time	3
	Limited	0
Presence of problem weeds	Yes, and could be successfully controlled with cutting	4
	Yes, but cutting won't help	0
	No	0

**Table 3:** Description of decision and cumulative score for a frosted crop.

Decision	Score
Cut the crop	Greater than 28
Hedge my bets and cut some (ideally the worst affected areas)	20-28
Don't cut the crop, take though to grain	Less than 20





If not adjust the score accordingly. Repeat with another extreme, but opposite example. Then estimate the score or scores in between the extremes and run a less clear cut example.

- Step 7: Test with a series of hypothetical examples (so you get a score) and fine tune the decision score if required. For example, if about 40% of the crop was frosted (4), the estimated value of the fodder (yield x price) was much greater than the grain (10), the chances of a good finish to the crop were moderate (3), we couldn't store the fodder (0), there was immediate market demand (6) and there were no weed problems (0), then the score would be 23. The suggested decision would be to cut some for hay (the frosted bits). However, if there was no market for the fodder, the score would be 17 and the decision to take through for grain becomes stronger.

## Conclusion

In my consulting I have met a few farmers that seem to have an uncanny knack of consistently making good decisions at the right time. I am intrigued by how they do it. And after much questioning and observation I have concluded that they (unconsciously) have a head full of these decision matrices or can rapidly create them as they are needed.

Did this prevent them ever getting a decision 'wrong'? No. But it did help them get more decisions 'right'. Irrespective of whether the decisions turn out to be 'right' or 'wrong' they were good decisions at the time. And that's the best we can hope for.

## References

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## Useful resources

Grain and Graze 3 website ([www.grainandgraze3.com.au](http://www.grainandgraze3.com.au))

## Acknowledgements

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Notes



# Managing tax strategies over multiple years in a farming business and the implications of decisions you may make today on your income in future years

*Jo Gilbert.*

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## Keywords

- Cash and accrual accounting, derivation of income and expenses, farm management deposits, corporate beneficiaries.

## Take home messages

- Know your current strategies.
- Be long term focussed, not short term.
- Work out what is your tax comfort level and be prepared to adjust these as your business grows.

## Introduction

The rapid pace of change in the Income Tax Legislation has an impact on all small businesses and their long-term strategies for management of tax liabilities.

Primary producers are often faced with the challenges of variability of income from year to year. This may be as a result of the weather, commodity prices, or simply the management challenges that any business faces.

In recent years, the way farmers market their products has seen wins and losses in how farmers trade year in year out, and with this comes the need to manage tax strategies from year to year to ensure the greatest reward for effort possible and the best after-tax profits.

What happens though when that one, out of the blue 'good year' is followed by another good year, then another and before long it starts to look like this may be the new norm? Or even worse, even in average years some farmers insist on driving down tax rates with a variety of strategies through an illogical belief that the government must be denied what is rightly their hard-earned cash!

The cumulative effect of multiple years of tax and income deferral strategies for some may start to feel like a 'loaded gun'. Is there a silver bullet? Or is it just time to unload the gun?

## Cash versus accrual basis for tax accounting

Critical to consideration of any tax planning strategy is an understanding of the timing of derivation of income. Legislation requires that a taxpayer accounts for income on either an accruals basis or a cash basis.

Under the accruals method, income is derived when it is earned or when a recoverable debt is created.

Under the cash method, income is derived when it is received.

The Commissioner has some general views around the appropriate method to be adopted, as outlined in **Taxation Ruling TR98/1 Income tax: determination of income; receipts versus earnings.**



## Common tax planning strategies used by farmers

Opportunities to save or avoid tax are limited however; opportunities to smooth income fluctuations between years are available under tax legislation. With all of these strategies, an understanding of their impact in the short term and long term is critical to their chances of success in your business.

It is important to understand from the outset that a 'tax strategy' is not something that forces you to fall foul of the Income Tax Legislation and break the law. A well-advised tax strategy allows you to work within the confines of the Legislation yet achieve an outcome that is more manageable for your business, your cashflow and your longer-term strategy.

While not an exhaustive list, some of the more common strategies employed by farmers are:

- Tax Saving
  - o Primary production income averaging provisions.
  - o Distribution or sharing (splitting) of income to extended family.
  - o Contributions to superannuation utilising lower tax rates.
  - o Introducing a self-managed super fund (SMSF).
- Tax Deferral
  - o Timing of derivation of income.
  - o Timing of deductibility of inputs.
  - o Farm management deposits.
  - o Use of a company within a business structure.

For the purpose of this paper, the focus will be on the more effective and immediate Tax Deferral strategies, which contribute entirely to the 'loaded gun' situation.

### Timing of derivation of income

Under the cash method of accounting, derivation of income is simple. When the cash is received in your bank account, this is the time when it is included in taxable income. Deferral of income under this method is a matter of deferring payment until after the end of the financial year.

Under the accrual method of accounting, caution should be exercised particularly when selling grain

under a contractual arrangement. Merely deferring the receipt of the cash until after the end of the financial year is not sufficient.

Once the farmer has delivered the grain and a recoverable debt has been created, income has been derived. Ownership of the grain has passed at this point. Farmers should be aware of the details and tax implications of both deferred payment contracts and deferred delivery contracts.

In addition to this, some farmers choose to sell their grain through pools. For growers accounting for income on an accruals basis, when the buyer declares a distribution, the pool payment is included in assessable income. For those on the cash basis, income is accounted for once the grower receives the payment.

Ensuring that you have a long term cashflow and tax planning strategy around your grain marketing, which works with your grain pricing strategy, is critical. It is not uncommon for farmers to have deferred a significant proportion of the previous harvest's income to the current year only to then find that the cash price at harvest is too good to pass up, and then finding that two years of grain income is derived in one year.

Cashflow and business income forecasting is critical for farmers as they are often juggling multiple years of income at the one time. The earlier you can identify an issue the easier it is to plan ahead and manage the tax impact.

### Action points

- Are you using the cash or accrual method for tax accounting in your business?
- Check how your grain marketing methods impact on deferral or bringing forward of income.
- Cash is king – does your deferral strategy work with your tax strategy and your long term cashflow strategy?

### Timing of deductibility of inputs

Deductibility of expenses and the timing of this is also dependent on your method of tax accounting. As previously discussed, knowing whether you are accounting for expenses on a cash or accrual method is critical to an understanding of whether you can claim an expense in the current financial year or whether that expense is moved to a prior or future financial year.

As with grain marketing, the options for purchase of inputs such as fertiliser and chemicals are



becoming increasingly complex. The retailers of these products in recent years have offered a number of different options for prepayment.

If you are under the cash method of tax accounting, a deduction can only be claimed in the year that you make the payment. This means that at the end of the financial year, payment must be made for inputs in cash. Merely 'booking up' something with your local agent and then subsequently paying on account under their usual payment terms, usually in the next financial year, will not allow for a deduction in the current financial year.

Under the accruals method of tax accounting, 'booking up' is an effective way of bringing forward expenses into the current financial year. As with the derivation of income, once a recoverable debt has been created between the supplier and your business, you are entitled to a tax deduction under the accruals method. A tax invoice is your critical documentary evidence for proof of your tax deduction and GST, which must clearly identify the product acquired and expense incurred.

Before entering into any of the prepayment options offered by the retailers, it is crucial that you read the fine print associated with these products. Signing up to a commitment to purchase something from a retailer at a future date with no cash changing hands before the end of the financial year can be risky if there is not a clear understanding of what that commitment is and whether or not there is a tax deduction in this financial year under this arrangement.

Some strategies employed prior to the end of the financial year such as filling up the farm fuel tanks, buying up fertiliser and sprays as well as paying other bills prior to the end of the year is an easy way to manage a tax liability in the current year. When doing this though it is also important to ensure that you have a good record of what you did last year. If you booked up sprays and fertiliser in the last financial year, it may be that you've paid for these in the current financial year. That means the tax deduction was claimed last year but the impact on cashflow is in this current year.

### **Action points**

- Are you using the cash or accrual method for tax accounting in your business?
- Read the fine print or check with your tax adviser before signing up to any prepayment or forward purchase option.

- Keep track of what you claimed last year – have you paid for anything this year but claimed a tax deduction last year?

## **Farm management deposits**

The farm management deposit (FMD) scheme has been in place for many years. The scheme is designed to help primary producers manage fluctuating incomes and cash flows.

The FMD scheme applies only to individuals carrying on a primary production business or those in receipt of primary production income (as either a partner in a primary production business or as a beneficiary of a trust carrying on a primary production business).

The basic rules for eligibility are:

- The owner of the deposit is an individual (note: even though the funds used to create the FMD may have come from the business, the FMD is in the name of the individual and not the business).
- The deposit is made at a time when the taxpayer is carrying on a primary production business, or is in receipt of primary production income and may remain in place for as long as the taxpayer continues to carry on a primary production business.
- The taxpayer's 'taxable non-primary production income' for the year is not more than \$100,000.
- The taxpayer didn't die or become bankrupt during the year.
- The deposit must be a minimum of \$1,000 and the maximum deposit one individual can hold at any one time is \$800,000.

An FMD must remain in place for one full year. If the deposit is repaid in full or in part within the first year, the deduction will be lost for that part of the FMD. Special conditions apply for farmers experiencing drought, natural disasters, bankruptcy to enable early access to the monies held on deposit.

FMDs are used by many farmers to manage their tax liability during fluctuating income years. Providing all the above relevant conditions are met, a farmer during a high-income year may make an eligible FMD prior to the end of the financial year. A tax deduction for the amount deposited in the name of the individual is then included in the tax return of that individual and is used to offset their share of primary production for that year.





FMDs may be held on account in short term (3 month, 6 month) deposits but must be rolled over at the end of each of these terms until the initial 12 month rule has been met.

At the end of the 12 month period, tax planning is essential. A deposit that comes due in June and is withdrawn at that point will be included in the individual's taxable income at that time. Depending on the tax position of the individual and the business in that year, this may not be the best option.

Through tax planning, a strategy may be to defer the withdrawal of the deposit until after the end of the financial year and then the deposit is withdrawn in the next year. This strategy works well for many farmers however with the current \$800,000 allowable limit on deposits; many find that the accumulation of significant funds in these deposits presents the business with issues in managing the tax position. Cashflow may dictate the need to access the funds soon after they are available, but the withdrawal will also have tax implications in that year.

The use of FMDs as part of an overall business tax strategy can work well, however reliance on FMDs and through the use of these deposits the practice of pushing income out year after year to a future year may then give rise to bigger issues for the business.

It is important to note that all funds held by an individual in an FMD are treated as recouped and repaid when the following happens:

- The taxpayer dies.
- The taxpayer becomes bankrupt.
- The taxpayer stops being a primary producer for 120 days or more.

It is crucial that FMDs are carefully managed as taxpayers get older. The death of a taxpayer who has \$800,000 held in FMDs on their date of death will trigger the derivation of \$800,000 of assessable income in their year of death. Large balances held in FMDs need to be monitored and managed over time. A four-person partnership could accumulate over \$3 million untaxed cash reserves.

Recent changes to legislation in 2016 now allow FMDs to be used in an offset arrangement against debts relating to the primary production business of the individual or a partnership of which they are a partner. Most of the major banks have now added this facility to their offering and it remains a viable option for some. It is however important to understand that this option only applies to those

who are operating their business as a sole trader or a partnership of individuals (with the offset then only available to the extent that the partners holding the debt have monies in FMDs themselves).

### *Action points*

- Are you managing your FMDs on an annual basis?
- Are the current FMD holders in your business the most appropriate, considering age, other income sources and such factors?
- Is an FMD offset facility an option for your business?

### **Distribution of income to extended family members**

Many farms have as part of their business structure a discretionary trust. These trusts are either part of the main trading entity or they are used to hold assets such as land. Each trust has its own set of rules that are contained in its trust deed. The trust deed determines who the beneficiaries of that trust may be and who may benefit from the income or capital of the trust.

Common practice amongst many farming families over the years has been the distribution of income of the trust to the beneficiaries of the trust, within the rules of the deed, which then enables the beneficiaries to share in the income of the trust. As a beneficiary of trust income, the beneficiary must include that income in their income tax return. If the beneficiary has minimal other income, this enables that income to be taxed at the individual's lower tax rates (including utilisation of their tax-free threshold). Distributions made to adult children of the farming family can prove quite beneficial.

While this strategy is legitimate providing it is within the terms of the trust deed of that trust, there may be unintended consequences of using this strategy long term unless careful management is put in place.

Distribution of income from the trust gives rise to an entitlement to income from the trust for that beneficiary. The income distribution is included in their tax return for that year and often when the beneficiary is the child of a farming family, the tax liability is met by the parents through the farming business. However, it is often the case that the distribution of income is not paid in cash in full to the beneficiary as working capital is required to be retained within the business to meet its operating needs. When this happens, the individual beneficiary



becomes entitled to receive that distribution at some point in the future and a liability to that beneficiary is created on the balance sheet of the trust (often referred to as Unpaid Trust Entitlements).

This entitlement cannot be removed without the consent of the beneficiary. The beneficiary may choose to forgive the debt, or some other arrangement may be made between the trustee and the beneficiary to extinguish the debt, however in many situations these debts will continue to build up over many years and can add up to substantial liabilities for the business.

Distributions to non-farming children (such as during their University years) can be a useful strategy to spread the tax liability across as many individuals as possible. However, the business needs to be mindful of the future liability that may be created. This is particularly critical when the discretionary trust forms part of a succession plan. Inheriting the trust may also mean inheriting liabilities to non-farming siblings, so a thorough review of the trust balance sheet every year is important.

It is also important to note that Unpaid Trust Entitlements are an asset of the individual beneficiary and as such should be included in their own estate planning. Where a beneficiary has prepared their will, care should be taken to ensure that they have dealt with what happens to their trust entitlement in the event of their death.

#### **Action points**

- Review your trust deed and all subsequent amended deeds.
- Review trust balance sheets regularly and be aware of future liabilities.
- Seek advice on paying out or arranging for debts to be forgiven where appropriate.
- Have the beneficiaries included the unpaid entitlements in their own estate planning?

### **Use of a Company with a business structure**

In recent years with changes to the Small Business Entity company tax rate, there has been renewed interest in the use of corporate entities in farming business structures.

Typically, a company may be used as a corporate beneficiary of a discretionary trust or the company may be used to carry on a business in its own right.

The use of a corporate beneficiary can provide a significant advantage in the management of the effective tax rate of primary production income in high income years.

However, distributions must be managed within the terms of a Division 7A loan arrangement if the distribution is not made in cash in that year. If a distribution is made to a corporate beneficiary and this is not paid, an unpaid present entitlement arises in favour of the company. This unpaid present entitlement must be managed under a formal Division 7A loan agreement that includes repayment of the loan within a specified period and interest being paid by the trust to the company on the loan amount.

Managing unpaid present entitlements to companies is a highly complex strategy and is subject to strict regulations so caution should be exercised when using this option. Please remember that once an individual has paid tax on their income, there are no further implications or considerations as to what they choose to do with their after-tax earnings. This is not the case with companies and ongoing management of the company's retained profits and cash assets is essential so as not to create any unwanted tax surprises going forward.

It is also possible to operate a farming business through a company structure. There are clear advantages in being able to access the lower corporate tax rate as well as some asset protection within that structure.

