

**YARRAWONGA, VIC**  
**TUESDAY 21ST**

**ELMORE, VIC**  
**WEDNESDAY 22ND**

**MARCH 2023**

# **FARM TO PROFIT**

## **FARM BUSINESS UPDATE**



# FARM TO PROFIT

## FARM BUSINESS UPDATE



### **Yarrawonga**

Tuesday 21st March, 2023

*The Sebel, 40 Silverwoods Boulevard, Yarrawonga*

### **Elmore**

Wednesday 22nd March, 2023

*Elmore Memorial Hall, 63 Hervey Street, Elmore*

**#GRDCUpdates**





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



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# GRDC Farm Business Update YARRAWONGA/ELMORE



**GRDC**  
GRAINS RESEARCH  
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# TOP 10 TIPS

## FOR REDUCING SPRAY DRIFT

01

**Choose all products in the tank mix carefully**, which includes the choice of active ingredient, the formulation type and the adjuvant used.

02

**Understand** how product uptake and translocation may impact on coverage requirements for the target. Read the label and technical literature for guidance on spray quality, buffer (no-spray) zones and wind speed requirements.

03

**Select the coarsest** spray quality that will provide an acceptable level of control. Be prepared to increase application volumes when coarser spray qualities are used, or when the delta T value approaches 10 to 12. Use water-sensitive paper and the Snapcard app to assess the impact of coarser spray qualities on coverage at the target.

04

**Always expect** that surface temperature inversions will form later in the day, as sunset approaches, and that they are likely to persist overnight and beyond sunrise on many occasions. If the spray operator cannot determine that an inversion is not present, spraying should NOT occur.

05

**Use weather forecasting** information to plan the application. BoM meteograms and forecasting websites can provide information on likely wind speed and direction for 5 to 7 days in advance of the intended day of spraying. Indications of the likely presence of a hazardous surface inversion include: variation between maximum and minimum daily temperatures are greater than 5°C, delta T values are below 2 and low overnight wind speeds (less than 11km/h).

06

**Only start spraying** after the sun has risen more than 20 degrees above the horizon and the wind speed has been above 4 to 5km/h for more than 20 to 30 minutes, with a clear direction that is away from adjacent sensitive areas.

07

**Higher booms increase drift.** Set the boom height to achieve double overlap of the spray pattern, with a 110-degree nozzle using a 50cm nozzle spacing (this is 50cm above the top of the stubble or crop canopy). Boom height and stability are critical. Use height control systems for wider booms or reduce the spraying speed to maintain boom height. An increase in boom height from 50 to 70cm above the target can increase drift fourfold.

08

**Avoid high spraying speeds**, particularly when ground cover is minimal. Spraying speeds more than 16 to 18km/h with trailing rigs and more than 20 to 22km/h with self-propelled sprayers greatly increase losses due to effects at the nozzle and the aerodynamics of the machine.

09

**Be prepared** to leave unsprayed buffers when the label requires, or when the wind direction is towards sensitive areas. Always refer to the spray drift restraints on the product label.

10

**Continually monitor** the conditions at the site of application. Where wind direction is a concern move operations to another paddock. Always stop spraying if the weather conditions become unfavourable. Always record the date, start and finish times, wind direction and speed, temperature and relative humidity, product(s) and rate(s), nozzle details and spray system pressure for every tank load. Plus any additional record keeping requirements according to the label.

# GRDC Farm Business Update YARRAWONGA/ELMORE



**GRDC**  
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## Program

9.30 am	<b>Announcements</b>	
9.32 am	<b>GRDC welcome</b>	
9.40 am	<b>KEYNOTE: Prepare to perform - getting out of the mud, ready for new opportunities</b>	<b>Natalee Johnston,</b> <i>Assimilated Safety</i>
10.20 am	<b>Profitable machinery investment</b>	<b>Gary Northover, TMA,</b> <b>Ben Hogan, ORM</b> and grower perspective
11.00 am	<b>Morning tea</b>	
11.30 am	<b>Making good decisions – a practical approach</b>	<b>Cam Nicholson,</b> <i>Nicon Rural Services</i>
12:10 pm	<b>Analysing contributions to profit</b>	<b>John Francis, Agrista</b> (Yarrawonga) <b>Kate Burke,</b> <i>Think Agri (Elmore)</i>
12:50 pm	<b>Lunch</b>	
1:40 pm	<b>Panel discussion: Managing cashflow through 2023</b>	Panel with <b>Jane Foster, ORM</b>
2:30 pm	<b>Communicating with influence</b>	<b>Sam Trattles,</b> <i>Other Side of the Table</i>
3.10 pm	<b>Wrap up and feedback</b>	
3.15 pm	<b>Event close</b>	





# The WeedSmart Big 6

**Weeding out herbicide resistance in winter  
& summer cropping systems.**

The WeedSmart Big 6 provides practical ways for farmers to fight herbicide resistance.

**How many of the Big 6 are you doing on your farm?**

We've weeded out the science into 6 simple messages which will help arm you in the war against weeds. By farming with diverse tactics, you can keep your herbicides working.

## Rotate Crops & Pastures

**Crop and pasture rotation is the recipe for diversity**

- Use break crops and double break crops, fallow & pasture phases to drive the weed seed bank down.
- In summer cropping systems use diverse rotations of crops including cereals, pulses, cotton, oilseed crops, millets & fallows.



## Mix & Rotate Herbicides

**Rotating buys you time, mixing buys you shots.**

- Rotate between herbicide groups.
- Mix different modes of action within the same herbicide mix or in consecutive applications.
- Always use full rates.
- In cotton systems, aim to target both grasses & broadleaf weeds using 2 non-glyphosate tactics in crop & 2 non-glyphosate tactics during the summer fallow & always remove any survivors (2 + 2 & 0).

## Increase Crop Competition

**Stay ahead of the pack**

Adopt at least one competitive strategy (but two is better), including reduced row spacing, higher seeding rates, east-west sowing, early sowing, improving soil fertility & structure, precision seed placement, and competitive varieties.



## Double Knock

**Preserve glyphosate and paraquat**

- Incorporate multiple modes of action in the double knock, e.g. paraquat or glyphosate followed by paraquat + Group 14 (G) + pre-emergent herbicide
- Use two different weed control tactics (herbicide or non-herbicide) to control survivors.



## Stop Weed Seed Set

**Take no prisoners**

- Aim for 100% control of weeds and diligently monitor for survivors in all post weed control inspections.
- Crop top or pre-harvest spray in crops to manage weedy paddocks.
- Consider hay or silage production, brown manure or long fallow in high-pressure situations.
- Spray top/spray fallow pasture prior to cropping phases to ensure a clean start to any seeding operation.
- Consider shielded spraying, optical spot spraying technology (OSST), targeted tillage, inter-row cultivation, chipping or spot spraying.
- Windrow (swath) to collect early shedding weed seed.



## Implement Harvest Weed Seed Control

**Capture weed seed survivors**

Capture weed seed survivors at harvest using chaff lining, chaff tramlining/decking, chaff carts, narrow windrow burning, bale direct or weed seed impact mills.



## WeedSmart Wisdom



**Never cut the herbicide rate** – always follow label directions

**Spray well** – choose correct nozzles, adjuvants, water rates and use reputable products.

**Clean seed** – don't seed resistant weeds.  
**Clean borders** – avoid evolving resistance on fence lines.

**Test** – know your resistance levels.  
**'Come clean. Go clean'** – don't let weeds hitch a ride with visitors & ensure good biosecurity.



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



2023 YARRAWONGA/ELMORE GRDC FARM BUSINESS UPDATE

# Understanding human performance and risk to improve resilience

**Natalee Johnston**

*Assimilated Safety*

## Key messages

- ◆ Defining human performance, risk and resilience.
- ◆ Outline what limits or impacts our ability to mentally and physically perform at our best.
- ◆ Understanding human performance limits for both you and your workforce, can enhance outcomes and reduce risk.
- ◆ The importance of managing risks for future resilience.

## Introduction

Our behaviours (actions and decisions) are driven by the interactions we have with the world around us. How well we perform and recover are a result of those behaviours. It is important to understand which interactions influence us and risks they contribute to. Without understanding, our ability to recover and improve following adversity is significantly impacted.

So much energy and money is invested into ensuring your equipment is operating at peak performance and in purchasing the right products for your farm, whether that be seed, livestock, fertiliser, machinery etc. But how often do you take the time to look at what makes you operate at peak performance, what risks the humans in the system can add and importantly successfully manage and overcome?

## Resilience

Understanding your own ability to perform, the key drivers impacting your performance and the resulting risks of suboptimal performance, creates an opportunity to improve resilience. If we expand the definition of resilience beyond the ability to quickly recovery from adversity, we should look to learn from the experience – for example, what happened, what decisions were well handled, what decisions added to stress or were not well made. Resilience includes not just the ability to bounce back but to also plan to reduce the likelihood of it happening again.