However, as with any company, retained profits (profit after paying tax and dividends) are retained indefinitely with the company. Should the business wish to wind up the company in the future, all retained profits must be paid out to the shareholders of the company and this could in some cases see exposure to 'top up tax', being the difference between the tax rate at which the company paid tax when it earned the income and the tax rate of the shareholder receiving the dividend.

Access to cash and assets of the company is strictly regulated and is not as simple as taking 'drawings' from a partnership or discretionary trust. It is also important to note that to access many of the income tax concessions (e.g. FMDs, primary production averaging, etc.) it is necessary for individuals to be in receipt of primary production income. If a farming business is conducted entirely through a company, the individual may only be receiving wages or dividends, none of which meet the definition of primary production income.

#### **Action points**

- Consider more than just the tax rate when looking at using a company within your business structure.



- Obtain professional advice on the pros and cons of companies in farming businesses before adopting this as part of your business.

## What can you do before 30 June this year?

Tax planning for your business should be something you do from 1 July each year and not on 28 June. An awareness of the impact of various decisions you make during the year will aid in the management of your overall tax strategy not just this year but in the long term.

Short term focussed tax strategies will provide immediate relief from resultant tax liabilities in that year, but the impact of these decisions may be felt for years to come. Knowing that often your strategy is only a deferral of a tax liability is key to understanding your longer-term plan. It may be that with the expansion of your business or through better management and favourable seasonable conditions that this year is the 'new norm' and as such, the ability to adjust your comfort level with regard to your tax liabilities is important. Striving to maintain a for example, 20% marginal tax rate year after year without due regard being given to the level of income being generated long term in your business may be delaying the inevitable.

Long term strategies of any business may include capital expansion and/or debt reduction. Please know that you can only reduce debt with tax-paid funds. Accumulated untaxed reserves or deferred income may be compromising your ability to decrease long term liabilities and improve your financial position. A focus on temporarily reducing tax may result in a permanent increase of interest costs, a careful balance of the various factors is essential in achieving long term wealth creation.

Through having a good understanding of the impact of the various tax strategies, obtaining professional advice and ensuring you are budgeting and forecasting long term will enable better management of your overall tax position.

'Unloading the gun' of long term tax strategies with a clear plan ahead enables better cashflow management and will enable a business to ride out the fluctuations in income, year in and year out.

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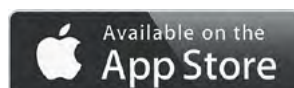
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# Farming to profit - focusing on the drivers of profit in local farming systems. Do we need to concentrate on cost of production?

*Rod Grieve.*

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## Keywords

- profit, cost of production, operating surplus, operating efficiency, management, timeliness.

## Take home messages

- Operating costs per hectare have risen over time substantially, increasing the financial risk to your business.
- Cost of production analysis is difficult to achieve in a mixed enterprise farming business due to interactions between enterprises and 'known unknowns'.
- When applying inputs, in particular N, maximum expected profit is reached before maximum expected yield.
- There is generally a very wide range of input rates over which financial returns are similar.
- Once the precision of your decision is high enough to ensure a high probability of targeting an input rate within the payoff plateau, further precision has very limited scope to improve the payoff.
- Managing a farm business is as much about minimising losses as maximising profits.
- Benchmark your business - measure your operating costs as a percentage of income – this will tell you if your expenses are too high and you are placing your business at risk.
- Time management and organisation are the key profit drivers.

## Do we need to concentrate on cost of production? Is it important? What can we do about it?

Enterprise cost of production analysis within a mixed enterprise farming business is an ongoing challenge. As with any biological system different farm enterprises are interdependent on each other and removal of one or several enterprises from a business can have a dramatic effect not only on the cost of doing business but more importantly on the financial returns. Trying to sort out the value and contribution of these interdependencies between enterprises in any meaningful way is a complex task

and can sometimes lead to misleading conclusions. Most importantly, analysis is impacted by what I term the 'known unknown'; i.e. the final cost of production for an enterprise is unknown until production is known; which in farming is something that happens a long way into the future!

As a manager of a farm business is cost of production just a concept or something of practical significance that can be used in everyday decision making? What exactly are you dealing with? To address these questions let's firstly look at costs over time.



### Cost of production trends

Input costs into farming businesses have constantly risen in both nominal and real terms over the last 25 years. On a per hectare basis operating costs have risen from around \$150/ha to \$350/ha - a 2.3-fold increase or around \$8/ha per year over that time period (Figure 1).

The breakup of costs has been relatively constant across all the main categories. However, the total increases in operating costs over time reflect the increase in capital required to operate a farm business and indicates a large increase in the financial risk to the farm business over the last 25 years (Figure 2).

### Operating surplus trends

While costs are one thing, what are our returns? Operating surpluses in the last 25 years have ranged from around \$100/ha to as high as \$500/ha and have shown an increasing trend over time.

Fortunately, in the same time period commodity prices have increased which has eased the cost price squeeze.

Costs of production (COP) calculations are useful within the farming business in determining commodity price breakeven points at varying production levels. This is useful when setting target prices within commodity marketing plans. These



Figure 1. Average total operating costs/ha 1992 -2017 (Source: Grieve Client Data).

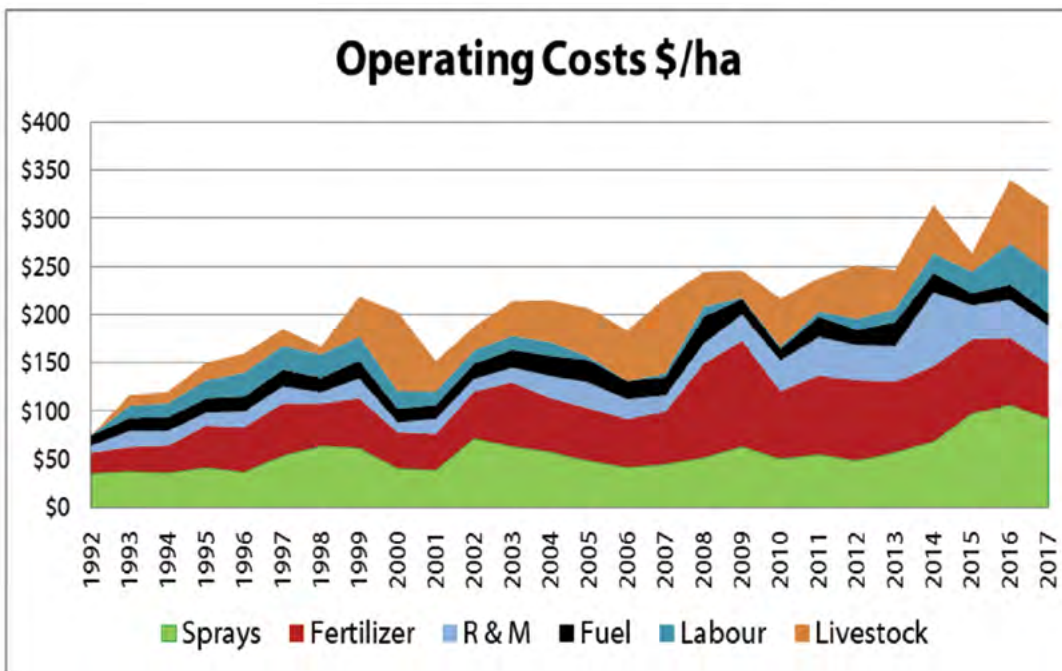
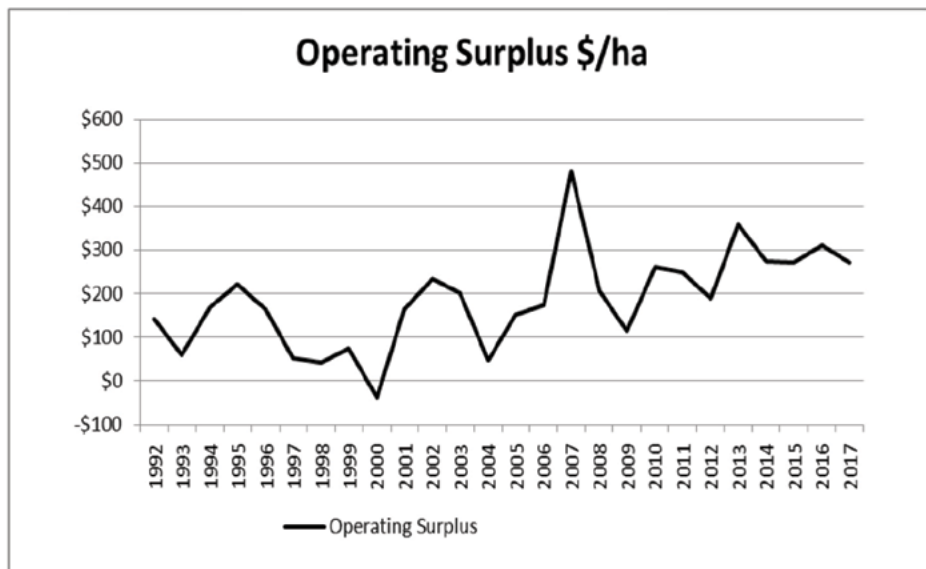


Figure 2. Break-up over time of operating costs (spray, fertiliser, R&M, fuel, labour, livestock from bottom to top) (1992 – 2017) (Source: Grieve Client Data).



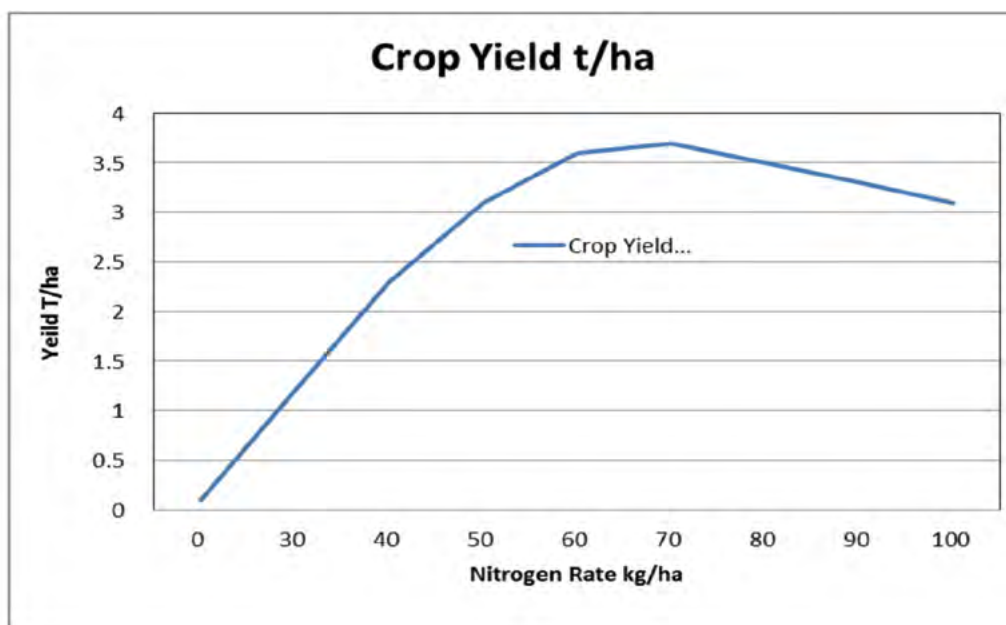


**Figure 3.** Average operating surplus per hectare (1992 – 2017) (Source: Grieve Client Data).

target prices may well vary over the production year as the underlying production level changes. The best way of calculating COP is ‘the all-in approach’ for your business – all costs need to be included including kid’s education expenses, machinery repayments, payments to non-farming family members, the new kitchen, etc. What commodity prices are required to achieve a breakeven equity position come year end? How does this price vary when the underlying production level changes? These are the key questions that ‘cost of production’ per se can answer. As an example, most of my clients’ breakeven grain prices on average yields are somewhere between \$210-\$230/t for barley,

with wheat at \$240-\$270/t and canola at \$520-\$550/t. These ‘break even’ prices will vary on enterprise mix, production expenses and production levels.

The disadvantage of COP calculations that use total costs rather than marginal costs – is the inability to answer questions such as: what should/ can be done to cut marginal costs and what will the effect be on production levels and final profit for the business? What is the business efficiency – how good is the manager at turning inputs into outputs? What level of input maximises profit? Figure 4 shows a typical wheat crop’s response to additional nitrogen (N) fertiliser.



**Figure 4.** Typical wheat yield response to increased rates of nitrogen fertiliser

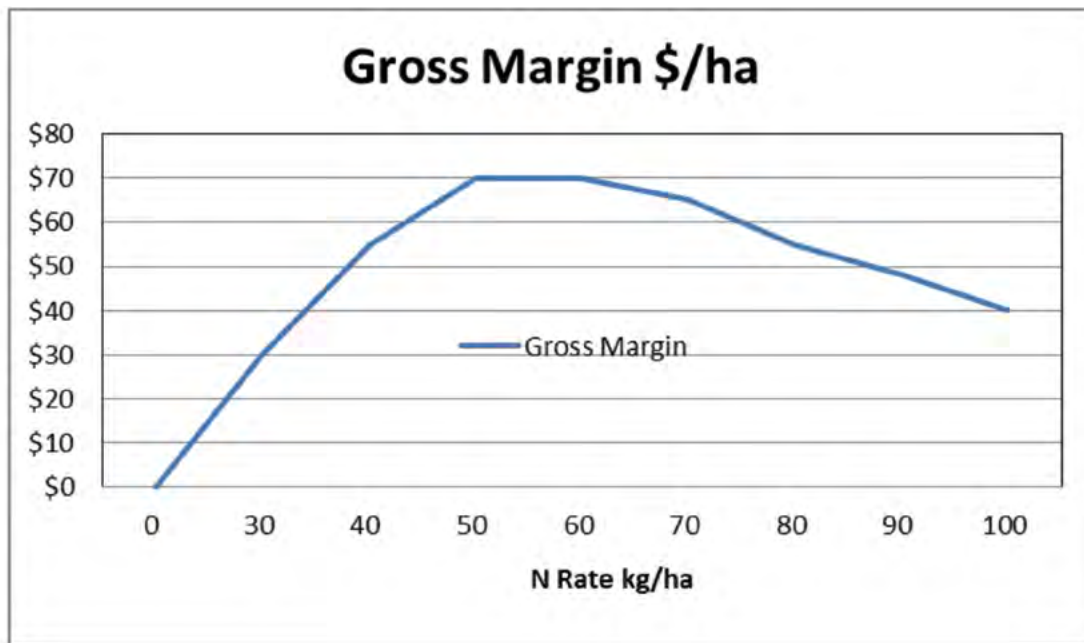


Most farmers' interpretation of this graph would be to apply 60-80 units of N in order to maximise yields of approximately 3.5t/ha provided they have enough moisture either stored or forecasted and the funds available to purchase the additional urea.

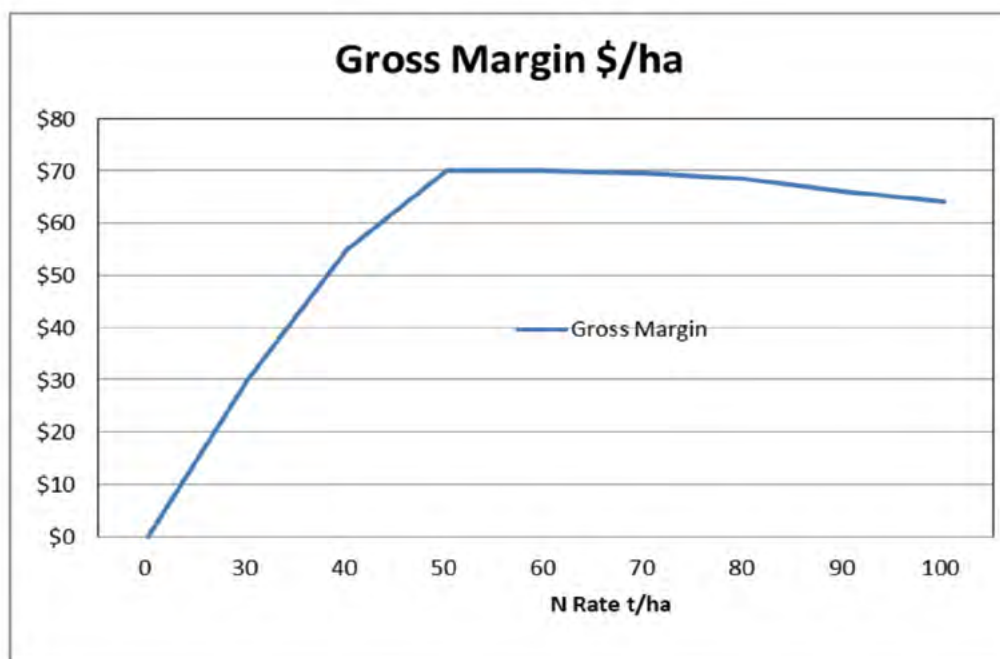
However, if the expected wheat price was \$300/t and the urea price was \$600/t the most profitable rate of applied N is around 50 units of N. Maximum profit is achieved when the additional unit of N generates the same value of wheat. For example,

for 60 units of N to be the most profitable outcome, urea would have to be approximately \$500/t and wheat \$400/t. For 70 units of N to be the most profitable, urea would have to be approximately \$300/t and wheat \$500/t – a combination we would all like!

In conclusion the rate of N (or any other input for that matter) that maximises expected profit is different to the rate of N that maximises yield.



**Figure 5.** Typical theoretical wheat gross margin response to increased rates of nitrogen fertiliser.



**Figure 6.** Typical actual wheat gross margin response to increased rates of nitrogen fertiliser (Source: Pannell 2006).





When assessing the optimal level of an input that maximises expected returns, the assumption is (almost) always depicted as per the relationship illustrated in Figure 5, i.e. that there is an increasing margin from applying the additional input up to a maximum level after which the margin drops off. Returns are maximised over a very short range - in this case 50 – 60 units of N.

In agricultural systems the economic response to increasing levels of inputs is more like the relationship illustrated in Figure 6. While the responses are similar to Figure 5 there is generally a very wide range of inputs (Pannell 2006) over which expected profits are very similar or close to the maximum. In this case the expected profit is similar with an N rate over the range of 60-90 kg/ha, i.e. the payoff function or financial return for applying increasing amounts of input is flat.

This means several things all of which are good news:

- Farmers have some margin for error when applying inputs.
- The value of information used to fine tune management decisions is often lower than what would be expected.

A good example of this is the returns from the application of lime in a study done by O’Connell et al. (1999) conducted in the low, medium and high rainfall zones in WA. In summary the study was characterised by:

- The same rate of lime is used in all situations (very low information use/precision).
- Generalised recommendations were made for each soil type and each rotation (low information use/precision).
- Soil tests were completed on a paddock by paddock basis (moderate information use/precision).

Table 1 shows the incremental benefits \$/ha/year of increasing the information intensity regarding the rate of lime application decision.

Table 1 shows that once the precision of your decision is high enough to ensure a high probability of targeting a rate within the payoff plateau, further precision has very limited scope to improve the payoff.

How do you measure how efficient you are at using your limited resources (inputs, labour and capital) and converting them into outputs? How do you measure your overall input strategy? Are you applying too much or too little? What is an acceptable level of risk?

A very simple measure is called your **operating efficiency** and can be calculated by dividing your operating costs by your gross income and expressing this figure as a percentage. Ideally this ratio should be around 60% - it will vary year by year, but this is the average value for operating efficiency that you should be aiming for.

In analysing the past 20 years of my client’s farm performance data, the characteristics of the ‘successful’ businesses were as follows:

- Expenditure was low (operating efficiency of around 55%) compared to production/output.
- Crop yields/stocking rates were good but not great.
- Profits were not large per se but consistent and losses small (if any).
- They were efficient users of labour.
- Repair and fuel costs were low.
- They had moderate investment in plant but were highly efficient in its operation.

It was interesting to find similar results from the longer-term study undertaken by Anderton (2016).

**Table 1:** The incremental benefits of increasing the intensity of information around the decision to apply lime in different soil types and rainfall zones.

Rainfall Zone	Soil Type	Change Low to Very Low Information \$/ha/year	Change Low to Moderate Information \$/ha/year
Low Rainfall	Deep Sand	\$14	\$4
	Clay	\$8	\$2
Medium Rainfall	Deep Sand	\$35	\$3
	Clay	\$19	\$2
High Rainfall	Deep Sand	\$7	\$3
	Clay	\$21	\$0

(Source: O’Connell et al., 1999)



It's interesting to note that there seems to be a never ending search for 'something' that characterises the 'profit drivers' of successful farm businesses – be it crop%, crop yield, breed of sheep, crop variety, spray expenditure, machinery investment, technology use, etc that can be analysed out and then held up as the 'key' to running a successful business.

However, in my opinion the factor that has the most influence on whether a business's outcome is successful or otherwise, is management - maybe because it is so hard to analyse.

Successful farm businesses have clear direction. A successful manager is well informed and can clearly communicate this plan to family and staff. There are a series of simple systems and processes in place accessible to family and staff to ensure a free flow of information to keep everyone informed of upcoming 'events' so that ALL operations including the dreaded bookwork are completed on, or before time. How do your processes stack up?

## Conclusion

Operating costs per hectare have risen over time substantially, increasing the financial risk to your business. Fortunately, over the last 25 years we have experienced real commodity price increases which have lessened the cost price squeeze.

Cost of production analysis is difficult to achieve in a mixed enterprise farming business due to interactions between enterprises and 'known unknowns'.

When applying inputs, in particular N, maximum expected profit is reached before maximum expected yield. – yield is a poor measure of profit.

There is generally a very wide range of input rates over which financial returns are similar – generally apply at the lower end of the recommended range as it will lower your risk.

Once the precision of your decision is high enough to ensure a high probability of targeting an input rate within the payoff plateau, further precision has very limited scope to improve the payoff.

Managing a farm business is as much about minimising losses as maximising profits.

Benchmark your business - measure your operating costs as a percentage of income – this will tell you if your expenses are too high and you are placing your business at risk.

Time management and organisation structure are key profit drivers within businesses; understanding your system and determining the level of risk that matches the rewards you seek are imperative towards improving business.

## Useful resources and references

Anderton L (2016) Financial, Productivity and Socio-Managerial Characteristics of Broadacre Farms in Western Australia: A Decadal Assessment. Masters Thesis. School of Agricultural & Resource Economics. University of Western Australia.

Ferris A and Malcolm B (1999) Sense and Nonsense in Dairy Farm management Economic Analysis, Proceedings 43rd Annual AARES Conference.

O'Connell, M., Bathgate AD & Glen NA (1999) The value of information from research to enhance testing or soil monitoring of soil acidity in Western Australia, SEA Working Paper 99/06, Agricultural and Resource Economics, University of Western Australia.

Pannell D. (2006) Flat earth economics: The far reaching consequences of flat payoff functions in economic decision making *Review of Agricultural Economics* (28(4), 553-566

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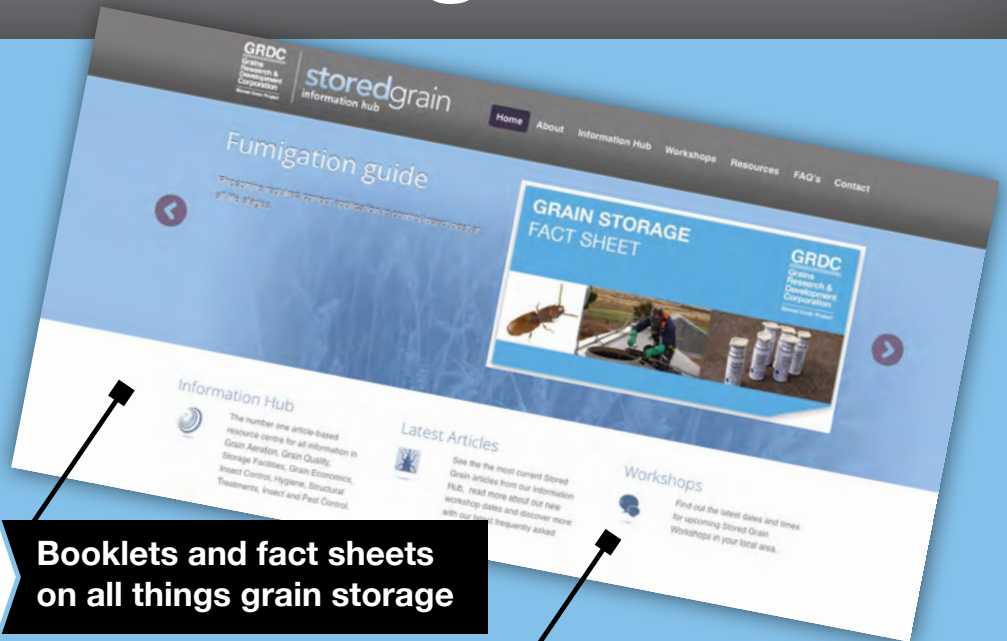




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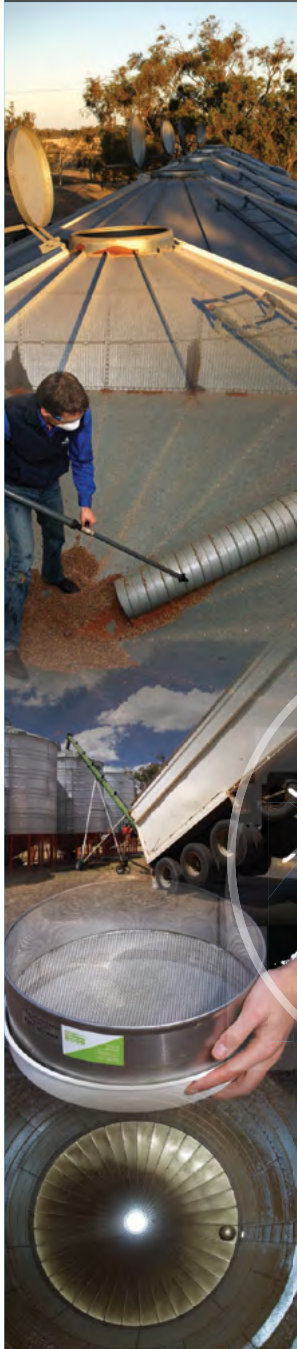
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# Profit drivers in the Lakes district of Western Australia – a case study

Steve Curtin.

ConsultAg.

## Keywords

- profit drivers, profit, yield, price, expenditure.

## Take home messages

- A basic understanding of key business ratios is necessary to benchmark your business. There are three main drivers to profitability in any farming business – yield, price and expenditure.
- Yield for both cropping and livestock enterprises is the most important driver of profit.
- Key ratio long term trends are important in identifying the main changes required for farm enterprises as they respond to changing seasons and commodity prices.
- Farm operating costs have risen over recent years, but reasonable to good seasonal conditions have meant farm incomes have increased also. Consequently, businesses are recording good profits and have improved their financial position.
- In the Lakes area of Western Australia, farming businesses are performing just as well financially as Northern and Central wheatbelt farmers despite more adverse seasonal impacts such as drought and frost.

## Background

The Lakes area of Western Australia is a farming district with distinct characteristics distinguishing it from other farming areas within Western Australia. ConsultAg consultants have many clients in this area and each year clients are analysed for their Client Averages Report which enables them to compare their business with others in the same environment and season. The report enables farmers to identify key areas where they are not performing and make changes if needed.

The main financial parameters for farmers to focus on when analysing their business are profitability, equity and liquidity. The relevant numbers in any one year are not as important as the trend over time. These three measures collectively provide insight to any business and all three should be performing well to confirm your business is making progress. The results presented in this paper summarise 10 years of data from 2007 to 2017 for 38 farm businesses. From this data it can be seen how farmers, and the area as a whole, have responded

to seasonal influences, commodity prices, crop and enterprise choice and variety improvements. All with the aim of improving profitability.

An Annual Financial Review is the best way to measure the performance of any farming business. Any analysis will need a Cash Flow Budget (liquidity), Statement of Position (assets, liabilities and equity), and Profit Analysis including calculation of the Return on Capital (ROC).

Cash Flow Budget and Statement of Position are discussed in more detail in Appendix 1.

### *Profit analysis*

Profit is the income left over after all operating, personal, depreciation and financing costs are covered. The amount remaining is referred to as Profit or Earnings Before Interest and Tax (EBIT) which is used to pay the tax bill, reduce debt or pay for capital items such as farm land, plant or off-farm investment. Table 1 shows a basic calculation for Profit. Farm operating costs are 58% of Income at \$1,900,000. EBIT allows a business's profit



to be compared with other businesses without consideration for the costs of borrowing which can vary widely between farmers. EBIT is then used to calculate the Return on Capital (ROC). In this case if the farm has total assets of \$10,000,000 then the ROC would be 9% (\$900k/\$10m).

With the basic parameters of farm analysis established, it is possible to look in more detail at trends within the Lakes farming district of Western Australia over the last 10 years. A recent analysis for the Australian Association of Agricultural Consultants (WA) (AAAC (WA)) also compared trends over time for the Lakes area and the Northern and Central wheatbelt areas. This is discussed in this paper within the Comparison with other areas section.

## Results and discussion

A selection of key ratios from 10 years of client averages was used to analyse trends within the district and to identify the key drivers of profit for farming businesses. This is particularly relevant in an environment of ever-increasing farm costs and

current relative high commodity prices. The selected data is detailed in Appendix 2. Table 2 summarises some of the key ratios over the 10 year period and the more recent five year period since 2013.

### Profit and Return on Capital (ROC)

Profit is about margin. It is the difference between the income received and the amount spent to achieve that income. Expenditure includes all operating costs and overheads, personal costs, lease and machinery depreciation.

Profit (EBIT) can then be spent on debt repayments (including machinery financed), interest and off farm investments.

Profit has varied widely over the last 10 years depending on seasonal influences; ranging from -\$100/ha in the drought years to \$162/ha in the good years (Figure 1). An average of \$37/ha includes all years with droughts and frosts but hides the recent performance of farms in the area since 2013. Since then the five-year average is \$88/ha.