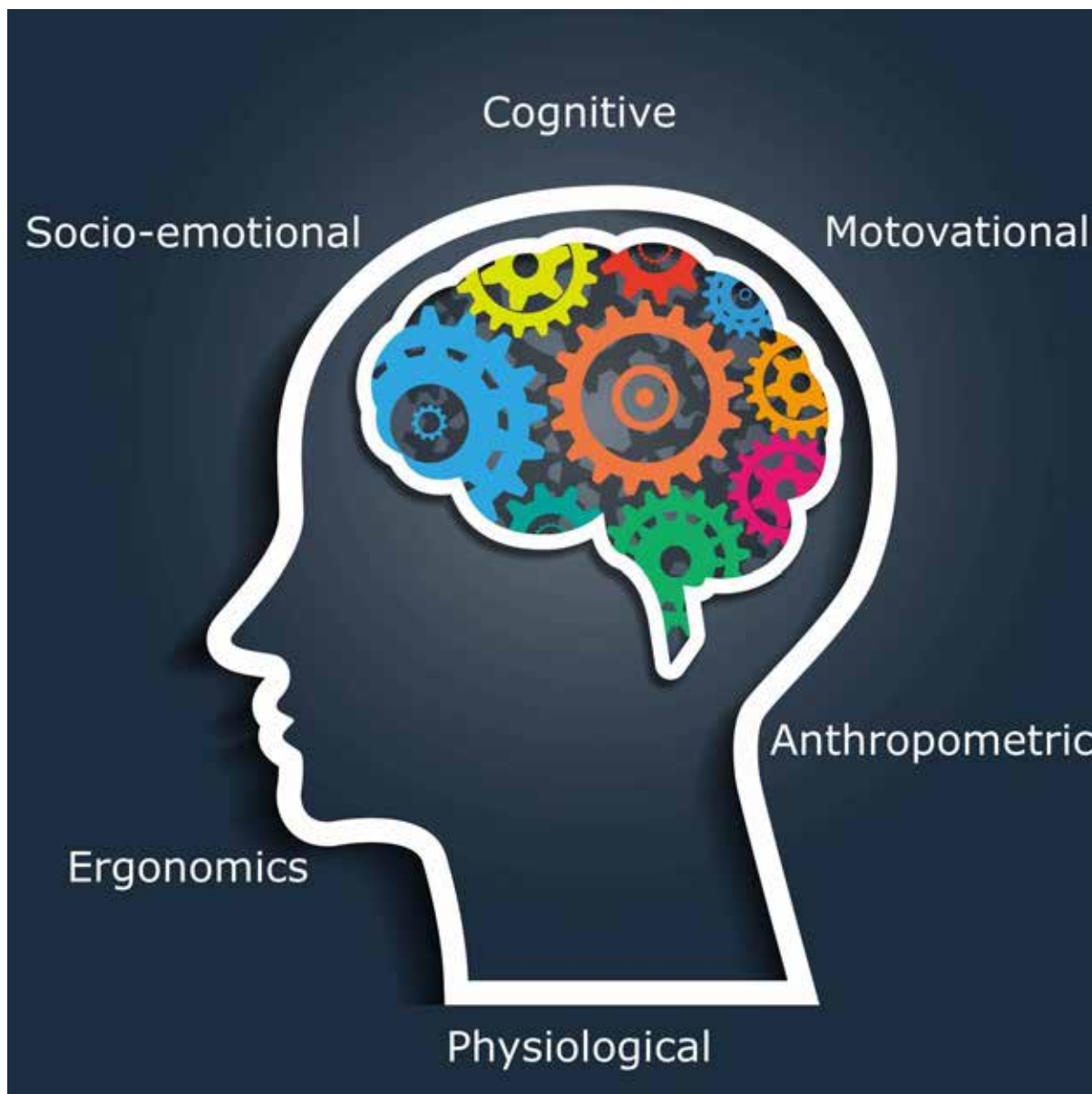
## What is Human Performance?

Human performance can be defined as:

“the human contribution to systems performance with respect to how people perform their work.”







**Figure 1.** Mental and physical performance can be impacted by factors classified in distinct categories.

Human performance describes the potential of any person using their skills, knowledge, capability and capacity minus anything that interferes with that potential being applied. To help understand how interferences impact your mental and physical performance, it is important to understand that interferences can be either constructive or destructive. It can help to consider interferences broken into the following categories:

**Cognition:** Your ability to think or process information is impacted by fatigue, drugs, alcohol and illness as well as emotions, biases and mental shortcuts (heuristics). The process is linear – at the first step our brains filter out “unnecessary” information so it only processes what it perceives as important. This can have benefits in speeding up decision making in emergencies, but also can create decisions based on bias formed through previous experiences, and inadequate or false information.

**Motivation:** Understanding what motivates you can help you to improve your performance. You can be motivated by external or internal influences, and how you behave for any given task or decision will differ based on these influences.

**Socio-emotional:** Awareness of your own emotions and how they impact your behaviours (and particularly decisions) can enhance outcomes. Once you are aware of your own emotions, you can then progress your ability to see your emotional impact on others.



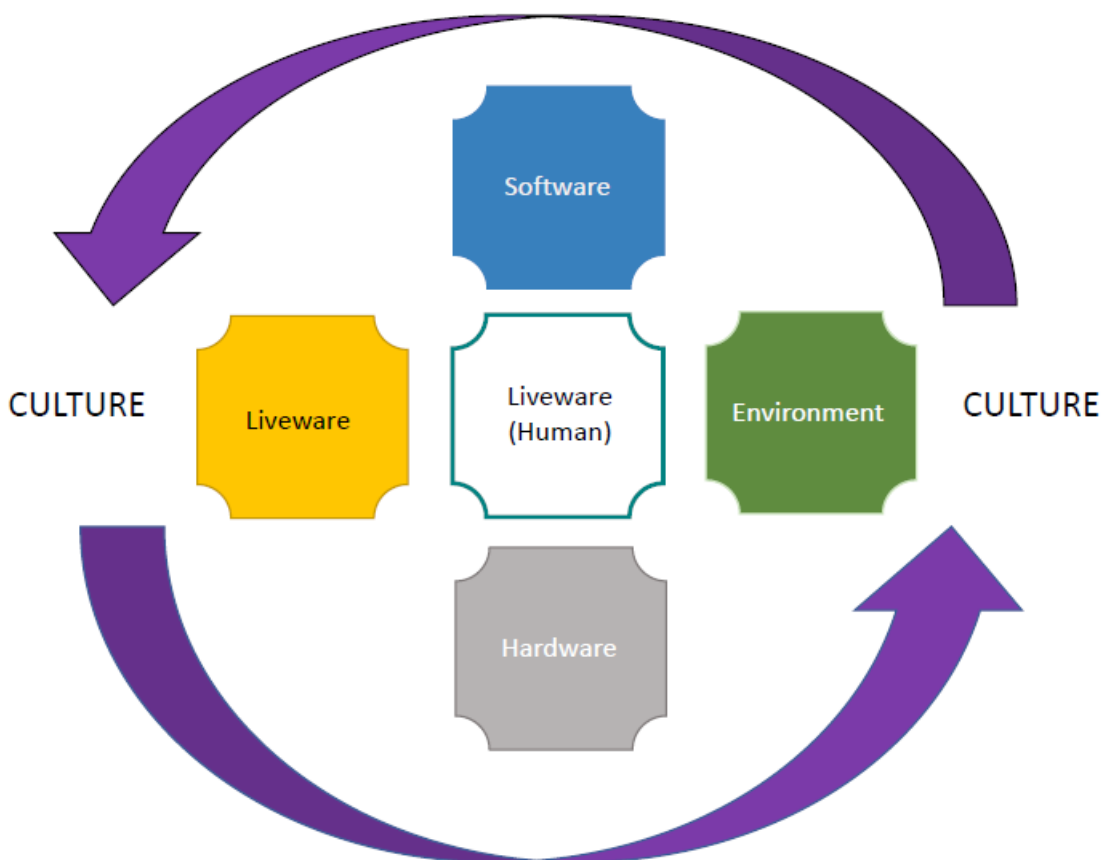
**Physiological:** Limitations of the human body impact our ability to be successful. Consider the impact of lack of sleep (fatigue), stress, drugs, alcohol, illness or poor diet on our physical body to perform the tasks we are asking of it.

**Ergonomics:** Ergonomics is the interaction between you and the hardware and software you use. It describes how well your tools enable you to carry out your task and whether they are fit for purpose or create risk.

**Anthropometric:** Anthropometric interference goes hand in hand with ergonomics - it describes how well you fit into a space and includes consideration of your proportions. Are you physically suited to the task? Do you recognise limitations? Do you have tools to overcome limitations (e.g. hardware)? Poor anthropometric fit can lead to physical injury.

## Human Interactions

You can also consider interference(s) as how we interact with the world around us, and how it impacts our behaviours. Some factors you will be able to influence or change, others you will not.



**Liveware** = Humans (in farming you may put livestock here or into Hardware),

**Software** = process, procedure, rules, regulation,

**Hardware** = the tools we need to achieve the activity that is being undertaken,

**Environment** = both in the immediate physical sense and the broader climate/weather sense,

**Culture** = how it has always been done, what is accepted/expected and what is not.

**Figure 2.** Factors affecting us, humans, with the potential to impact our behaviours.

These interactions (Figure 2) significantly impact and influence our behaviours, which defines our ability to perform both physically and mentally.



## Understanding Risk

Being able to understand the interactions and interferences can help you recognise the risk they can present around your ability to perform. We, as humans, are often both the cause and the solution to overcoming errors, adversity and managing risk.

**What is Risk?** To define risk we must start with defining a **Hazard**, which is simply a source of potential harm. **Risk** describes the probability of exposure to that hazard. The hazard does not have to be physical but could be related to anything that can result in a loss or reduction in performance (financial, mental health, stress). Risk provides an understanding of how **likely** you are to be exposed to the hazard and its **consequence**.

Looking at the interactions and interferences above can help you identify risks both to yourself and your team. Using those headings can also aid in finding the tools to mitigate and control risk. For example during harvest and seeding, fatigue might be a hazard, which can result in either poor task completion or damage to hardware and injury to liveware. Making changes or adjusting work patterns can reduce the risk, improve outcomes and therefore in the event of something else adverse happening, you are better placed to adapt and recover i.e., it enhances resilience.

### Questions to consider:

- Of those things you interact with, what do you have influence over?
- How can you improve the interactions to reduce interference? Perspective
- How does your emotional state change your behaviours?
- How does your physical health impact your ability to perform tasks and make decisions?
- Have you identified your main risks and have you managed them?
- What can you learn from the past year? Is there anything you can change to reduce impact if it happens again?

My follow up questions for the speaker.

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## Why working on this could be great for your farming business

- Understanding interactions and interferences can help you identify risks both to yourself and your team.
- In turn, making change, or adjustments to work patterns can reduce the risk and improve outcomes. Resilience is enhanced in the event something else adverse happens - you are better placed to adapt, and recover.

Our First Action \_\_\_\_\_

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Our Second Action \_\_\_\_\_

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## More about Natalee . . .

*Natalee Johnston has 24 years of military experience as a qualified helicopter instructor, operations and safety leader. Natalee is passionate about safety and how an organisation's culture and resilience can positively contribute to the welfare of all employees, their families and the community as a whole.*

*Natalee has been part of the Royal Australian Navy's and the wider defence forces' cultural transition from an operational and a personnel perspective. As the first female naval helicopter pilot she understands the challenges of trying to break into an established organisational culture. Being part of a minority for her entire career, she has a personal insight into how people change to fit in and the difficulties in trying to break this evolution.*

*As the first woman in the RAN to return to flying duties post having children, she understands the stressors of modern life, the challenges and strain on managing time and responsibilities between work, family, friends and yourself and the guilt that can accompany it. Having sacrificed time with her children to continue on her career and gain qualifications in accident investigation and piloting the MRH90 Maritime Support helicopter she knows the importance of support networks and developing resilience, understanding and a sense of what can be achieved in her children.*

*Natalee grew up in the Western Australian wheatbelt and is the second daughter to a farming family. Her parents struggled through with little to start with and high interest rates, moving around the locality to save before they could buy their own. They taught Natalee a key lesson that has stayed with her throughout her extensive career – persistence and a good work ethic. The ability to not give up in the face of adversity, to use the deifier's words to spur you on was something that Natalee needed from the start of her career with her own extended family expressing negativity towards her joining the military and trying to become a pilot.*

*Natalee tells a story of personal challenges and resilience and will compel you to consider how you communicate and think about workplace safety and culture.*

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# Profitable machinery investment

Gary Northover<sup>1</sup> & Ben Hogan<sup>2</sup>

<sup>1</sup>Tractor and Machinery Association, <sup>2</sup>ORM

## Key messages

- ◆ One key difference between the most profitable cropping businesses and the average, is not higher revenue per hectare, but a lower operating cost per hectare.
- ◆ From the selection of businesses analysed, the top 25% (profitability) spent 16% less on total plant, machinery, labour and contracting (TPML+C) costs than the group average, contributing just over half of the 301% difference in profit between the top performers and the whole group average.
- ◆ Increasing area provides some 'efficiency of scale' for the top 25% of businesses, but most of the efficiencies are gained through lower per hectare machinery capital and contracting costs.
- ◆ Both unit sales volumes and unit pricing of tractors and combines have increased significantly since 2020.
- ◆ Expect machinery markets to stabilise with the end of temporary full expensing, improvements in supply chains and an improved outlook on inflation.

## Introduction

Machinery has become both more difficult and more expensive to procure. Most machinery is imported and on the supply side a global pandemic has impacted the manufacturing sector's ability to access labour and components. On the demand side, Australia has had three big production years in a row, underpinning local demand for new machinery. There have also been significant tax incentives since March 2020 and a period of low financing rates that has supercharged demand, all at a time when supply chains have been severely disrupted.

The combination of supply, demand and supply chain impacts has resulted in large lead time increases, making machinery planning even more critical to ensure uninterrupted farming operations.

As a percentage of farm income, machinery costs are outpacing farm income growth for most businesses, resulting in machinery costs impacting profits.

## Agricultural machinery market overview– Gary Northover, TMA

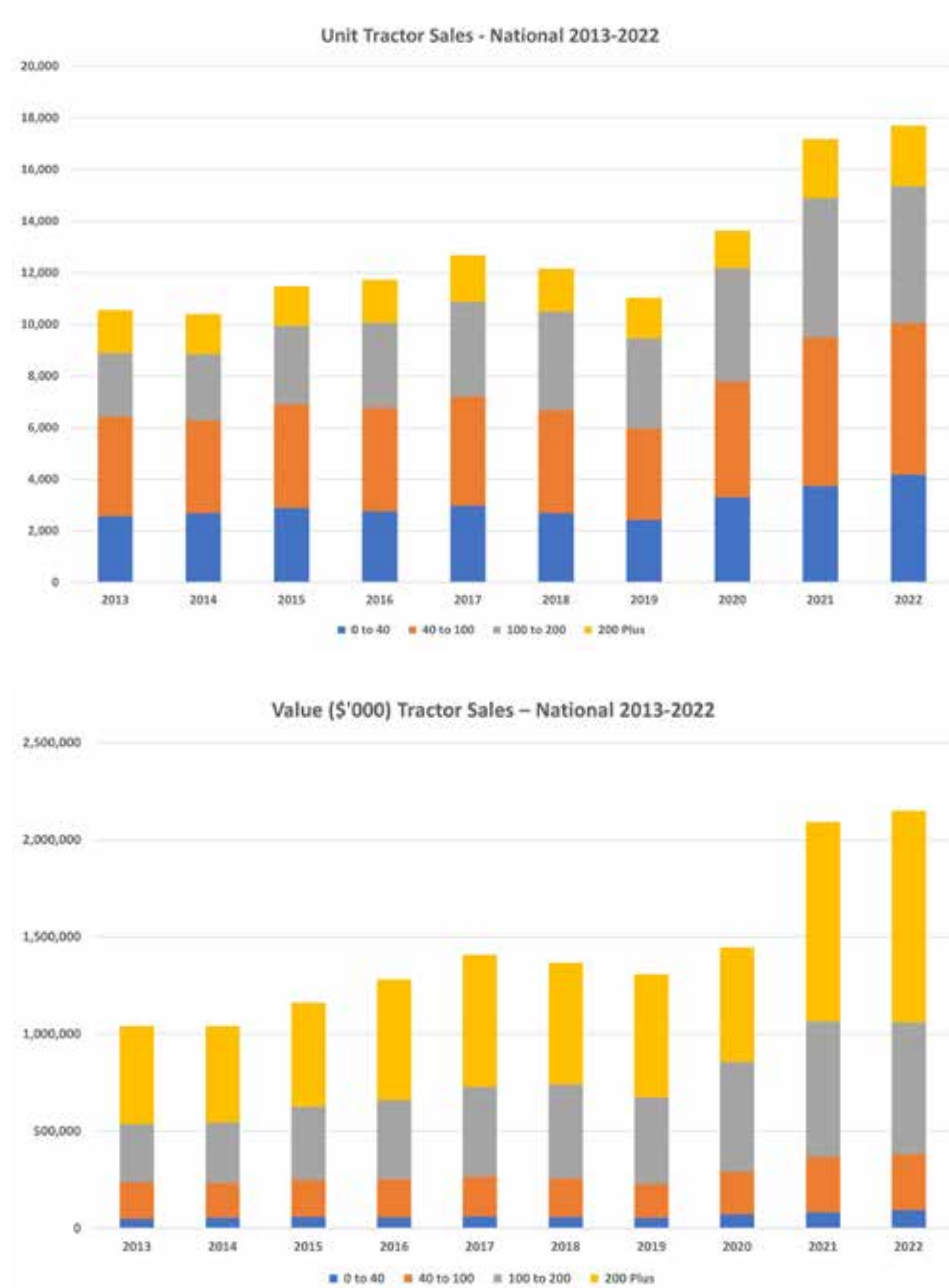
According to the Association of Equipment Manufacturers (AEM) in the USA survey conducted in October 2022:

- Manufacturers are experiencing continuously worsening supply chain conditions.
- Two factors driving the disruption are workforce shortages and access to intermediate components for production.
- A 12% production loss was experienced in 2022 and there is a forecast production loss of 8.2% in 2023.



Supply chain capacity will remain extremely tight for the next 18-24 months, however rates and overall capacity in the container market will continue to ease. Currently;

- Parts remain difficult to acquire.
- Machine prices have risen – approx. 20% in cases.
- Lead times remain stretched – some products have 2024 arrival expectations.
- The Used Equipment Market is very strong. Clearing sales are well attended and used price is following new prices.
- Some customers are holding back trades until new products arrive to manage risk exposure.