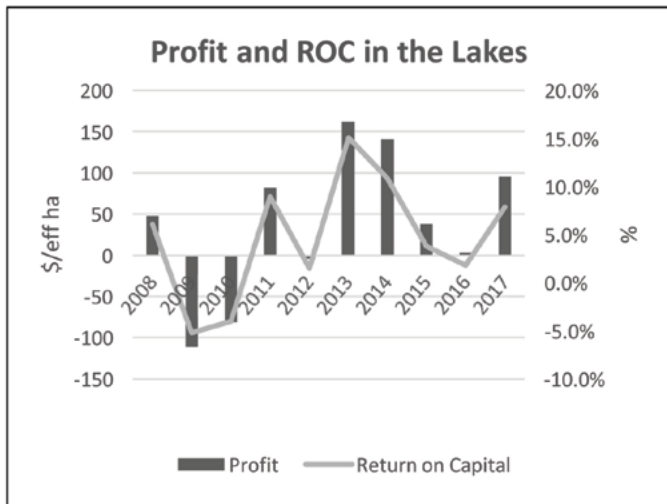
**Table 1: Basic Profit calculation.**

<b>Total Farm Income</b>		<b>\$3,300,000</b>
Variable Costs	1,700,000	
Overheads	200,000	
<b>Total Farm Operating Costs</b>		<b>1,900,000</b>
<b>Farm Operating Surplus</b>		<b>1,400,000</b>
Drawings Actual		220,000
Machinery Allowance		160,000
Farm Lease		120,000
<b>Farm Profit or EBIT (before interest &amp; tax)</b>		<b>\$900,000</b>
Interest Costs		\$200,000
<b>Farm Profit or EBT (before tax)</b>		<b>\$700,000</b>

**Table 2: Key farm ratios (2007-2017).**

Ratio	Average (10 yr)	Average (5 yr)	Range over 10 years
Farm income (\$/ha)	\$372	\$446	\$191 - \$487
Operating costs as % of Income	71%	62%	49 - 106%
Yield Wheat (t/ha)	1.77	2.06	0.72 - 2.4
Profit (\$/eff ha)	\$37	\$88	-\$100 - \$162
Stocking Rate (DSE/wgha)	3.5	3.43	3.2 - 4.1
Return on Capital %	4.7%	7.9%	-5.2 - 15.1%
Lambs %	84%	88%	76 - 91%
Wool (kg/wgha)	15	16.7	9 - 18.6





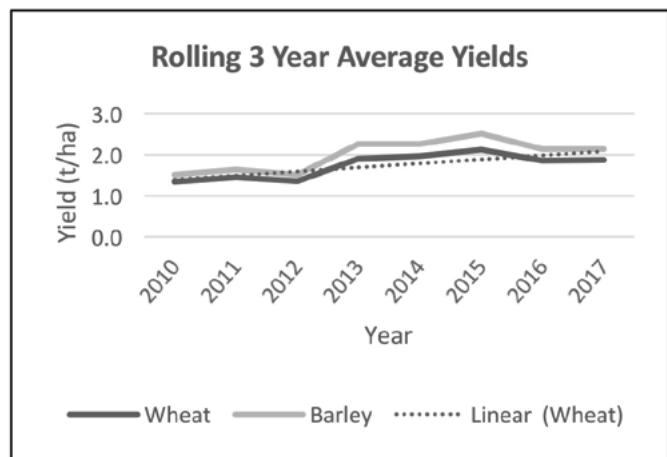
**Figure 1.** Profit (\$/effective ha) and Return on Capital (%) in the Lakes area of WA

Most businesses are a mix of crop and livestock enterprises with 75% having sheep as their livestock choice. Mixed farming enterprises still have a high proportion of their profit as cropping income. The average was 82% crop income despite the recent high sheep and wool prices. Income % from cropping ranged from 74-91% depending on the season. Sheep income was higher in the poorer cropping years of 2010 and 2016.

The ROC has averaged 4.7% over 10 years but in the last five years has risen to 7.9% and shows the influence of better seasons since 2013. In the previous five years the ROC was a dismal 1.5%.

### Yield

Yield remains the main driver of profitability that farmers have control over. Yields have been steadily increasing over the last 10 years. Figure 2 shows the rolling three-year average for wheat and barley yields. For the first time in this area, wheat has achieved a five-year average yield higher than 2t/ha. This would have been unprecedented 10 years ago.

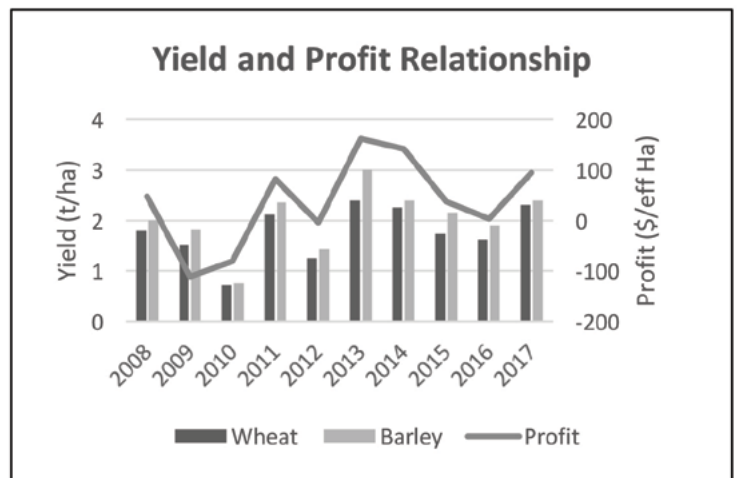


**Figure 2.** Cereal yields over a rolling three-year average.

The Lakes area has shown a 9% decrease in growing season rainfall (GSR) over the last 10 years decreasing from 250mm to current average of 223mm. At the same time there has been an increase in efficiency of wheat production from 6.5 to 9.2 as measured by kg/mm GSR. Farmers have actively stored any summer moisture with stubble cover retention and weed control, dry sown crops and incorporated other practices which have allowed them to be more efficient in utilising rainfall and stored moisture. Wheat yield increase due to variety has not been a major factor over time, but barley varieties have improved substantially in the last 10 years. Combine that with improved agronomic practices regarding fertiliser and disease management and yields have been lifted overall, allowing farmers to keep up with rising costs.

Price obviously has also a big part to play in determining profit, but farmers have no control over the market other than to make sure that grain is sold at a price which makes a profit.

Figure 3 shows the relationship between yield and profit and indicates that there is a good relationship. The message is clear that farmers should focus their efforts on maximising yields.



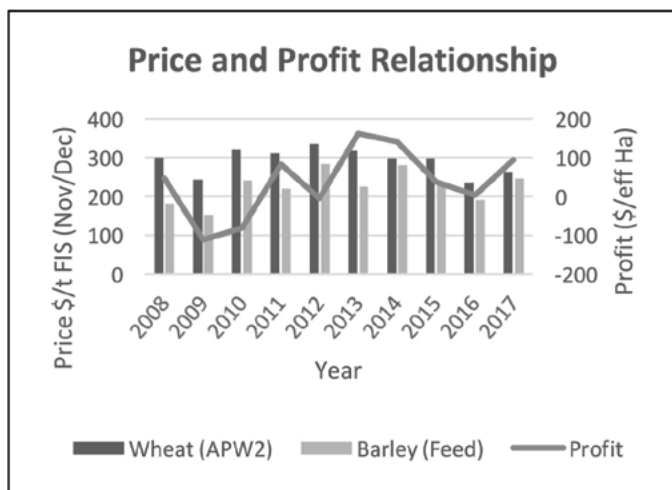
**Figure 3.** Relationship between yield and profit over 10 years.

### Price

The prices received for grain and livestock have an influence on profit but as mentioned previously are not the main determinant of profit. Figure 4 shows the relationship between price and profit and indicates that it is a poor relationship.

Certainly, price makes the good yielding years better but does not have as much impact on profit in the poorer yielding years. The data suggests that a focus on yield provides the best return for your effort followed by price.

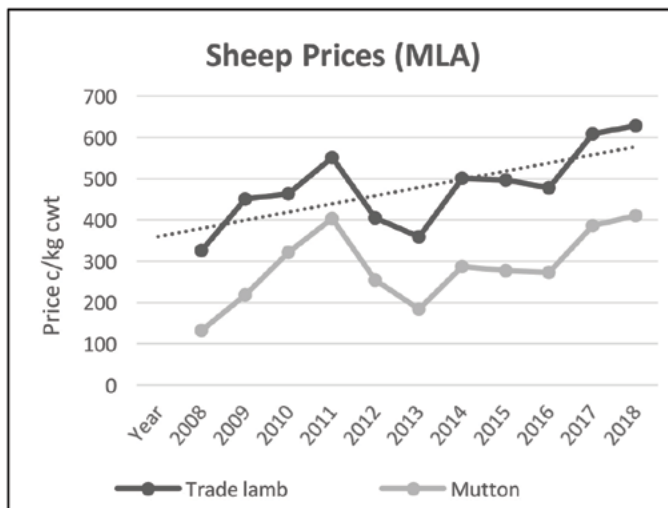




**Figure 4.** Relationship between price and profit (2008-2017).

This is not saying farmers should not have a marketing plan or stay aware of prices. Quite the contrary. All farming businesses need to know the price at which they make a profit at any level of yield. This is usually done at budget time each year when average yields and long-term prices are used to produce a Cash Flow budget. This takes into account yield, price and expenses of the business. Analysis can then be carried out to determine the price level at which a desired and reasonable profit is produced. A reasonable guide should be at least 5% ROC. This then allows the business to lock in a profit if/when these prices are achieved during the season depending on production expectations as the season unfolds. It also takes away any uncertainty as to what is a good price or not.

Sheep and wool prices have improved markedly over the last 10 years and have had a big impact on sheep profitability. Figures 5 and 6 show the prices of wool (WMI) and two different classes (trade lambs and mutton) of livestock (MLA) over the last 10 years and show that prices have doubled over that time.



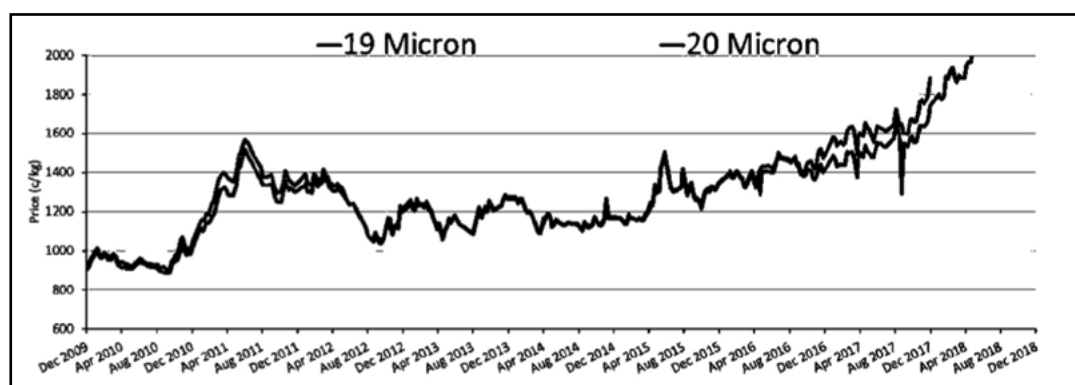
**Figure 5.** Livestock prices (cents/kg cwt) over 10-year period (Source: MLA).

Price has also influenced how efficiently farmers run their sheep and even the type of sheep they run. Recent better prices have encouraged farmers to put more effort into livestock production with a corresponding lift in key production ratios as outlined in the section on Enterprise trends. But the same applies to livestock as cropping. Get the yield per hectare right first and price second.

### Operating Costs

Expenditure is the third component which impacts profit. How much of this expenditure is yield increasing and how much is not necessary, is important to identify.

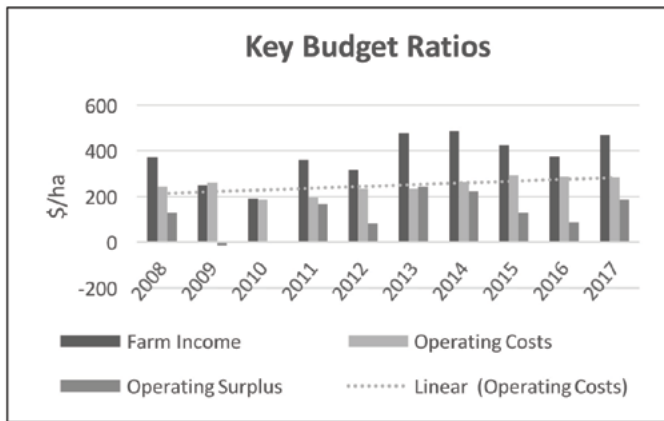
Figure 7 shows the increase in Operating Costs over the last 10 years. Income is included also and it can be seen that, despite the increase in costs, farm income (yield by price) has kept pace. Operating costs as a % of income has averaged 71% over 10 years and 62% over the last five years which have been better seasons.



**Figure 6.** Wool Prices (Net sweep the floor cents/kg) over 10 year period (Source: WMI).







**Figure 7.** Farm Income, Operating Costs and Operating Surplus over 10 years.

Essential items which consistently increase in budgets are inputs such as fertiliser, chemical, fuel, repairs, labour and more recently stock expenses. Table 3 highlights the percentage increase of three selected items of Operating Costs calculated from a rolling three-year average to even out any extreme years. The actual dollar amount cost increase is shown as well as the increase as a percentage of operating costs. This shows a smaller relative increase because all costs are increasing.

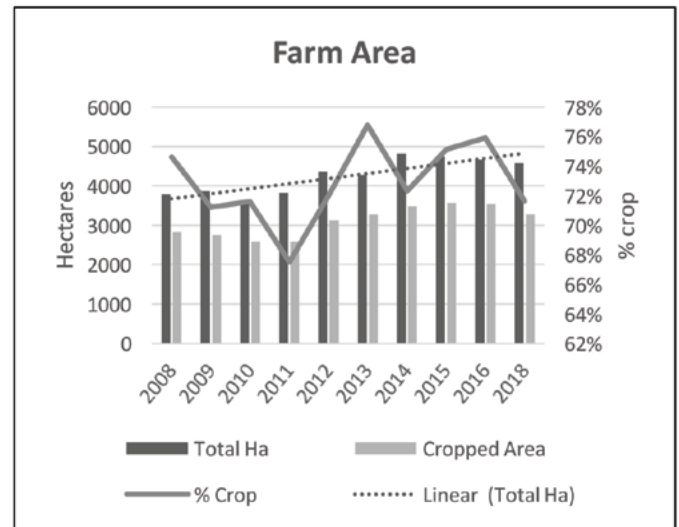
One measure of efficiency that hasn't changed over the years is labour productivity. Tonnes of grain produced/labour unit has remained around 2,500t/labour unit and shows good utilisation of available labour. It is the cost of labour that has increased over the time period.

While costs have increased substantially in terms of \$/ha, the actual increase as a % of Operating Costs is a smaller amount. Using a similar analysis, the dollar amount of drawings or personal expenditure has increased by 29% over the last 10 years, but as a % of Income it has actually dropped by 32%. This highlights the increase in income from the more favourable seasons in recent years

### Return on Capital

Return on Capital (ROC) is a key measure to ensure the business is making enough profit to invest in further expansion, off farm assets and pay down debt. Farms with profitable leases usually generate higher returns as the land is not included as an asset. However, the amount of leased land

has not grown over the 10 year period indicating the amount of leased land available is reasonably constant. What has grown substantially for the Lakes area is land ownership over the last 10 years. This is due in part to the better seasons since 2013 and resulting profitability of farming in the area. As land has become available it has been competitively sought after by neighbours and outsiders keen to increase their holdings. Figure 8 shows that average arable area farmed has increased from 3,800ha 10 years ago to 4,600ha – an increase of 21%. This is in strong contrast to other farming areas which have undergone more modest area increases.