**Figure 1.** National tractor sales 2013-2022, by number of units (top) and value \$AUD (bottom).  
Source: Agriview





## Outlook for 2023 and beyond

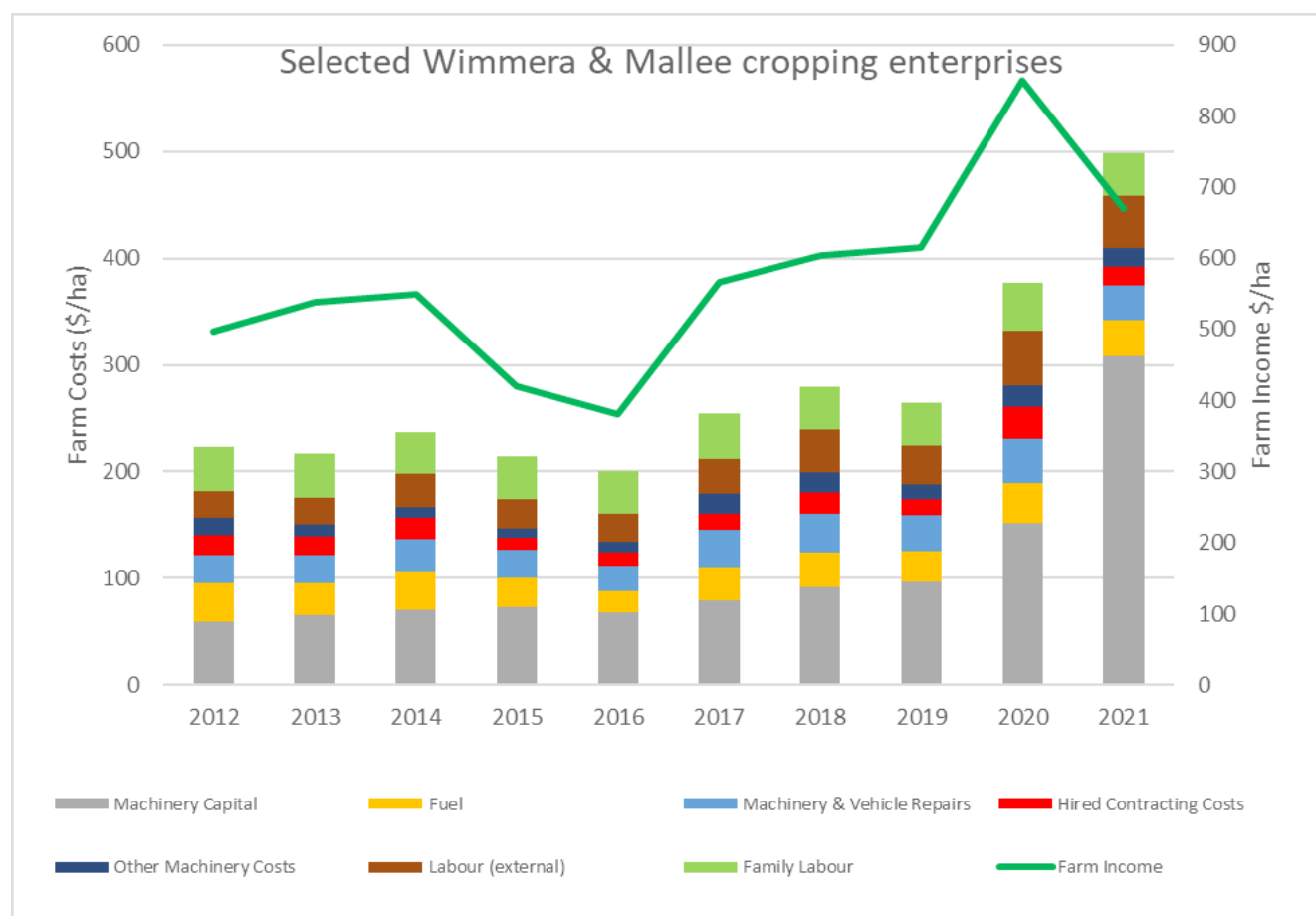
We can expect stabilisation of the machinery market in relation to;

- end of Temporary Full Expensing tax incentives
- improved supply chains
- improved inflationary outlook.

## TPML+C costs in relation to Gross Farm Income – Ben Hogan, ORM

To further investigate trends in spending versus gross farm income, a recent ORM analysis of a 10-year sample of predominantly cropping businesses in the Wimmera and Mallee highlights the following;

- TPML+C averaged 49% of Gross Farm Income, of which Machinery capital costs and repairs accounted for approx. half of that total expense.
- Average Machinery Capital expense increased in every year but one, highlighting the strong upward trend in Machinery Capital expenses.
- External and imputed Family Labour per hectare costs increased across the period, however as a percentage of Gross Farm Income these costs were flat (at circa 13%).
- Note that expenditure is distorted by the temporary full expensing/instant asset write off (IAWO) provisions introduced from 2020, where we see a large corresponding jump in Machinery Capital expense.
- With above average financial returns in financial years 2022 and 2023 and the continuing tax incentive, we would expect machinery capital expense to remain high in the 2022/23 financial year.
- We might also expect a correction in machinery capital spend following the end of IAWO (30JUN2023) as many purchases will have been brought forward.



**Figure 2.** Farm costs: total plant, machinery, labour and contracting (TPML+C) versus gross farm income for a sample of Wimmera & Mallee cropping enterprises – 2012 to 2021. Source: ORM Pty Ltd



## TPML+C costs in relation to profitability

Analysis to determine if there is a relationship between profitability and machinery expenses was undertaken by comparing the machinery spend of the top 25% of businesses (in terms of profitability) to the average of the group over a ten-year period - to test for any correlations between farm size, income, machinery spend and profitability.

**Table 1.** Comparison of 10-year average machinery spend (\$/HA) of the top 25% of businesses (in terms of profitability), versus the average of the group of Wimmera & Mallee broadacre cropping businesses. Source: ORM Pty Ltd

10 year Average for a selection of (Wimmera & Mallee focus)	All	Top 25%	Difference	
Production Effective Area (ha)	3,263	3,455		6%
	\$/ha	\$/ha	\$/ha	%
Farm Income	569	561	-8	-1%
Machinery Capital	106	93	-13	-13%
Fuel	31	29	-2	-7%
Machinery & Vehicle Repairs	31	25	-6	-20%
Hired Contracting Costs	18	7	-11	-62%
Other Machinery Costs	14	9	-6	-38%
Labour (external)	34	34	0	-1%
Family Labour	41	36	-5	-11%
TPML & C	276	233	-43	-16%
TPML & C (% of Gross Income)	49%	43%		
Overheads	42	30	-12	-28%
Farm Inputs	154	137	-17	-11%
Finance Costs / Land Rent	70	54	-16	-23%
Farm Costs	542	454	-88	-16%
Farm Profit	27	107	80	301%

From this analysis, compared to the group average, the most profitable 25%:

farmed a 6% larger area

- had a slightly **lower** (-1%) gross income per hectare (ha)
- had a 16% lower total plant, machinery labour & contracting (TPML & C) cost per ha, and TPML+C as – a percentage of Gross Farm Income averaged 43%
- had a 301% higher farm profit/ha.

The key drivers for the lower TPML+C spend were:

- a 13% lower machinery capital expense
- a 62% lower spend on hired contracting costs.

\*note machinery finance costs are not included in TPML+C totals.

## Why working on this could be great for your farming business

- Businesses with capital expenditure plans and forward ordered machinery fared better through the interrupted marketplace than those that didn't.
- Not only has the purchase price of machinery increased; the cost of ownership of machinery is further increasing with repairs and maintenance costs and asset finance rates rising. Incorporate **all** the costs of ownership in your calculations to determine whether it is more beneficial to own machinery or to contract.
- As well as financial, other factors to owning and upgrading machinery need consideration. The more qualitative and intangible aspects, like timeliness and attracting employees, should also be qualified.



## Self-evaluation

- Does your business budget for machinery expenses and target a particular spend per hectare?
- What strategies do you currently employ to optimise your machinery investment?
- How could an investment in machinery and technology improve your farm operations?

## We want to work on this in our business, what should we do next?

- Benchmark your business to find out whether you are spending too much on machinery or not enough.
- Do the sums on owning versus contracting different operations to optimise your capital allocation and improve profitability.
- Create a capital expenditure plan that maps out your big machinery purchases in coming years to maintain standards of equipment and improve cashflow.

## Want to learn more, here are some suggestions;

- Machinery Investment and replacement for Australian Grain Growers, GRDC (2022). [www.grdc.com.au/machinery-investment-and-replacement-for-australian-grain-growers](http://www.grdc.com.au/machinery-investment-and-replacement-for-australian-grain-growers)







### More about Gary . . .

*An experienced executive in the industrial service sector, Gary is the current Executive Director of the TMA (Tractor & Machinery Association of Australia) and the Director of a Management Consulting and Coaching business. Gary's experience includes fifteen years as the General Manager for William Adams Rental business.*

*Gary's business, Overtime Coaching & Consulting, provides practical problem-solving, advice & implementation, and coaching & mentoring for businesses in industrial services, plant & equipment, and logistics and operations.*

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### More about Ben . . .

*Ben specialises in farm financial analysis for informed decision making and advice. Raised on a cropping and grazing property in the West Wimmera, Ben's background complements his attention to detail and ability to problem solve in clear communication with farmers and clients. Prior to joining ORM as an Agribusiness Consultant, Ben led finance functions, managed product lines, and worked in commodity trading and finance for large business and banks.*

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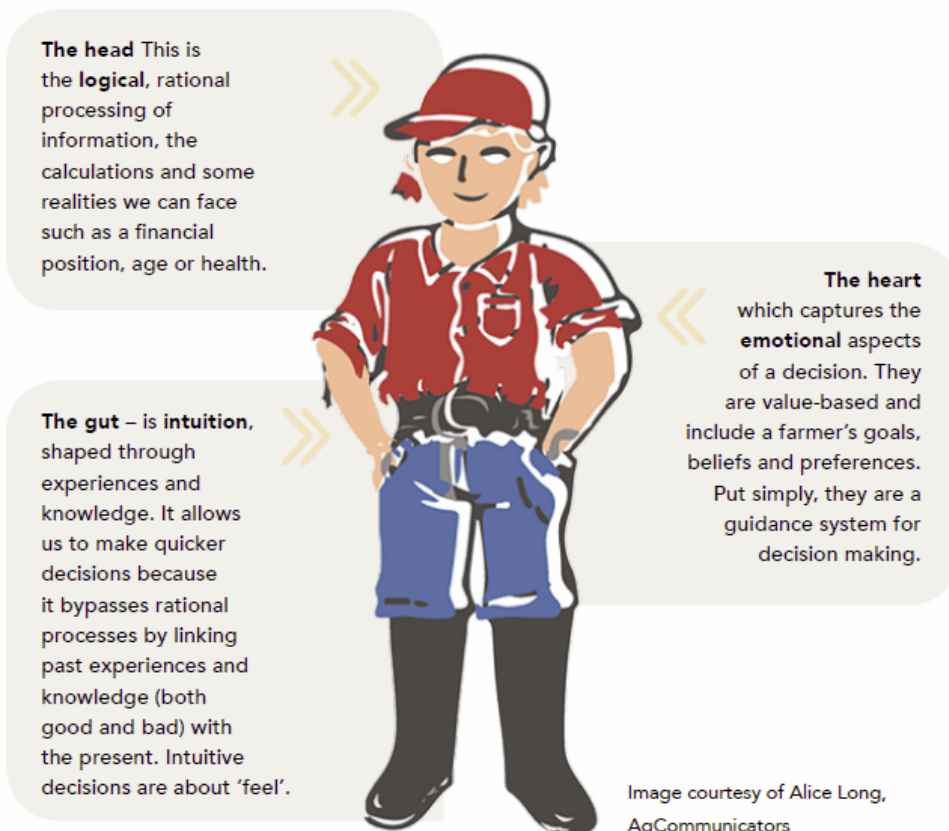
# Making good decisions – a practical approach

Cam Nicholson

Nicon Rural Services

## Key messages

- ◆ Decision making is a skill. Like any skill it can be learnt and practiced.
- ◆ Farming is a risk / reward business. We play the odds every day and even though we mentally frame the odds of things occurring, sometimes the unexpected happens. We need to be able to learn but move on from this.
- ◆ Don't be surprised if your tendency this year is to be more conservative in your decisions. Past negative experiences will influence your decision making, so it is important to be sure you're making a considered decision.



**Figure 1.** The head, heart and gut influence our decisions. Source: [www.grdc.com.au/farm-decision-making](http://www.grdc.com.au/farm-decision-making)

## Introduction

Making good decision in a risky environment is critical to running a profitable farming business. Some people seem to do this better than others, but this is not by luck or chance. In my experience the better farmers I work with are good decision makers. They understand the concept of risk, commonly 'frame the odds', use a 'process' and other people to aid their decision making.





The experience from last year will test even the best decision makers, because past experience does influence decision making. However, the ability to put the year in context, knowing that even the best plans sometimes don't work out, enables positive use of wisdom of to improve future decisions.

This presentation will identify some key aspects of decision making, how to consider risk and demonstrate a process that may help you make better decisions in the future.

## Context

Many have faced an extremely challenging year in 2022. A great early season provided a lot of hope, tempered by high input prices, where we had to decide if we kept spending. Then weather events beyond our control came to cruel the potential, making harvest one with a lot of anxiety and frustration.

I'm not an expert in this field, but I'm guessing the emotional rollercoaster growers have been on last year is likely to affect their decision making for the season ahead.

## Influences on our decisions

Decisions are influenced by our 'head, our heart and our gut'.

- 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 way we view, and frame **risk** largely resides here.

Last year gave everyone an experience which is likely to (unconsciously) strengthen the influence the **gut** will have in future decisions. I doubt many will stop cropping, because not only are we geared up for it, but our **heart** is also still in it. We enjoy doing it, despite the challenges commonly encountered.

The planning you do for 2023, with or without an advisor, is commonly very **head** driven. You will consider the need for paddock repair, rotations, varieties, budget inputs etc.

Good decision makers weigh up the 'pros' and 'cons' and make decisions 'on balance'. I suspect this year the gut will add some 'cons' to the balance, making you want to be more conservative in your decisions. This is understandable, but is that the best approach to take?

## Risk / reward in farming

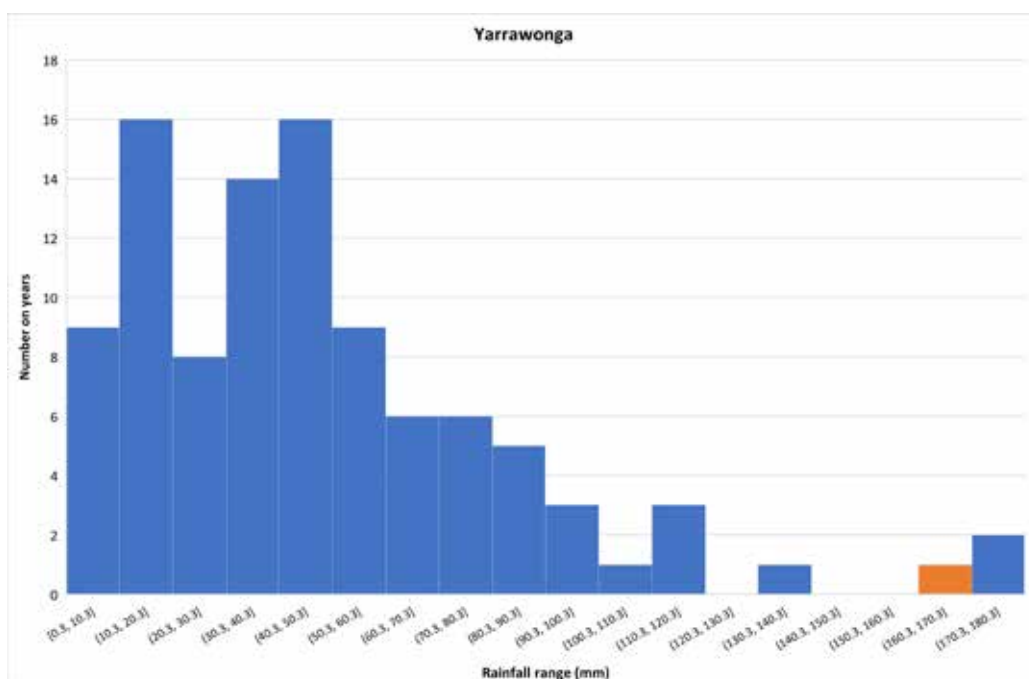
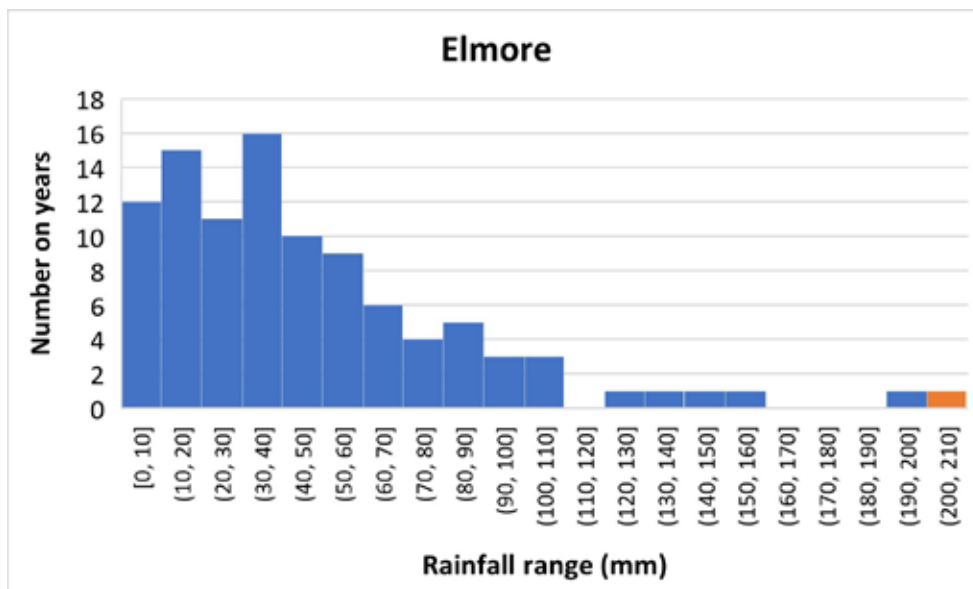
Farming is a risky business, but risk is a necessary part of making a return. We can be more conservative to minimise our risk, but it usually comes at a cost – lower returns. Our aim should be to get the risk-reward balance right, so you can sleep comfortably at night.

Being more conservative is ok if you are doing it consciously. Financial circumstances, stage in your farming career and your personality, along with the discomfort you wish to avoid again are legitimate reasons to be more conservative. However just be clear and honest on why you are choosing to do so. It will help you be settled with your decision.

The definition of risk is how likely something will occur and the consequence if it happens. It implies we can predict the probabilities of it occurring and estimate the result<sup>1</sup>. History can be a useful guide to help frame these odds, but those odds are an *opinion* about the future. Nothing is guaranteed.

To put the recent rainfall events into perspective, the last 100 years of monthly rainfall for Elmore and Wodonga was analysed (figure 2). Elmore has an average October rainfall of 47 mm but the rainfall in 2022 was 207 mm, the highest in the past 100 years (the next highest was 198 mm in 1975). Similar results for Wodonga, with average October rainfall of 49 mm but 2022 was 162 mm only eclipse by 170 mm+ rainfall in 1973 and 1975.





**Figure 2:** October rainfall (mm) for Elmore and Yarrowonga from 1923 to 2022. 2022 highlighted in orange.  
Source Silo, QDPI

Therefore, the rainfall of 2022 is on the extreme tail of the normal distribution curve, or beyond what history would tell us when framing the odds about a wet October. If we only considered the final year of past triple La Nina periods (that have occurred 5 previous times in the past 100 years<sup>2</sup>), it would help direct us to the right-hand side of each graph but largely underestimate the amount of rain. We need to keep this context in mind when making future decisions.