**Figure 8.** Total area owned and area cropped

This increase in area farmed has also meant that there has been a substantial upgrade in machinery capacity over the last 10 years. In 2008, machinery ownership was \$288/cropped ha. In 2017 it was \$499/cropped ha and has averaged \$436/cropped ha over the last five years since the run of good seasons starting in 2013. The Lakes area has finally caught up to the Central and Northern wheatbelt areas.

### Enterprise trends

With the change in prices, improvement in barley yields and the increased level of risk from climatic factors such as frost, there has been a change in enterprise mix over the last 10 years in order to reduce risk and maintain profitability.

**Table 3:** Increase in selected expenditure items from Operating Costs over a 10 year period (2007 – 2017).

	Repairs (\$/crop ha)	Stock Expenses (\$/pasture ha)	Labour (\$/ effective ha)
3 Year Average (2017)	\$32.70	\$124.50	\$20.70
Increase (\$/ha)	46%	50%	86%
Increase (% Op costs)	17%	20%	49%



### Cropping

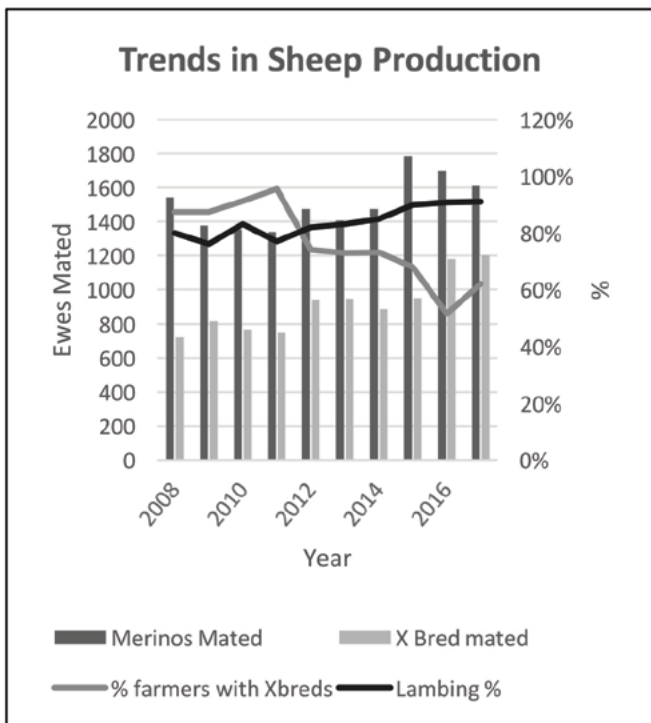
The Lakes area has seen a change in cropping mainly from wheat to barley. This is due to barley's higher yield potential through improved varieties and its relative safety under frost prone conditions compared to wheat. Farmers are now sowing it as a primary crop in the rotation rather than a secondary crop after wheat.

Barley is also able to be sown earlier and so takes the place of early sown wheat which is a high frost risk. Wheat now takes up 40% of cropped area compared to 60% 10 years ago. In the same time barley has increased from 20-25% to 35% of cropped area. Alternative crops such as canola and lupins have remained consistent at 8-9% of cropped area.

### Sheep

Seventy-five per cent of farmers in the Lakes area still utilise sheep as an enterprise option. Sheep have a lower input cost compared to cropping and have minimal seasonal risk especially at the conservative stocking rates being run.

Figure 9 shows the change in flock composition over the last 10 years which can mainly be attributed to increases in both meat and wool prices. Less farmers are running crossbreds now but those who still do, have increased their crossbred matings.



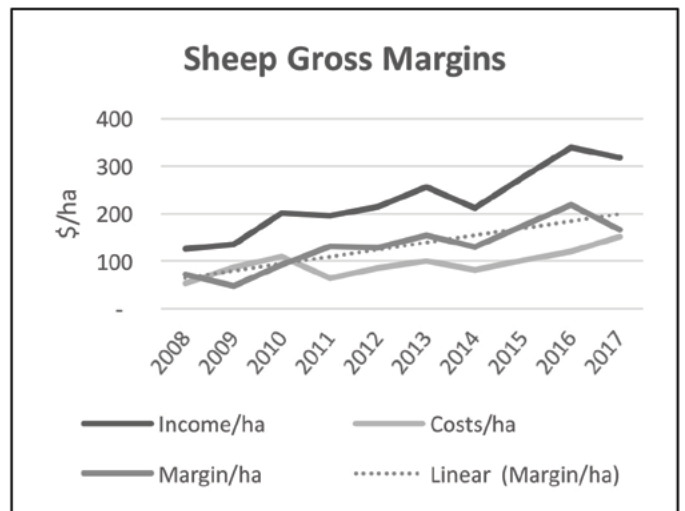
**Figure 9.** Trends in sheep production ratios.

There has been a 20% increase in merinos mated. Interestingly, with the higher prices, farmers are now improving their sheep performance (yield) with

lambing rates increasing from 80% to 90% and wool cut/winter grazed hectares (wgha) increasing by over 20% to 17kg/wgha.

A common question is whether sheep gross margins are now better than crop at current pricing. Although margins have increased by over 260% from \$71/ha to \$187/ha it is unlikely, given that cropping has also improved at the same time.

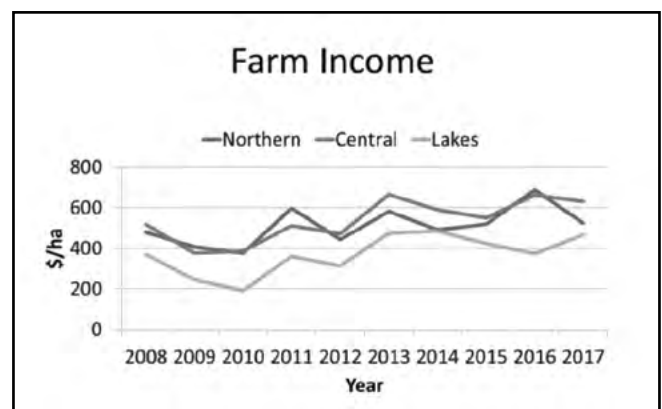
Figure 10 shows the steady increase in sheep income, costs and gross margins over the last 10 years.



**Figure 10.** Sheep income, costs and gross margin.

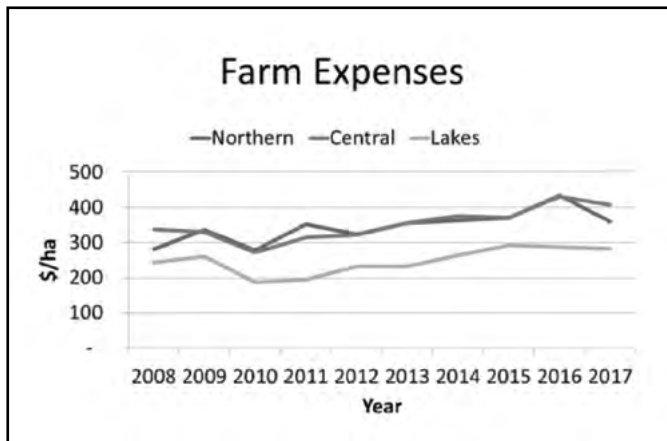
### Comparison with other farming areas

Figures 11, 12 and 13 compare the Lakes area with farms in the Central and Northern wheatbelts. It is obvious that we have had more production hiccups over the last 10 years but importantly, our strength is we have been able to keep operating expenses down compared to other areas. Part of this is the environment effect where we have less diseases and generally lower weed control costs. Looking at the important indicator of Operating Surplus it is clear the area is keeping up with other farming areas in all but the dry and frost impacted years.

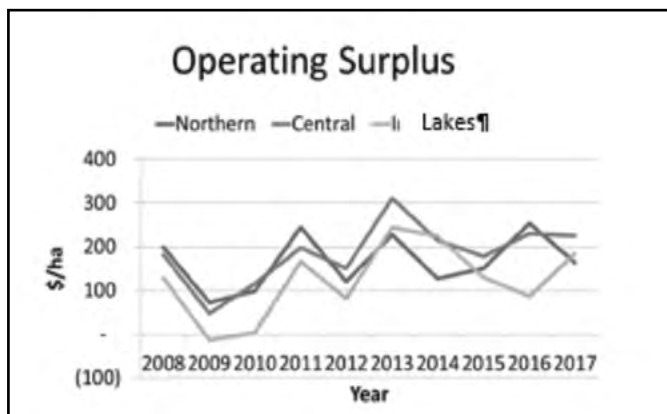


**Figure 11.** Farm income in different zones





**Figure 12.** Farm expenses in different zones.



**Figure 13.** Operating surplus in different zones.

## Conclusion

Despite the increase in costs over the last 10 years the increase in income has been able to keep pace. The combination of higher yield and prices and generally lower costs of production when compared to other higher input farming areas has allowed businesses in the Lakes area to return their businesses to a more secure level of equity which will help buffer them for the next poor season.

In summary

- Yield is still the main determinant of profit.
- Businesses have increased their scale of operation by increasing farm size which reduces overhead costs/ha. It has also meant a rush to acquire additional machinery capacity.
- Given the recent good position most farm businesses find themselves in, it is important not to get caught up in the euphoria of the Northern wheatbelt. Southern areas will still return reasonable profits due to good prices and it is critical that farmers be strategic in allocating any extra profits.

- Prioritise any profits to secure the financial position of the business to be able to take advantage of any future opportunities that may present.

Future opportunities for the area include more changes to enterprises to include chemical fallow, oats and hay for added diversity and lower frost risk and improvements in livestock management while sheep and wool prices remain high. In the Lakes area there has also been an increase in rejuvenation of ironstone and gravel soils with liming and reconditioning which has brought previously problematic areas into production. This trend is set to continue.

## Useful resources

ConsultAg client averages 2008-2018. Internal annual publications for ConsultAg clients

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## Appendix 1

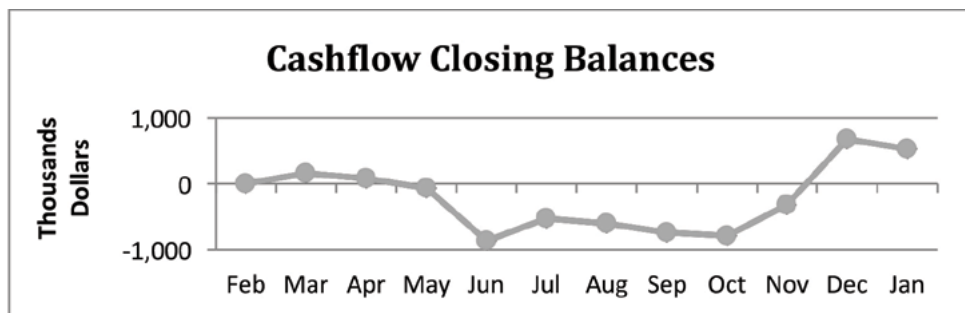
### Cash Flow Budget

The important items in the cash flow budget are the Operating Surplus and the Cash Surplus. Table 1 shows two different farms with different Operating Costs which determines the Operating Surplus. This then determines how much a business has to spend on the 'other' parts of the business. Once this is done the business is either left with a surplus (Farm A) or a deficit (Farm B).

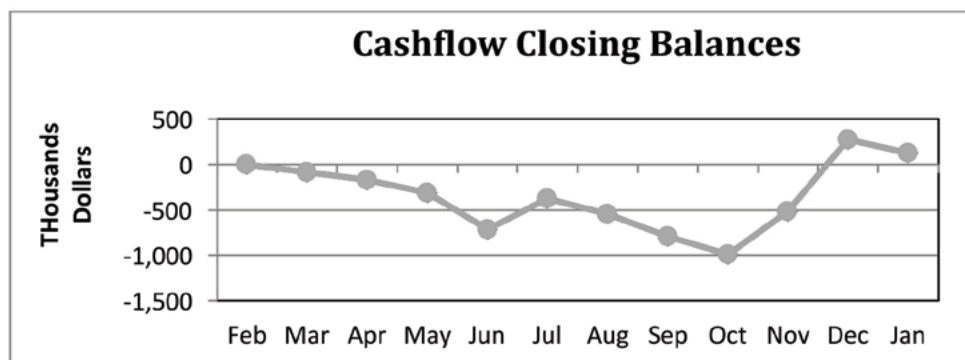
<b>Table 1: Summary of Cash Flow Budget for two farming businesses. Numbers represent cents in the dollar.</b>		
	Farm "A"	Farm "B"
Income	100	100
Operating Costs, Overheads	60	75
Operating Surplus	40	25
Drawings	10	10
Tax	5	2
Plant	5	5
Finance	10	10
Capital	5	-
Off-Farm	2	-
Cash Surplus/Deficit	3	-2

### Liquidity

Good liquidity is the ability to pay for expenses when they are due or as the season dictates. It is access to funds or borrowing capacity. It allows businesses to take advantage of opportunities during the season and is necessary for long term growth. Figure 1 shows a business with good liquidity and Figure 2 represents a business with poor liquidity.