## Other characteristics of a good decision maker

Skilled decision makers recognise the difference between a ‘good’ and a ‘right’ decision. A ‘right’ decision can only be judged once events unfold e.g. “It was the right decision not to put late urea on because the crop then got washed out”. In contrast a ‘good’ decision ensures all information has been considered, derived from the head, heart and gut and includes considerations of the risks, i.e. it might have been a good decision to put urea on with the information available to us at the time of making the decision, considering the likelihood of potential outcomes.



We all want to make right decisions, but this is not possible. Instead, we should focus on making **‘good’ decisions**. Apart from the obvious benefit of making sure the decision considers the best available information, it allows us to revisit the decision after the outcome is known. If the outcome is not what we expected, then we can examine if there was something we should have considered but didn’t.

<sup>1.</sup> Uncertainties are events where probabilities of occurrence are difficult to predict and outcomes are challenging to quantify.

<sup>2.</sup> Triple La Nina periods – 1928-1930, 1949-1951, 1954-1957, 1973-1976, 1998-2001.

There are two benefits from doing this. First is continuous improvement, where we include or enhance the information considered to make a more informed decision next time. The second is the emotional benefit from knowing that at the time the decision needed to be made, we made the best decision possible. Things happened that we could not have foreseen.

Beating yourself up over a decision that you could not have foreseen is not productive and can be damaging to long-term decision making. In farming sometimes s\*\*t happens! Use the wisdom of hindsight positively to improve your future decision making, not to dwell on past ‘mistakes’.

A few other thoughts of a good decision maker.

- Listen to ‘experts’ but don’t follow them blindly, as they can only see part of the picture
- It is usually better to make a near-ideal decision than to analyse a situation to death and as a result miss an opportunity that is depended on getting the timing right.
- Be prepared, don’t leave everything to the last minute
- Identify the critical variables of a decision (both positives and negatives) and weight them.

### Our First Action

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### Our Second Action

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## Decision matrix

An approach that brings together the head, heart and gut, critical variables and risk has been presented at previous GRDC updates (WA FBU series, 2019). This is a practical way of structuring a decision.

My follow up questions for the speaker.

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## Why working on this could be great for your farming business

- The only difference between the top 20% of farmers and the rest is their ability to make good, timely decisions more often than others.
- Decision making is a skill. Like any skill it can be learnt and practiced.

## Self-evaluation

- Can you remember a time you were taught how to make a good decision? As a learned skill, decision making can be practiced and continually developed.
- Are you clear on the difference between a 'good decision' and the 'right decision'?

## We want to work on this in our business, what should we do next?

- Read the GRDC book *Farm decision making – The interaction of personality, farm business and risk to make more informed decisions* (link below).
- Have a go at creating a decision matrix for a key question you are facing this year. It won't be perfect but you will have started to improve your decision making skills.

## Want to learn more, here are some suggestions;

- Book: *Farm decision making – The interaction of personality, farm business and risk to make more informed decisions* <https://grdc.com.au/farm-decision-making>
- Online decision support tool: *Decision Wizard*. <https://decisionwizard.sfs.org.au/>
- Video: *Building a decision matrix*. <https://www.youtube.com/watch?v=nsMa2VtnONU>

## References and acknowledgements;

The Grain and Graze program for the initial work on risk and decision making

The National Landcare Program for continuing development of decision and risk support tools.







### More about Cam . . .

*Cam Nicholson is a director of Nikon Rural Services, a consulting business near Geelong working with the grazing and cropping industries.*

*Cam has worked in pasture agronomy and soils for 35 years and has been involved in many farmer programs for the GRDC, MLA, Landcare and the current Future Drought Fund. He provides consultancy advice to farmers and lectures on animal and pasture systems at Marcus Oldham College.*

*His most recent work has focussed on understanding and discussing risk in farming businesses, carbon accounting and decision making. Cam recently helped revamp information and tools for MLA on pastures and soils.*

*Cam and his wife Fiona run a 400 ha beef and sheep farm on the Bellarine Peninsula turning off cattle for the long fed feedlot market and fine wool.*

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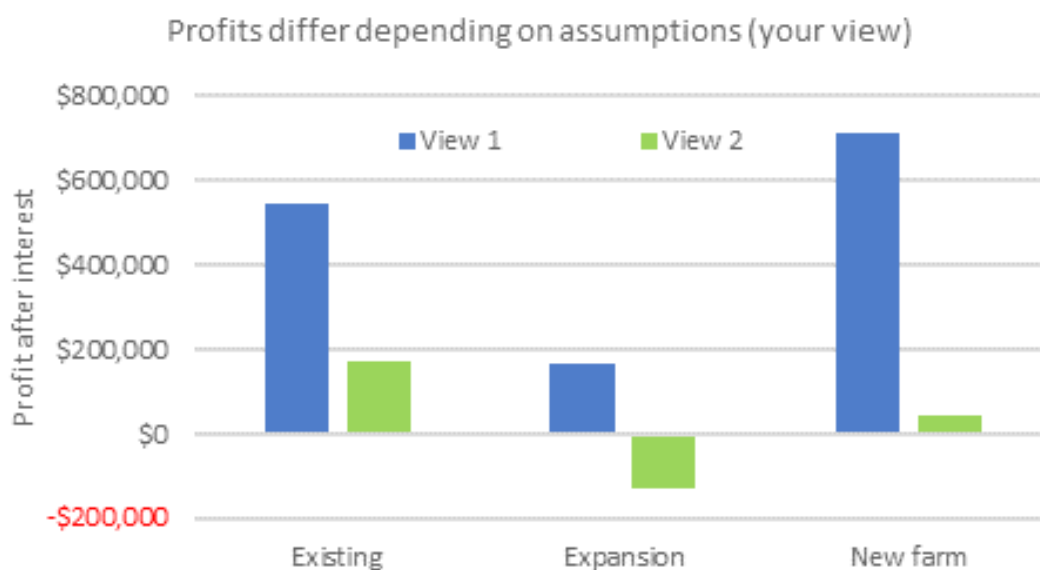
# What is the impact of high asset values on expansion decisions?

**John Francis**

*Agrista*

## Key Messages:

- ◆ The fundamentals for making a well-informed expansion decision have not changed.
- ◆ Economies of scale differ by business and by circumstance.
- ◆ Understand the business needs beyond interest costs.
- ◆ Form a rational view of the future.
- ◆ Develop an executable exit strategy and treat it as an insurance policy.



## Introduction

While the factors influencing the outcomes of farm expansion investment analyses (interest rates, costs, commodity prices) are always changing, the principles for making a well-informed expansion decision have not.

Key considerations for expansion irrespective of whether land prices are considered extreme, follow.

- Economies of scale differ by business and by circumstance.
- Understand the business needs beyond interest costs.
- Form a rational view of the future.
- Develop an executable exit strategy and treat it as an insurance policy.



The aim of a well-informed decision about farm expansion is not to predict the future. Rather it is to consider all the possibilities (good and bad), weight them based on your views and to have a risk management plan that minimises the impact of disasters and allows for business continuity even in the most extreme of circumstances.

## Expansion and intensity generate economies of scale – but not in every case

Economies of scale are the business efficiencies resulting from additional production generated at a lower marginal cost, when compared with the business in its existing state. To understand how economies of scale are achieved it helps to understand the concept of a partial budget. A partial budget is a decision framework that measures the change in business performance by comparing alternative business activities with existing activities. This change in performance is known as the “marginal benefit” and requires a marginal thinking, rather than an average thinking approach.

**Consider the following situation.** A crop-only business generates \$690 per hectare gross income, \$400 per hectare in enterprise costs and \$150 per hectare in overhead costs. The operating profit (before lease) of that business is \$140 per hectare. This was calculated by deducting enterprise and overhead costs from income. The output of this business performance is shown in figure 1a.



**Figure 1a.** Crop business performance example.

**1b.** Marginal thinking compares performance differently.

You are provided with an opportunity to lease 250 hectares next door at \$140 per hectare – should you take it? The immediate inclination is to decline the offer on the basis that your existing profit, replicated over the additional area would be sufficient only to cover the lease thus there would be no net benefit after lease payments are made. The issue with this line of thinking is that it is average thinking rather than marginal thinking.

Now, for context, consider that the existing business is not running labour and machinery optimally, so this opportunity requires no more machinery, labour or insurance costs and only results in slight increases in administration, motor vehicle and repairs and maintenance costs. These additional costs total \$12,500, equivalent to \$50 per additional hectare cropped.

Now reconsider the opportunity for expansion in the context of the change in overhead costs. The change in overhead costs delivers a cost saving on every additional, or marginal, hectare cropped. This cost saving of \$100 per hectare flows to the profit line - delivering a marginal profit of \$240 per hectare before lease on every additional hectare cropped, or \$140 per hectare after lease costs of \$140 per hectare, on every additional hectare cropped.

Table 1 shows the importance of taking a marginal thinking (or partial budgeting) approach when analysing investment opportunities, as returns are dependent on the methodology used in investment decision-making. The aim of this exercise is not to promote the virtues or otherwise of leasing, but rather to demonstrate the importance of understanding partial budgeting as an important first step in assessing business growth opportunities.





**Table 1.** Comparison of financial analysis of an investment using average and marginal thinking. Marginal thinking is required in investment analyses.

		Average thinking	Marginal thinking
Profit before lease	(\$/ha)	\$140	\$240
Lease cost	(\$/ha)	\$140	\$140
Profit after lease	(\$/ha)	\$0	\$100
Area	(ha)	250	250
Return on operating capital	(%)	0%	17%

## Economies of scale – doing more with less

Economies of scale are efficiency gains achieved by producing more at a lower marginal cost. Economies of scale can be achieved by producing:

- more with the existing cost structure
- more with a slightly higher cost per production unit, but lower than in the business as it is
- the same, with less cost.

Economies of scale are typically achieved by spreading an overhead cost structure of the existing business, over more productive units. Overhead costs are the costs of doing business and include administration, depreciation, electricity and gas, insurance, general repairs and maintenance, motor vehicle expenses, rates and wages and on-costs. Labour and machinery costs are two areas that typically have the biggest influence on contribution of costs to economies of scale.

The value of the economies of scale that can be achieved when increasing production depend on:

1. The extent to which you are already optimising machinery and labour efficiency.
2. The change in scale between the existing business and the expansion.
3. The extent to which the additional production improves machinery and labour efficiency.
4. The efficiency gained by increasing production (proximity to existing, similarity to existing).
5. Assess the extent to which economies of scale will provide benefit in your business as follows;

Create a table with four columns.

1. First column - list broad expenditure categories into which you can group all of the individual overhead costs of the business.
2. Second column - sum the overhead costs in each category applying to the existing business.
3. Third column - sum the overhead costs expected for each category for the proposed expansion.
4. Fourth column - calculate the relative difference between costs by item, by dividing the proposed expansion overhead cost (column 3), by the existing business overhead cost (column 2).

The output of these steps is shown as Table 2.



**Table 2.** Categorising overhead costs helps to understand the extent of economies of scale that can be expected when expanding.

Area (ha)	2000	400	20%
Overhead line item	Existing farm overhead costs	Proposed expansion overhead costs	Relative difference
Administration	\$12,000	\$1,000	8%
Depreciation	\$70,000	\$5,000	7%
Electricity and gas	\$5,500	\$0	0%
Fuel & lubricants (non crop)	\$5,000	\$500	10%
Insurance	\$12,000	\$2,000	17%
Lime/gypsum	\$30,000	\$6,000	20%
Motor vehicles	\$5,000	\$200	4%
Rates & rents	\$12,000	\$2,400	20%
Repairs & maintenance (general)	\$28,000	\$5,000	18%
Wages	\$120,000	\$0	0%
<b>Total overhead expenses</b>	<b>\$299,500</b>	<b>\$22,100</b>	<b>7%</b>
<b>Total overhead expenses (\$/ha)</b>	<b>\$150</b>	<b>\$55</b>	<b>37%</b>
<b>Marginal benefit of scale (\$/ha)</b>		<b>\$95</b>	

Points to note;

The example shown in Table 2 shows the overhead costs for an existing farm of 2,000 hectares with a proposed acquisition representing 20% of area relative to the existing business. In this example, no additional labour and no additional machinery is required to manage the additional area. This is shown in the proposed overhead cost structure (column 3) as no additional wages and very little additional depreciation in the respective lines. Other line items increase but not necessarily in a pro rata alignment with the increase in scale.

The relative difference in overhead costs between the existing farm and the proposed acquisition are shown in column 4. In total, a 20 percent increase in scale resulted in a 7 percent increase in overhead costs, with both of these represented as a relativity when compared with the existing business.

At a productive unit (per hectare) level, the marginal, or additional, overhead costs incurred as a result of expansion equate to \$55 per hectare, compared with \$150 per hectare in the existing business. The benefit of scale therefore equates to the difference between these two – that is \$95 per hectare. This flows straight through to operating profit and represents the extent to which profits of the expansion will be superior to profits of the existing business, assuming no difference in production or enterprise cost structure between the two.

While economies of scale add considerable value to a business when expanding it is also possible for a business to achieve diseconomies of scale. This occurs where the marginal overhead costs are higher in the expansion than in the existing business. This leads to an operating cost inefficiency in operating the additional land.

Diseconomies of scale typically occur where:

- labour or machinery are not well matched to the scale of the business
- the expansion is located a considerable distance from the existing business
- there are operational inefficiencies in operating the additional area.

Consider a situation where the expansion required an additional labour unit costing \$60,000 per annum. In this case, the overhead cost structure in the expansion would increase to \$82,000, or \$205 per hectare. This would deliver a diseconomy of scale equating to \$55 per hectare. In other words, every additional hectare would deliver profit \$55 lower than in the existing business.



## Leveraging equity

Over the last ten years the financial leveraging of equity has created a lot of wealth in agriculture. Those who used their increased equity from capital growth to further grow their businesses have been handsomely rewarded. Some farm asset owners have increased their net asset value by a magnitude of 10 times on the back of financial leverage. The key drivers of the extreme rates of wealth creation over the ten years from 2012 to 2022 are:

- extremely low interest rates
- reasonable operating returns
- exceptional capital growth on land.

A physical lever, such as a pair of fencing strainers, or a spanner, is a tool that magnifies force. The magnification of force delivers value by making the job easier. Financial leverage, put simply, is the use of existing equity to secure debt and magnify wealth.

Financial leverage achieves the goal of magnifying wealth where the returns from the debt exceed the cost of the debt (interest). The greater the positive disparity between return on the investment and the interest cost on the debt, the greater the rate of wealth creation.

The cautionary tale of using debt when leveraging equity is that just as financial leverage can magnify wealth creation, it can also magnify wealth destruction. Where investment returns on debt accumulated exceed the costs of that debt, then wealth is destroyed at a greater rate than in an unleveraged investment scenario.

This is why the use of debt requires a very good business case and a solid understanding of the risks presented to the business if things don't go according to plan.

## Business and personal needs - asking the right questions

One of the questions that should be asked prior to expanding is: "What are the annual financial demands on the business after interest is paid?" This is important because it ensures that additional interest costs of debt funded expansion don't consume all of the business surpluses. The business should have adequate funds after all interest payments to:

- repay the principal in a timely manner
- pay for annual capital costs such as machinery
- fund future liabilities such as retirement and succession plans.

## Take a view

It is important to clarify and quantify your view prior to expanding, because this view will form the assumptions in an analysis. Your view is unique to you and your circumstances, but should be weighted on evidence, or formed based on some sort of rationale. Given that a decision about expansion is about the future, there is no way of guaranteeing an outcome - however the aim of forming a view based on evidence, is to weight the probability of the outcome in your favour. The view, or opinion, of individuals in the market varies widely and this often explains the wide range in perceived value of land.

When forming your opinion, or view, of the future, consideration needs to be given to the following factors:

- rate of capital gain
- Interest rate
- commodity prices
- cost structure
- changes in production.

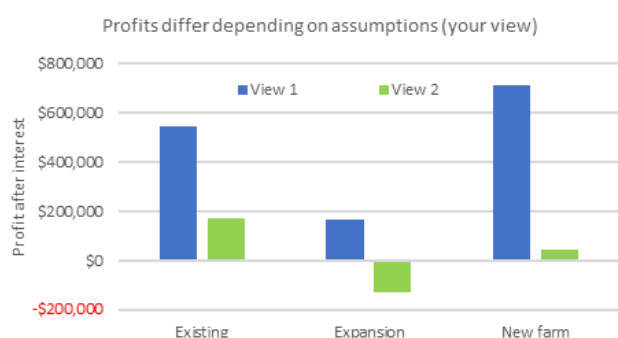


Irrespective of your view, it is important to run sensitivity analyses to ensure that you have valued the upside and costed the downside. Exit strategies are developed to assist in isolating losses to the expansion investment and prevent impacts over the whole asset portfolio.

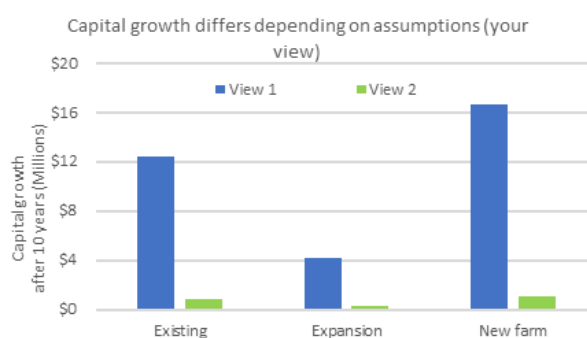
Table 3 shows two different views (1 & 2), while Figures 2 and 3 show the extent of the difference in financial projections based on the views formed for an investment in 33 percent more land. The scale (2,500 hectares), debt (15% asset value), and asset values of the existing business (\$3,825/ha) and proposed expansion do not change between views.

**Table 3.** Assessment of two different future views. View 1 and view 2 differ widely.

	View 1	View 2
Rate of capital gain	10%	1%
Interest rate	2%	8%
Commodity prices	High	Low
Cost structure	Low	High
Changes in production	Low	Low
Profitability	6%	3%



**Figure 2.** Profit after interest for Views 1 and 2.



**Figure 3.** Capital growth for Views 1 & 2.

View 1 projects post-expansion profits after interest of \$700,000, with capital growth of over \$16 million while View 2 projects post expansion profits after interest of \$40,000 and capital gain of only \$1.1 million. It is easy to see how the manager with View 1 may offer more for the land. It is important to note that if more is offered for the land then the projections in this analysis also change.

## Exit strategies

One of the keys to a solid expansion plan is the exit strategy. In other words - don't get in without considering how to get out. The cost of execution of the exit strategy is typically the transaction costs incurred at purchase and again on liquidation of the assets, plus any loss of capital value which occurs between purchase and disposal of the assets. It can help to think of these costs as an insurance policy. It is undesirable to have to execute the policy, but execution prevents a financial loss of a far greater magnitude than the cost of the policy itself.

Consideration could also be given to alternatives such as leasing the assets if this delivers a more desirable outcome.

## Conclusion

The aim of a well-informed decision about farm expansion is not to predict the future. Rather, it is to give consideration to all of the possibilities (good and bad), weight them based on your views and to have a risk management plan that minimises the impact of disasters and allows for business continuity even in the most extreme of circumstances.