**Figure 1.** Working Capital \$1m, Borrowing Limit \$1.7m, Cash Surplus \$500,000.



**Figure 2.** Working Capital \$1m, Borrowing Limit \$1m, Cash Surplus \$128,000



## Appendix 2

**Table 2: Ten year summaries of selected ConsultAg Client Data.**

Parameter	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Effective area farmed (ha)	3,790	3,861	3,595	3,812	4,346	4,269	4,814	4,744	4,655	4,570
GSR (mm)	320	203	115	280	142	236	312	199	214	204
Total crop hectares (ha)	2,827	2,750	2,575	2,574	3,129	3,278	3,481	3,564	3,534	3,275
Livestock hectares (ha)	963	1,111	1,020	1,238	1,217	991	1,333	1,180	1,121	1,295
Cropping % (% arable)	75%	71%	72%	68%	72%	77%	72%	75%	76%	72%
Livestock area (% arable)	25%	29%	28%	32%	28%	23%	28%	25%	24%	28%
Wheat (% ha cropped)	54%	58%	59%	60%	51%	50%	47%	46%	39%	38%
Barley (% ha cropped)	30%	25%	22%	27%	29%	30%	31%	33%	36%	34%
Canola (% ha cropped)	8%	11%	11%	10%	13%	15%	14%	13%	13%	13%
Lupins (% ha cropped)	8%	11%	8%	8%	10%	9%	9%	8%	9%	7%
Wheat yield (t/ha)	1.8	1.52	0.72	2.11	1.25	2.39	2.26	1.73	1.62	2.3
Barley yield (t/ha)	2	1.82	0.76	2.36	1.43	3	2.39	2.15	1.9	2.4
Canola yield (t/ha)	1.2	0.77	0.28	1.03	0.69	1.42	1.16	0.87	1.11	0.7
Lupin yield (t/ha)	1.1	0.85	0.26	1.41	0.67	1.89	1.4	0.86	2.18	1
Farm income (\$/eff ha)	372	247	191	361	314	477	487	424	374	468
Operating expenses (\$/ha)	243	261	187	195	232	232	264	293	288	283
% Operating Costs	65%	106%	98%	54%	74%	49%	54%	69%	77%	60%
Operating surplus (\$/eff ha)	129	-14	3.5	166	82	244	223	130	87	185
Farm assets (\$/eff ha)	1401	1794	1434	1539	1445	1565	1637	1554	1606	1709
Farm liabilities (\$/eff ha)	242	332	304	390	385	361	330	332	372	382
Equity (%)	83%	81%	79%	75%	73%	77%	80%	79%	77%	78%
Profit (EBT/eff ha)	48	-111	-81	82.2	-4.24	162	141	37.75	2.95	95
ROC % (EBIT)	6.1%	-5.2%	-4.0%	9.0%	1.5%	15.1%	10.9%	3.8%	1.8%	7.9%
T grain /labour unit				2,527	2,345	2,310	2,767	2,614	2,414	2,469
Labour cost (\$/crop ha)	11	12.7	9.71	10.75	13.67	12.84	16.34	15.97	22.17	24
Labour (% operating Costs)	4.5%	4.9%	5.2%	5.5%	5.9%	5.5%	6.2%	5.5%	7.7%	8.5%
Total lease (ha)	1,000	1,185	1,047	1,317	1,424	1,386	1,213	1,349	1,408	1,179
Wool production (kg/wgha)	18.2	13.7	11.9	9.1	13.3	15.5	16.9	15.5	18.6	16.8
Stocking Rate (DSE/WGHa)	4.1	4.1	3.5	2.73	3.21	3.48	3.19	3.57	3.41	3.5
Lamb %	80%	76%	83%	77%	82%	83%	85%	90%	91%	91%
Merino Ewes Mated	1,543	1,377	1,353	1,337	1,475	1,407	1,473	1,781	1,695	1,609
X bred ewes mated	723	815	765	746	941	948	888	952	1180	1202
Farmers with Xbred (%)	88%	88%	91%	95%	74%	73%	73%	68%	52%	62%
Farmers with Sheep (%)	73%	73%	68%	63%	69%	68%	68%	68%	78%	76%
Sheep Income (\$)	49,586	75,467	127,038	112,235	139,729	125,811	162,024	178,850	191,457	206,666
Wool Income (\$)	71,657	74,528	78,549	130,227	120,936	127,163	120,607	147,073	188,655	204,630
Sheep expenses (\$)	51,215	96,257	111,700	79,299	105,018	100,130	109,521	119,943	134,646	196,357
Pasture area (ha)	963	1,111	1,020	1,238	1,217	991	1,333	1,180	1,121	1,295
Sheep Income (\$/ha)	126	135	202	196	214	255	212	276	339	318
Sheep Expenses (\$/ha)	53	87	110	64	86	101	82	102	120	152
Sheep Gross Margin (\$/ha)	73	48	92	132	128	154	130	175	219	166

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# Farming for profit - focussing on the drivers and breaking down the barriers to profit

David Williams and Brent Searle.

BJW Agribusiness.

## Keywords

- return per ha, cost of production, income variability, enterprise mix.

## Take home messages

- The driver for increasing profitability is lifting return per ha for all enterprises.
- Five year's average cost of production has remained relatively flat.
- Top 25% of farm businesses spend between 20% and 50% more than the average. Much of the extra cost is found in fertiliser.
- Businesses need to have clear purpose and each stakeholder should be clear on individual roles and responsibilities.
- Understand capacity of land to accommodate different enterprise mixes.
- The key to lifting profit is to determine what are the best return on investment decisions for your farm.

## Background

There remains a big difference in the profitability of the average business and the Top 25% in benchmarking surveys of the Western Australian wheatbelt. Having a clear business direction and strategy can increase the potential for profit by ensuring all stakeholders have clarity about their role and responsibilities. Undertaking careful analysis of financial and physical attributes of farming businesses will help with decision making with regard to achieving improved profitability. Having a decision-making process that follows basic scientific principles and a clear understanding of return on investment for adoption of new technology can increase profitability considerably.

## Current trends in business performance – income, costs and profit

Prudent cost management is critical to business success. However, this is not the ultimate driver of farm profitability. The ultimate driver of farm profitability is the gap between income and expenditure. To increase the gap between income and expenditure an understanding of the limitations to production need to be established, and investment made where a positive return on that investment can be achieved.

Table 1 and Table 2 show returns from the High Rainfall 2 and Medium Rainfall 2 zones from 2013 to 2017 Planfarm Bankwest survey results. The tables show that the operating surpluses for the Top 25% are consistently and substantially higher than the average.



**Table 1: High Rainfall Region 2 – income and cost comparison.**

	2013		2014		2015		2016		2017	
	\$/ha Average	\$/ha Top 25%	\$/ha Average	\$/ha Top 25%	\$/ha Average	\$/ha Top 25%	\$/ha Average	\$/ha Top 25%	\$/ha Average	\$/ha Top 25%
<b>TOTAL FARM RECEIPTS</b>	\$658	\$1,031	\$684	\$1,079	\$542	\$966	\$635	\$1,042	\$664	\$893
<b>TOTAL OPERATING COSTS</b>	\$416	\$565	\$467	\$711	\$376	\$523	\$437	\$606	\$431	\$520
<b>FARM OPERATING SURPLUS</b>	\$242	\$447	\$217	\$368	\$165	\$443	\$198	\$435	\$232	\$372
<b>Fertiliser Costs</b>	\$88	\$133	\$103	\$161	\$98	\$153	\$105	\$134	\$88	\$98

**Table 2: Medium Rainfall Region 2 – income and cost comparison.**

	2013		2014		2015		2016		2017	
	\$/ha Average	\$/ha Top 25%	\$/ha Average	\$/ha Top 25%	\$/ha Average	\$/ha Top 25%	\$/ha Average	\$/ha Top 25%	\$/ha Average	\$/ha Top 25%
<b>TOTAL FARM RECEIPTS</b>	\$661	\$902	\$563	\$772	\$599	\$790	\$678	\$866	\$580	\$925
<b>TOTAL OPERATING COSTS</b>	\$392	\$471	\$395	\$465	\$402	\$453	\$459	\$512	\$399	\$512
<b>FARM OPERATING SURPLUS</b>	\$269	\$430	\$168	\$307	\$197	\$336	\$219	\$353	\$181	\$412
<b>Fertiliser Costs</b>	\$90	\$123	\$96	\$122	\$93	\$113	\$107	\$125	\$87	\$129

Fertiliser costs account for on average 22% of the higher costs incurred by the Top 25% farm businesses, and total costs are up to 60% higher than the average. As the Top 25% yield more per ha than many of the other businesses, cost increases are part of the increased yield. For example, higher diesel, cartage, CBH charges, etc.

### Key to long term success and profit

One of the key features of a strong and profitable family business is the understanding and ongoing consideration of the long-term strategic direction of the business. This involves engaging with all stakeholders and as a consequence there is a clear focus on what the roles and responsibilities are for each person within the business. A strategic view of a business involves:

- Regular review of where the business is now and where it is heading – vision and goal setting.
- Review of the key business areas – cash flow, capital investment, agronomy, tax management, succession planning, business expansion, human resources, enterprise mix, sales of produce, financing of the business, risk management, etc.

Increasing profit consistently involves analysis, planning and monitoring of performance. This process is ongoing, involves all people in the business (family and staff) and has the consequence of increased engagement and enthusiasm among key stakeholders – teamwork.

As businesses have grown in size and complexity, one of the key areas that can increase profit for the business is the successful employment of highly capable staff. Ensuring that staff have a clear understanding of the long-term direction of the business, their role in that business and continuously providing both formal and informal feedback to them is a critical part of increasing profit and developing the capacity of the business.

### Enterprise mix

The recent lift in prices received for meat and wool has resulted in many asking the question about whether sheep numbers should be increased or reintroduced into the farming system. Table 3 and Table 4 shows a gross margin comparison between sheep and cropping options. On present prices, sheep offer a very profitable alternative to cropping options where stocking rates are high eight dry sheep equivalent (dse)/ha but cropping still wins where stocking rates are lower 5dse/ha.



**Table 3: Gross margins – crop versus merino sheep, high rainfall zone.**

	SHEEP - MERINO	WHEAT	FEED BARLEY	CANOLA (GM)
YIELD	8 dse/ha	3 t/ha	3.5 t/ha	1.6 t/ha
PRICE	\$13/kg Wool	\$290/t FIS	\$260/t FIS	\$520/t FIS
FARM RECIEPTS / ha	\$741	\$870	\$910	\$832
FARM OPERATING COSTS / ha	\$405	\$500	\$500	\$500
Net margin / ha	\$336	\$370	\$410	\$332

**Table 4: Gross margins – crop versus merino sheep, medium rainfall zone.**

	SHEEP - MERINO	WHEAT	FEED BARLEY	CANOLA (GM)
YIELD	5 dse/ha	2.4 t/ha	2.9 t/ha	1.2 t/ha
PRICE	\$12/kg Wool	\$290/t FIS	\$260/t FIS	\$520/t FIS
FARM RECIEPTS / ha	\$473	\$696	\$754	\$624
FARM OPERATING COSTS / ha	\$261	\$400	\$400	\$400
Net Margin / ha	\$212	\$296	\$354	\$224

The key to increasing profitability for the business is not necessarily individual gross margins but how the farming system has been developed with particular reference to the capability of the farm asset, capital infrastructure and skills of the people involved.

### Return on investment

One of the key principles to increasing profit within a farming business is understanding where the greatest return on investment can be achieved when considering alternatives to increase production. These alternatives must be considered based on scientific principles and objective measurement, not hearsay and sales talk.

There has been much focus on soil amelioration in recent years and this is a great example where some careful analysis is required for an individual

business to assess where the best returns can be achieved. The following analysis (Table 5) is taken from the recently developed Ranking Options for Soil Amelioration (ROSA) tool that considers the long-term return from adopting amelioration techniques such as liming, deep ripping, reducing non-wetting.

The ROSA tool has been developed and incorporates all of the trial data that has been accumulated over many years. It is critical that this type of analysis is conducted with consideration for the individual property and soil types. A detailed scientific soil testing program is required prior to undertaking any soil amelioration to provide an understanding of what soil constraints to productivity are present. There is no substitute for conducting on-farm trials to test the returns that can be achieved through the adoption of new technology.

**Table 5: ROSA analysis – sand, non-wetting, acidity.**

Rank	Five soil ameliorant options with highest Benefit Cost Ratios for this zone	Average benefit (\$/ha/year)	Average cost (\$/ha/year)	Net benefit (\$/ha/year)	Benefit cost ratio	Costs (\$/zone cumulative 10yrs)
1	Liming to address subsoil & Soil mixing (<40cm)	50	14	36	3.6	42,595
2	Deep ripping (> 40cm) & Liming to (<40cm) address subsoil & Soil mixing	120	33	87	3.6	102,584
3	Soil mixing (<40cm)	24	7	17	3.5	21,402
4	Deep ripping (> 40cm) & Soil mixing (<40cm)	83	26	57	3.2	81,391
5	Deep ripping (> 40cm) & Liming to address subsoil & Wetting agents	108	39	69	2.8	121,236



## Conclusion

The key to long term profitability of farming businesses is to understand the long-term strategic direction of the business, conduct thorough analysis of the key financial performance indicators, look for opportunities to enhance income of all enterprises and adopt a scientific and return on investment approach to adoption of new technology.

## Useful resources and references

Bankwest Planfarm Benchmarks 2013:2017

BJW Agribusiness Gross Margins 2018


Drivers of Farm Profitability, Mike Krause, CEO P2Pagri. (GRDC Project Code AEs00006) (<https://grdc.com.au/resources-and-publications/all-publications/publications/2015/01/farming-the-business-manual>)

Drivers of Profitability in Farming Systems – “Production to Profit”. Josh Hollitt, Hollitt Consulting Pty Ltd, GRDC Updates 2013 (<https://grdc.com.au/resources-and-publications/grdc-update-papers/tab-content/grdc-update-papers/2013/03/drivers-of-profitability-in-farming-systems-production-to-profit>)

Ranking Options for Soil Amelioration ROSA, Elizabeth Petersen et al. GRDC and DPIRD project (<https://www.agric.wa.gov.au/managing-soils/ranking-options-soil-amendments-tool>); (<https://grdc.com.au/news-and-media/audio/podcast/rosa>)

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# Employing farm labour – practices, compliancy and minimising risks

*Stephen Park.*

*Pacer Legal.*

## Keywords

- farm labour, employment, compliancy, risks.

## Take home messages

- Know the jurisdiction that applies. Review your obligations regularly to ensure compliance. Document everything.
- Risk Management means labour hire needs to be planned and documented.
- Knowing your obligations and complying, means the employment relationship can be governed with minimal risk.
- Employment issues tend to surface in periods of high stress (i.e. seeding/harvest) and this is when policy and procedure is very important to avoid disruptions to your farm operations.

## Introduction

An employee turns the airwaves' blue over the two-way radio and calls into question their upbringing.

You consider this undermines your authority with other employees, causes your neighbours some mirth and is a continuation of several performance issues that have emerged with this employee over a period.

So, this is the final straw and you consider it a sackable offence.

Not so fast!

Employers engage employees within a complex employment regime which has two fundamental components:

1. A set of statutory rules which is designed to address a power imbalance between the employee and the employer and to enforce minimum standards of employee entitlements. This set of rules differs depending on which of the State or Commonwealth jurisdictions an employer is deemed to operate in.

2. An occupational health and safety regime, whereby all employers are required to take all reasonably practicable measures to protect the safety and health of their employees.

Regarding the statutory rules that apply, several considerations would need to be addressed and these are identified later in this paper when considering the two-way radio incident.

These considerations are irrespective of whether you are dealing with time sensitive operations; because as an employer you are always expected to maintain and manage the employment relationship in accordance with your Statutory obligations.

In this regard, farm business employers can be expected to be held to a high standard as there is an expectation that you have the resources, as a reasonably sized enterprise, to ensure compliancy with Statutory obligations and ignorance will not be excused.



## Statutory Jurisdiction under which you engage employees

To ensure compliance with the minimum standards of employment and to determine the set of rules which govern your employment relationship, you must identify the jurisdiction under which you engage your employee.

This must be determined as there are fundamental differences between the minimum standards that apply across jurisdictions and getting it wrong, can result in significant penalties and close examination by authorities of your employment practises.

If this sounds a little complicated and/or in the scheme of things, something that is better outsourced, I would recommend:

- Joining a professional body such as the Chamber of Commerce, which provides advisory services to members on the terms and conditions of employment;
- engaging consultants that are experienced in your industry and can provide guidance on the applicable minimum standards of employment and can assist in the preparation of employment contracts which comply with all statutory requirements; and
- contacting State and Commonwealth 'Helplines' for advice (discussion to follow).

## Determining jurisdiction – Western Australian or Commonwealth

To determine the jurisdiction under which your engagement of employees will fall and the respective minimum standards of employment that will apply, you must consider what entity engages your employees.

Western Australia's industrial relations system will have jurisdiction if you engage employees as a:

- Sole trader, i.e. L.A. Shuey t/a Norm Smith Enterprises; or
- Unincorporated partnership, i.e. A & J Simpson t/a Premier Farms; or
- Unincorporated trust arrangements, i.e. B. Sheppard atf The Livestock Trust.

The Commonwealth's industrial relations system will apply if your business engages employees in an:

- Incorporated company (including employees employed through a Trust where that Trust has a corporate trustee); or

- Incorporated partnerships (i.e. includes a company as a partner, whether in its own capacity or as trustee of a trust); or
- Incorporated associations and other not for profit incorporated bodies.

Once jurisdiction is determined, look to which relevant State or Commonwealth Act applies to the type of work that the employee does.

This involves:

- Firstly, reviewing the minimum standards of employment legislation that applies in each jurisdiction; and
- Secondly, checking to determine for specific Act's that apply to the type of work for which the employee is engaged.

## Commonwealth Standards

The **Fair Work Act 2009** sets minimum standards by which all employers in the Commonwealth jurisdiction must comply and these are:

- Maximum weekly hours are 38 hours per week for full time employees, plus such other hours as may be reasonable;
- Provision of parental leave of up to 12 months unpaid leave per employee, as well as the right to request an additional 12 months leave;
- Provision of annual leave being four weeks paid leave per year, plus an additional week for some shift workers;
- Personal/carer's leave and compassionate leave;
- Provision of community service leave on an unpaid basis for voluntary emergency management activities and leave for jury service;
- Provision of Long service leave for long term employees (refers to and applies the **WA Long Service Leave Act**);
- Public holiday leave i.e. a paid day off on a public holiday, unless reasonably requested to work.
- Notice of termination and redundancy pay; and
- A Fair Work Information Statement **must** be provided to all new employees.

In addition to these minimum standards, the Award system covers matters relating to specific industries and applies additional pay, hours of work, rosters, breaks, allowances, penalty rates and overtime considerations.



The Commonwealth **Pastoral Award** applies to businesses involved in the:

- Management, breeding, rearing or grazing of livestock;
- Sowing, raising or harvesting of broadacre field crops;
- Clearing, fencing, well and dam sinking and trenching in connection with livestock and crop management.

The Pastoral Act includes a classification system for minimum pay rates depending on the level of classification of duties for which an employee is engaged, including:

- From a Level 1 Farm and Livestock hand who works under direct supervision;
- To a Level 8 Farm and Livestock hand who is an employee who supervises others.

Thereafter the Pastoral Act provides that:

- A full-time employee can only work a maximum of 38 hours over any four-week period and any excess is deemed overtime requiring payment or equivalent time off; and
- If overtime is worked, the employer must provide a meal break 30 minutes before the overtime starts.

### *Record Keeping*

Every employer **must** maintain and keep for at least seven years, records which detail:

- Name and basis of type of employment (i.e. full-time, part-time or casual);
- Date of commencement; and
- Pay, overtime, hours of work, leave, superannuation contributions and termination of employment.

For assistance in determining Commonwealth Award pay rates, review the website <https://calculate.fairwork.gov.au/findyouraward> and/or call Fair Work Ombudsman on 13 13 94 for help on finding the right Award, calculating entitlements and how to resolve employment issues.

### *Western Australian Standards*

To employees engaged under the Western Australian jurisdiction, minimum conditions of employment are set by the **Minimum Conditions of Employment Act** ('MCE') and the **Long Service Leave Act** applies.

The MCE sets amongst other matters:

- Minimum pay rates;
- Maximum hours of work;
- Annual leave, sick leave, parental leave and bereavement leave provisions; and
- The employment records that an employer must maintain for each employee for at least seven years.

As with the Commonwealth provisions, an employer must consider if the minimum conditions are supplemented by an Act, and in Western Australia, the **Farm Employees Award** sets pay rates and employment conditions for full-time, permanent part-time and casual employees working as farm hands and farm tradespeople.

For further information, review the WA Industrial Relations Commission website or contact Wageline on 1300 655 266 for assistance in regards to Award identification and information on pay rates, employer record keeping obligations and long service leave accruals.

### **Unfair dismissal claims**

Each jurisdiction provides for consideration of unfair dismissal which in the Commonwealth jurisdiction is where an employee is dismissed in a harsh, unjust or unreasonable manner and that employee, who has been employed for at least six months, applies to the Fair Work Commission within 21 days of dismissal.

Taking the two-way radio incident introduced at the start of this paper. On the basis that the Commonwealth jurisdiction applies and that the employee had been provided with a simple employment contract which provided that:

- Pay was \$1,000.00 gross per week;
- If the employee 'needs time away due to illness, a suitable arrangement will be made between the employee and the employer'; and
- Keep is included; comprising of sheep/beef (as long as the employee is prepared to help with slaughter and packing) and paid electricity/ water (note the provision of 'keep' allows a lower pay rate to be paid than the minimum standards otherwise provide).





If the employee was terminated for reasons of unsatisfactory performance then matters to be considered to determine if such a termination was harsh, unjust or unreasonable would include:

- Is there a written policy against swearing;
- Has the employee been given any prior guidance over what is, and what is not acceptable behaviour on a two-way radio;
- Has the employer issued any prior formal warnings to that employee regarding behaviour of a similar nature and has the employee been given the opportunity to have a representative (this can be another employee) in your disciplinary meetings;
- How have similar instances (if any) of such behaviour been managed with other employees (if at all);
- Does the employer have a track record of behaving in a similar manner (i.e. they still talk about that incident when your son called you up over the two-way radio to let you know how he forgot to fold the auger on the chaser bin and your resulting poor reaction); and
- Are the employee's condition of employment compliant with statutory obligations?

The last point is very relevant, because often when the Statutory authorities become involved, all terms and conditions of employment are reviewed and, in this scenario, the employer would need to consider that:

- 'Keep' does not simply infer providing a house and with the employee's assistance, some beef or lamb. Rather 'keep' is 'access to good and sufficient living accommodation, sufficient rations of well-cooked and properly served, by the cook or the kitchen-hand and the Contractual provision has resulted in the employee being under paid; and
- An employer is not entitled to insert a provision relating to medical/illness that departs from the minimum conditions and in particular, an employee is entitled to 10 days sick leave per annum and there is no obligation to make 'arrangements' apart from when considered reasonable, i.e. informing the employer of the need to take sick leave.

## Conclusion

The engagement of farm employees is primarily undertaken to drive farm profits and to relieve the workload on you and your family members.

However, if I had a dollar for every time I heard from a business owner 'given the hassles and compliancy obligations, I wish I had not taken on so many staff', I would likely be a rich man.

Yet the sourcing of labour from outside the family group is now often unavoidable given the scale of operations currently operated by many, so there are practical advantages in minimising the instances of disruption caused by disaffected employees and the consequences that can arise from an unfair dismissal claim. This can be done by:

- Knowing and complying with your employment obligations;
- Having a concise set of employment practices and procedures; and
- Maintaining for seven years, a comprehensive set of employment records.

## Useful resources

<https://calculate.fairwork.gov.au/findyouraward>

Fair Work Ombudsman (13 13 94)

WA Industrial Relations Commission website (<https://www.wairc.wa.gov.au/index.php/en/>)

Wageline (1300 655 266)

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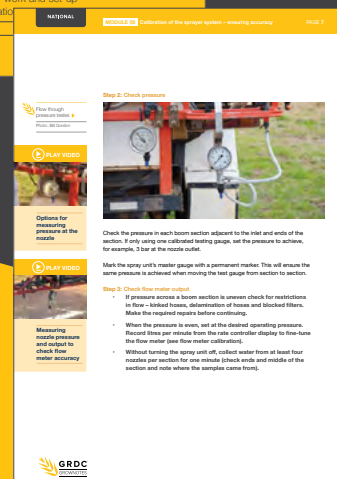
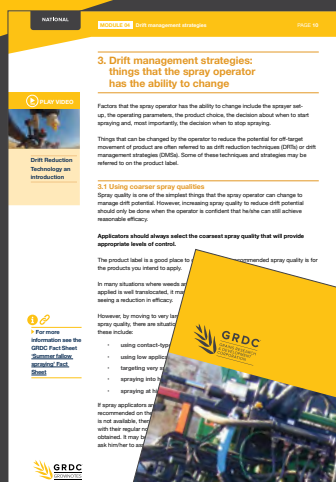
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# SPRAY APPLICATION GROWNOTES™ MANUAL



## SPRAY APPLICATION MANUAL FOR GRAIN GROWERS

The Spray Application GrowNotes™ Manual is a comprehensive digital publication containing all the information a spray operator needs to know when it comes to using spray application technology.

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# Mind your mind - looking after your number one asset

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## Keywords

- mind health, wellbeing, stress, sleep, farm.

## Take home messages

- Your mind health is just as important as your physical health and shouldn't be neglected.
- Mind health means keeping your brain and emotional health in tip-top shape.
- Use some or all of the nine evidence-based tips to keep yourself going well.

## Introduction

It is so easy to get caught up in the continuous cycle of work, sleep (sometimes not enough) and more work. Whether it's time for planting, spraying, harvesting, transporting, selling, shearing or machinery maintenance, as a farmer, you are constantly minding this side of your business.

After a while, your body and mind lets you know (for example; sore shoulders, tense neck, stomach issues, feeling anxious, being abrupt) that you need to pay attention to its needs. When this happens, you need to listen. Your mind and body need some rest. For just a few minutes a day you can find small ways to take care of yourself that doesn't cut into the busy farming program, your family life and helps you to feel more relaxed but also in control. To follow are nine helpful and easy to do tips to keep yourself going well, along with some resources and on-line sites to assist you.

### 1. Keep active

It is not a good idea to stop your exercise routine when you get busy and are under time demands. Exercise can boost your self-esteem and can help you concentrate, sleep, look and feel better with the effect lasting for up to 12 hours. It does this by releasing beta endorphins (the body's own feel good hormones). Endorphins repel stress, relieve anxiety and can reduce pain assisting you to feel

relaxed and positive as well as giving you heart and lungs a work out. Regular exercise also assists if you are suffering with depression or anxiety (Brumby et al., 2013; Szuhany, Smits, Asmundson and Otto, 2014).

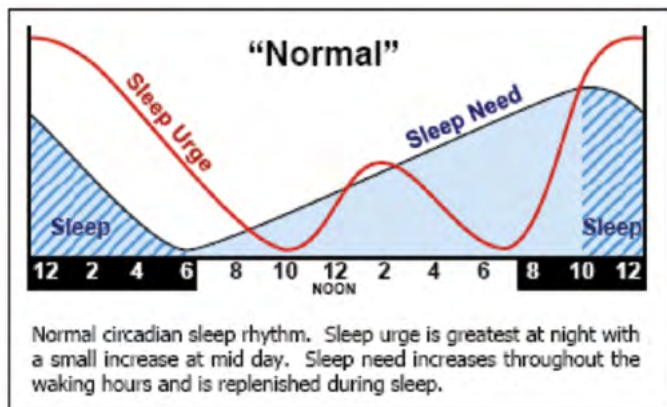
### 2. Eat well

What we eat can affect how we feel. Your brain needs a mixture of nutrients to stay healthy and function well, just like the other organs in your body. A diet that's good for your physical health is also good for your mental health (Sarris et al., 2015). There is amazing new data about the relationship between mood and food, microbiota (gut bacteria) and the role of nutrition in psychiatry and emotional wellness. If you are interested visit the Food and Mood Centre at Deakin University <https://foodandmoodcentre.com.au/diet-and-mental-health/>

### 3. Get enough sleep

When you're a busy worker on the land, or working to juggle the farm, family and off farm work, life is hectic. Seasonal challenges create havoc with our circadian rhythm and turn us into semi shift workers that work long hours. We don't give our bodies as much rest as we should, nor do we give our mind enough rest. Our urge to sleep is greatest at night with a small increase at midday. Poor performance is strongly linked to lack of sleep (Dorrian J and Almond T, 2017).





**Figure 1.** Normal circadian sleep rhythms (Source: *Sleep and Circadian Rhythms*, Pennsylvania State University).

But there are things you can do to help you get through busy times where sleep patterns are disrupted.

- If you know you are approaching a busy time where sleep will be less; prepare for it. Exercise, sleep well and enjoy a healthy diet. Load up on carbohydrates like preparing for a marathon.
- Take a short break. It may or may not improve performance, but it will reduce the subjective sense of being tired.
- Have a nap. Naps are most successful in the afternoon; however, typically your performance drops in the hour post nap, so avoid driving. Sleep inertia typically lasts 60 minutes post nap.

#### 4. Drink sensibly

We often drink alcohol to change our mood or to reduce pain. Drinking is not a good way to manage difficult feelings or pain. More than four standard drinks in one occasion is high risk consumption (National Health and Medical Research Council, 2009). Stay within the recommended alcohol limits and seek advice for any ongoing pain.

#### 5. Talk about your feelings

Talking about your feelings can help you maintain good mental health and gives you the ability to deal with times when you feel troubled (Beyond Blue, 2018). Research conducted with farmers and rural men who had suicidal thoughts and/or attempted to take their own lives reported that they wished they had talked about their thoughts and how they were feeling. If you are interested in hearing and seeing their digital stories, please go to <https://therippleeffect.com.au/>. As it was a research project there are still surveys to complete. For those people

going through tough times, you can listen to and watch inspiring stories from Inside the Farm Gate (<https://www.farmerhealth.org.au/inside-farm-gate>).

#### 6. Keep in touch

Strong family ties and supportive friends and community can help you deal with the stresses of life and lets you provide support to others. Staying socially connected is good for you, good for others (Saeri, Cruwys, Barlow, Stronge and Sibley, 2018) and good for your industry.

#### 7. Ask for help

None of us are superhuman. We all get tired and sometimes overwhelmed by how we feel or when things don't go to plan. Farmers are particularly good and very willing to help others, but not so good at asking or accepting help for themselves. The tendency is to not get support until things are desperate. For some simple tips to manage stress download a copy of *Managing Stress on the Farm* (Kennedy AJ and Brumby 2016). If you feel you need to get some advice but are finding it hard to get into town, visit [www.ifarmwell.com.au](http://www.ifarmwell.com.au), which provides access to a free online tool kit to help farmers cope with life's challenges and get the most out of every day. ifarmwell has been designed based on what Australian farmers have said they want and what research shows will help (University of South Australia, 2018).

#### 8. Take a break

A change of scene or a change of pace is good for your mental health and can increase productivity. It could be a five-minute pause from cleaning or driving the tractor, or a half-hour lunch break at work. A few minutes can be enough to de-stress, get space, get some movement in, grab some fresh air or take some deep breaths.... i.e. they don't call it having a breather for nothing! Give yourself some 'me time'. The evidence around taking a break to improve productivity is strong (Selig, 2017).

#### 9. Remind yourself that you are only human

Don't let deadlines get you down. Remind yourself of things you have accomplished and don't get caught up on the things that are out of your direct control. Focus on those things that you can change.

#### Conclusion

Your mind health is just as important as your physical health and shouldn't be neglected. Mind health means keeping your brain and emotional health in tip-top shape. It means looking after your number one asset – you!





## Useful resources and references

Beyond Blue. (2018). Men in rural and remote areas. Retrieved from <https://www.beyondblue.org.au/who-does-it-affect/men/what-causes-anxiety-and-depression-in-men/men-in-rural-and-remote-areas>

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## Emotional and Social Wellbeing Support Resources

### Helpline Contact Numbers

- beyondblue – 24hrs, 7 days a week – **1300 224 636**
- DirectLine -24hrs, 7 days a week – **1800 888 236**
- Family Drug Support – 24hrs, 7 days a week – **1300 368 186**
- Family Relationship Service – **1800 050 321**
- Gambler's Help – 24hrs, 7 days a week – **1800 858 858**
- Kids Helpline – 24hrs, 7 days a week – **1800 551 800**
- Lifeline – 24hrs a day, 7 days a week – **13 11 14**
- MensLine – 24hrs, 7 days a week – **1300 78 99 78**
- Men's Referral Service – **1300 766 491**
- Parentline Victoria – 8am – 12am, 7 days a week – **13 22 89**
- Relationships Australia – **1300 364 277**
- Rural Financial Counselling Service – **1800 686 175**
- Safe Steps – Family Violence Response Centre – **1800 015 188**
- Suicide Line – 24hrs, 7 days a week – **1300 651 251**
- Women's Information Referral Exchange (WIRE) – **1300 134 130**

### Contact details:

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National Centre for Farmer Health  
[susan.brumby@wdhs.net](mailto:susan.brumby@wdhs.net)  
03 5551 8460  
[www.farmerhealth.org.au](http://www.farmerhealth.org.au)  
[@farmerhealth](https://twitter.com/farmerhealth)

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Notes



# THE 2017-2019 GRDC WESTERN REGIONAL PANEL

JANUARY 2019

## CHAIR - DARRIN LEE



■ Darrin Lee is Managing Director and partner in Bligh Lee Farms, a mixed cropping and livestock farming operation, north-east of Mingenew.

He has a keen interest in digital agriculture, implementing a wifi network across the farm, adopting moisture probes, weather stations, remote sensing devices and digital analytics. Darrin has a value-adding project with Albus lupins through a 'paddock to plate' joint venture initiative. He has a background in banking and finance, and is a past member of the CBH Group Growers Advisory Council and previous Board member of Mingenew Irwin Group.

**M 0427 281 021** E [blighleefarms@bigpond.com.au](mailto:blighleefarms@bigpond.com.au)

## DEPUTY CHAIR - CHRIS WILKINS



■ Chris Wilkins is an agronomic and agribusiness adviser based in Badgingarra. He has 28 years' experience in WA agriculture,

including 20 years offering farm business, agronomy, farming systems and crop protection advice through his Vision Agribusiness Services company. Chris is also a director of agricultural consultancy business Synergy Consulting WA, and chairs the Council of Grain Grower Organisations Ltd.

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## GEMMA WALKER



■ Gemma Walker and her husband run a 4000 hectare mixed cropping and sheep property near Munglinup, in the state's south-east. In addition,

she has worked for many years managing farming systems groups to deliver development and extension activities. These included Mallee Sustainable Farming and the South East Premium Wheat Growers Association. Gemma is on the Board of Partners in Grain, and on the Southern Biosecurity Group, and on the Esperance Organised Purchasing Power Board, and has a Bachelor of Agribusiness (Hons) from Curtin University.

**M 0428 751 095** E [hamiltontowns@hotmail.com](mailto:hamiltontowns@hotmail.com)

## DR GREG REBETZKE



■ Greg Rebetzke is a wheat geneticist with CSIRO, and is committed to delivering traits and germplasm for improving crop variety water productivity. He works closely with commercial breeders to understand the relative benefits of one trait over another, and how to integrate new genetics more efficiently in the development of higher-yielding, more robust cereals.

**M 0429 994 226** E [greg.rebetzke@csiro.au](mailto:greg.rebetzke@csiro.au)

## JULES ALVARO



■ Jules Alvaro is involved in all aspects of the family's 6000-hectare which is predominately a cropping and livestock business which she operates with her husband Pep at Nokanning, Merredin, in WA's Eastern Wheatbelt. Jules is also involved in off-farm roles, including a member of the GRDC Western Panel, Partners in Grain Treasurer and a new member of Western Australia's Muresk Advisory Committee. Jules was awarded a 2019 Growing Leaders Scholarship sponsored by the CBH Group in partnership with the Grower Group Alliance (GGA) and Leadership WA. Jules is a firm believer in farm businesses minimizing their losses in the dry years, maximizing profit in the good years and believes this is imperative in keeping our rural communities strong and viable.

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## ANDY DUNCAN



■ Andy Duncan is business partner in a mixed broadacre family farming business in the West River area on the south coast of WA, producing wheat, malt and feed barley, canola, lupins and field peas. He has been involved with several organisations including the Grains Industry Association of WA (GIWA) Barley Council, the South East Premium Wheat Growers Association, the GRDC Esperance Regional Cropping Solutions Network, and the Ravensthorpe Agricultural Initiative Network.

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## MICHAEL LAMOND



■ Michael Lamond is an experienced hands-on agronomist who started his career in discovery and innovation related to agricultural systems, including herbicide resistance, herbicide systems with minimum tillage, legume rotations, pasture systems, soil acidity and crop variety evaluation. He has run or been a partner in contract research organisations conducting or managing projects for many of the companies that operate in Australia. Michael has worked with many talented agricultural graduates from universities around Australia and has a passion for capacity building for the future in agriculture.

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## ROHAN FORD



■ Rohan Ford farms east of Binnu with his wife Carol, growing wheat, lupins and canola in a low rainfall zone with highly variable precipitation. They have been control traffic farming for more than 15 years, and involved over many years in trial work and projects related to a variety of areas that help improve farming outcomes and increase knowledge in what is an ever-evolving industry. Rohan is also involved closely with the local grower group.

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## DR FIONA DEMPSTER



■ Dr Fiona Dempster is an applied economist with The University of Western Australia, School of Agriculture and Environment, and a farmer at her family's crop and livestock operation in Mingenew. Her expertise is in designing decision tools for environment and agricultural management and identifying the adoption drivers of management practices in agricultural landscapes. Fiona is an active member of Mingenew Irwin Group and the Australasian Agricultural and Resource Economics Society, and sits on the Board of Management for the Mingenew Midwest Expo. Fiona has a Doctorate and Bachelor of Science.

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## JULIET MCDONALD



■ Juliet currently works as an Area Manager for Summit Fertilizers in the North Midlands and provides agronomy based support for nutrient recommendations and conducts R&D to integrate nutrition applications with current farming systems. Juliet lives on a family farming enterprise west of Marchagee and produces grains, meat, wool and PD stud rams. Juliet was previously an Elders Sales Agronomist for Elders, a Grain Pool Area Manager, and started as an Extension Officer with DPIRD. She holds a Bachelor of Science in Agriculture and is qualified as a Fertcare Accredited Adviser. Juliet is passionate about sustainably profitable agriculture and is committed to improving the understanding of agriculture in the wider community.

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## BRONDWEN MACLEAN



■ Brondwen MacLean has spent the past 20 years working with the GRDC across a variety of roles and is currently serving as General Manager for the Applied R&D business group. She has primary accountability for managing all aspects of the GRDC's applied RD&E investments and aims to ensure that these investments generate the best possible return for Australian grain growers. Ms MacLean appreciates the issues growers face in their paddocks and businesses. She is committed to finding effective and practical solutions 'from the ground-up'.

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CORPORATION

# 2017-2019 WESTERN REGIONAL CROPPING SOLUTIONS NETWORK (RCSN)

JANUARY 2019

In October 2011, the GRDC introduced the five Western Regional Cropping Solutions Networks (RCSN's), based on the WA Port Zones. They meet formally twice a year, tasked by the GRDC to "identify the critical needs to ensure profitability of the grains industry in your Zone".

Each Network comprises of 12 members representing farming, agronomy, agribusiness and research sectors, facilitated by Julianne Hill, and includes a local GRDC panellist to assist in maintaining a two-way communication between the GRDC and the RCSN members.

RCSN members work together to identify and further develop local activities addressing key regional issues. Through the Western Regional Panel and Regional Cropping Solutions Network (RCSN) groups, the GRDC maintains an extensive RD&E ideas-capturing network in WA. This is increasing local engagement, improving the ability to act on grower feedback and enabling better coordination and delivery of RD&E outcomes, products and services.

The GRDC are interested in hearing from all levy payers and others with an interest in the activities and research that will make a difference to the profitability of growers in your local area. So, if you'd like to get some of your ideas across to the GRDC, or would like to highlight an issue for your port zone, then we'd like to see you at one of our upcoming Open Forums which are being held in July at 10 different locations throughout WA. Keep your eye open for upcoming dates and locations.

You also have the chance to represent your area and zone on one of the RCSN groups. There is a two year rolling term for each member (who can re-apply to sit on their port zone RCSN). In March, we will be advertising to fill skills and geographical gaps for some members who will be stepping off their RCSN.

## WESTERN REGION RCSN COORDINATOR:

### JULIANNE HILL



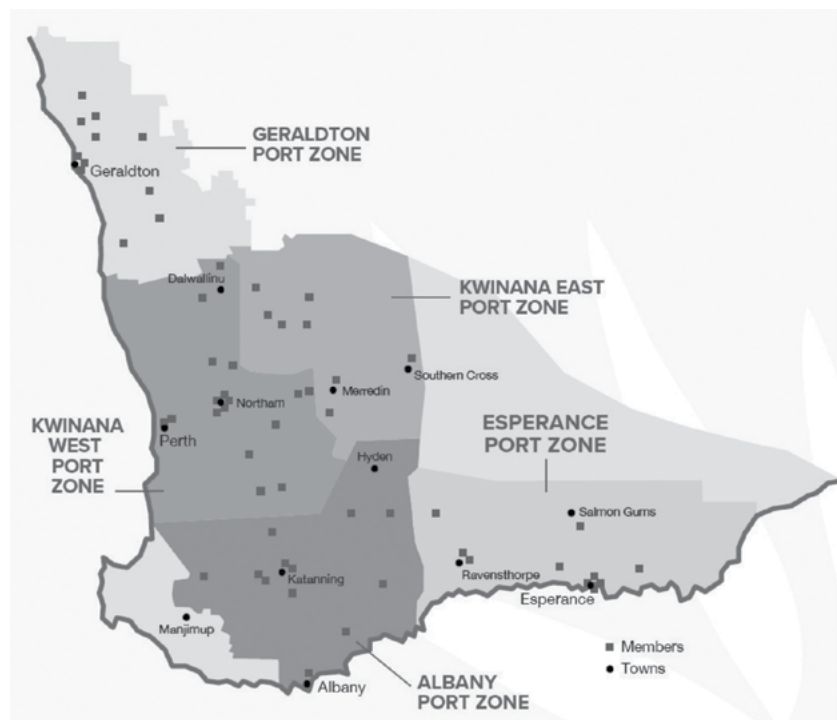
Julianne went on to completed a Bachelor of Business in Farm Management from the University of Sydney. When Julianne and her

husband bought their first farm in WA's southern coastal region near Ravensthorpe, Julianne started working for the then Department of Agriculture in the Esperance Zone as a Biosecurity Officer responsible for managing the southern section of the State Barrier Fence and declared pest and weed outbreaks. Moving positions, she became a Farming Systems Development Officer where she was responsible for starting the Jerdacuttup TopCrop Group, and worked closely with the local grower groups, especially RAIN, to develop trials and establish key research sites in the region. After moving to the Bunbury Department of Agriculture office, Julianne established grower groups to look at the cost of production and benchmarking on beef and sheep farms in the high rainfall zone.

Working with DPIRD for 19 years has given Julianne the ability to create links between growers and researchers and create a strong network linked to the GRDC. Julianne has been coordinating the Western Region RCSNs since inception; with Cameron Weeks running the Geraldton port zone from 2011-2014.

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## Farming the Business

Sowing for your future

The GRDC's **Farming the Business** manual is for farmers and advisers to improve their farm business management skills.

It is segmented into three modules to address the following critical questions:

-  **Module 1:** What do I need to know about business to manage my farm business successfully?
-  **Module 2:** Where is my business now and where do I want it to be?
-  **Module 3:** How do I take my business to the next level?

The **Farming the Business** manual is available as:

- **Hard copy** – Freephone **1800 11 00 44** and quote Order Code: GRDC873  
There is a postage and handling charge of \$10.00. Limited copies available.
- **PDF** – Downloadable from the GRDC website – [www.grdc.com.au/FarmingTheBusiness](http://www.grdc.com.au/FarmingTheBusiness)  
or
- **eBook** – Go to [www.grdc.com.au/FarmingTheBusinessBook](http://www.grdc.com.au/FarmingTheBusinessBook) for the Apple iTunes bookstore, and download the three modules and sync the eBooks to your iPad.





## Acknowledgements

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The ORM team would like to thank those who have contributed to the successful staging of the 2019 Western Australian GRDC Farm Business Updates:

- The local GRDC Farm Business Update steering committee (as listed on page 2)
- Partnering organisations: Gillamii Centre, Lakes Information & Farming Technology and Moora-Miling Pasture Improvement Group





Prefer to provide your feedback electronically or 'as you go'? The electronic evaluation form can be accessed by typing the URL address below into your internet browsers:

[www.surveymonkey.com/r/WA-FBU](http://www.surveymonkey.com/r/WA-FBU)

To make the process as easy as possible, please follow these points:

- Complete the survey on one device
- One person per device
- You can start and stop the survey whenever you choose, **just click 'Next' to save responses before exiting the survey.** For example, after a session you can complete the relevant questions and then re-access the survey following other sessions.



# 2019 WA GRDC Farm Business Updates Evaluation

1. Name

ORM has permission to follow me up in regards to post event outcomes.

2. Location of Update

Tambellup

Lake Grace

Moora

3. How would you describe your **main** role? (choose one only)

Grower

Grain marketing

Student

Agronomic adviser

Farm input/service provider

Other\* (please specify)

Farm business adviser

Banking

Financial adviser

Accountant

Communications/extension

Researcher

**Your feedback**

Please rate each presentation you attended in terms of relevance and quality

(10 = totally satisfactory, 0 = totally unsatisfactory).

4. Trade wars, Trump politics and a Banking Royal Commission: *Saul Eslake*

Content relevance  /10

Presentation quality  /10

Have you got any comments on the content or quality of the presentation?

5. Decisions, decisions: Stress testing your farm decision thinking by building your own practical decision matrix: *Cam Nicholson*

Content relevance  /10

Presentation quality  /10

Have you got any comments on the content or quality of the presentation?

6. 'Tax tips': Essential tax management strategies for grain growers:

*Jo Gilbert (Tambellup), Cameron Taylor (Lake Grace) and Keiran Sullivan (Moora)*

Content relevance  /10

Presentation quality  /10

Have you got any comments on the content or quality of the presentation?

7. Farming to profit: Focusing on the drivers of profit in local farming systems:

*Rod Grieve (Tambellup), Steve Curtin (Lake Grace) and David Williams and Brent Searle (Moora)*

Content relevance  /10

Presentation quality  /10

Have you got any comments on the content or quality of the presentation?



**8. Farm labour arrangements: Are you compliant? What is at risk? Stephen Park**

Content relevance  /10                      Presentation quality  /10

Have you got any comments on the content or quality of the presentation?

**9. Sustaining the farm family business: Your health is non-negotiable. Critical self-help strategies for farming families: Sue Brumby**

Content relevance  /10                      Presentation quality  /10

Have you got any comments on the content or quality of the presentation?

**Your next steps**

**10. Please describe at least one new strategy you will undertake as a result of attending this Update event**

**11. What are the first steps you will take?**

e.g. seek further information from a presenter, consider a new resource, talk to my network, start a trial in my business

**Your feedback on the Update**

**12. This Update has increased my awareness and knowledge of farm business decision-making**

Strongly agree	Agree	Neither agree nor Disagree	Disagree	Strongly disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**13. Overall, how did the Update event meet your expectations?**

Very much exceeded	Exceeded	Met	Partially met	Did not meet
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments

**14. Do you have any comments or suggestions to improve the GRDC Update events?**

**15. Are there any subjects you would like covered in the next Update?**

Thank you for your feedback.