My follow up questions for the speaker.

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### Why working on this could be great for your farming business

- This process can assist in decision making.
- Provides a process that can be followed for success.
- Assists in managing expectations and risk.

### Self-evaluation

- Do you have a historical record of your key financial ratios? Y / N
- How would an expansion of varying scale impact economies of scale in your business?

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- What is your view on interest rates, capital gain, commodity prices and costs?

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### We want to work on this in our business, what should we do next?

- Run an expansion analysis for a fictitious expansion so you are prepared when the time is right.
- Consider the extent to which you will achieve economies of scale when expanding.
- Start forming your view on interest rates, commodity prices, production and costs.





Our First Action \_\_\_\_\_

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Our Second Action \_\_\_\_\_

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Want to learn more, here are some suggestions;

- GRDC Farm Business Management resource and publication links. <https://grdc.com.au/resources-and-publications/all-publications/farm-business-management-manuals>
- Krause, M. (2015). Farming the Business Manual. GRDC Publication. <https://grdc.com.au/resources-and-publications/all-publications/publications/2015/01/farming-the-business-manual>
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### More about John . . .

*John Francis is farm business management consultant with over fifteen years' experience in agricultural consultancy and a further fifteen years' experience in production agriculture (agronomy). John holds a Bachelor of Applied Science (Agriculture) and a Certificate IV in workplace training and assessment.*

*John is the owner of Agrista, an agricultural consultancy business based in Wagga Wagga in southern NSW. Agrista provides farm business management advice to farm asset owners and managers, the finance sector, government, industry and the agricultural services sector. John's expertise generates value for clients by identifying opportunities to improve productivity and profitability.*

*John is passionate about improving financial literacy in farm managers as he sees this as key to improving business performance. His detail-oriented personality type and ability to think critically, rationally, and objectively underpin John's development and delivery of courses designed to improve business skill and identify the factors influencing farm growth investment outcomes.*

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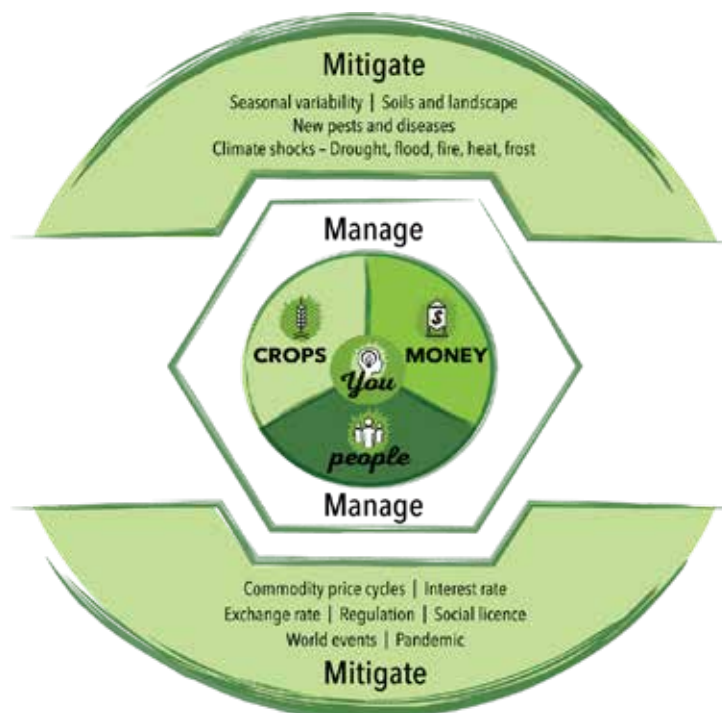
# Making good decisions – analysing contributions to profit (myths, maths and mindset)

Dr Kate Burke

Think Agri Pty Ltd

## Key messages

- ◆ Partial Budgeting helps analyse simple changes.
- ◆ Analysis methods are only as effective as the decision-making dynamic of the business owners, the overall business capacity and ability to implement the change.
- ◆ It helps to understand the farm business capacity and performance in terms of productivity, profit and people before analysing the possible impact of a specific change.
- ◆ Climate driver patterns and historical production patterns provide clues to income potential, achievement and volatility.
- ◆ Understanding spending track record, fixed cost structures and the costs associated with production provide clues on business efficiency.
- ◆ The overall financial position provides clues to the capacity to handle additional debt and withstand a run of tough years.
- ◆ Personal and team effectiveness underpins the business capability to operate at current levels or at an expanded capacity.



**Figure 1:** Management levers and the risk factors a sound decision making approach can help to mitigate (Burke, 2020).



## Introduction

Allocating expenditure to improve the farm business is a perennial decision making challenge because it involves humans and money. How do you manage a capital-intensive business and make good decisions that don't send you broke or mad or end in a divorce? Year to year seasonal climate volatility (Figure 1) and the constant barrage of factors beyond one's control creates a high stress high pressure environment among farmers of all ages. On top of the usual complexity of a modern farm business, the recent long drawn-out harvest and resultant fatigued humans, further compounds the challenge.

A run of strong years in many parts of the GRDC Southern region, means strong balance sheets for some farm businesses and a willingness to make significant capital investments to improve the business. Useful spending within a farm business contributes to annual profits, grows the net worth of the business and individuals and enables the achievement of important personal objectives. The bigger the investment or potential loss, the more sense it makes to support capital allocation decisions with thorough analysis.

Economic analysis tools such as partial budgeting are useful for looking at the incremental change of one aspect of the business and seeing the potential impact on the business. Yet, experience suggests it's the human factors that ultimately determine the usefulness of such economic tools.

*This paper outlines human, production and economic considerations and methods for understanding the inner workings of the farm and assessing the impact of a potential change or purchase.*

### 1. Farming is complex. Separate economics from production and people at your peril.

Broadacre farming in the southern GRDC region is a complex mish mash of people, money and crop production amidst an increasingly variable climate and a multitude of factors outside the influence of farm operators and advisors (Figure 1).

In the haste, to find the answer and make the decision, it's human nature to want a simple straightforward fix and then move on to the next decision-making dilemma. This approach can be costly though, as the following example illustrates.

#### **Example 1** - Elmore district mixed farm enterprise with an owner operator and casual labour

Farmer Jane is a perfectionist who likes neat evenly spaced rows of crops. She is not happy with the uneven crop establishment in 2022 in some paddocks. Plant counts by Agro Joe suggest the establishment was limited to a handful of paddocks and not as bad as it looked. The crops developed well. Yield and water use efficiency data indicate that establishment was not a profit limiting issue.

Jane is determined to improve crop establishment and her simple (and expensive) answer is a new seeding bar with precision depth control and a change of row spacing. Farmer Jane, hates paying tax, so the tax incentives associated with equipment purchases are influencing her judgement.

Agro Joe concludes the establishment was a bit rough because the operators didn't realise, they needed to check for seeding depth and soil throw. Jane doesn't agree, she has conducted a partial budget analysis (PBA) and can justify the change if the old seeder is traded in.

The old seeder finds a home in northern NSW and is duly disposed of. The new seeder arrives two months later than planned. Sowing is delayed by 3 weeks. The establishment is still rough due to unskilled labour and an unfamiliar machine. It's a dry finish and the yield penalty and income reduction from the sowing delay is similar to the cost of the seeder.





This rather extreme anecdote illustrates how the simple fix doesn't always solve the problem, even if the numbers stack up. The problem isn't with the machinery, it's with the execution of the seeding task which can be traced back to the owner's mindset, preferences and management style.

## 2. Seasons, discipline and clear thinking strengthen intuition.

Spending decisions that enable profit opportunities will have the greatest impact on improving business performance.

Table 1 summarises the common profit contributors identified in multiple studies of farm financial, technical and social data from the early 1990s to 2020. This list is a good place to start when considering future investments. Importantly, it also lists factors less important. For example, the combined data suggests strongly that price and scale do not always contribute to profitability, nor does total hours worked.

Clear thinking farmers with business discipline and several seasons under their belt intuitively know these patterns of profit contribution and can reach sound purchasing decisions with some solid thinking and a few sums. Stress and uncertainty can reduce the effectiveness of intuition. Logic based frameworks and economic analysis are useful to validate the gut feel around spending.

Table 2 provides a list of metrics that can help you draw conclusions about your unique profit drivers.

<b>Table 1. Patterns of profit contribution.</b>	
<b>Most important</b>	<b>Less important</b>
<b>CROPS</b>	
Agronomically sound land use	Farming system or enterprise mix*
Production Efficiency – kg per ha per mm of rainfall	Rainfall differences between farms in the same season
Unique characteristics of farm and business (The Farm Effect)	Cropping intensity (% of farmland under crop)
Timely operations	
<b>PEOPLE</b>	
Astute, timely and flexible decision-making and action despite uncertainty	Hours worked
Spend more time on strategy, planning, management and research	
Motivated and accept responsibility for decisions	
Relationship managers and socially apt	
Keen formal and informal learners	
<b>MONEY</b>	
Use people, machinery and capital efficiently	Scale; Farm size
Fixed and variable cost awareness and management	Commodity price *
Liquidity (cash reserves)	
Robust business that can handle shocks – drought, price crash, frost events	
*Rainfall received and commodity price influenced returns between years, but do not explain the differences in returns between farms.	
Beever and McCarthy 2004; Doudle et. al. 2009; Malcolm, 2010; Kingwell et al. 2013; Bryant 2016; Voght 2016; Graetz et. al. 2018.	



**Table 2.** Quantitative and qualitative tools for increasing awareness of one's own business.

Step	Tools (not exhaustive)	Qualitative	Quantitative
	<b>Looking back</b>		
	Productivity efficiency relative to water limited potential	☑	☑
	Spatial variation of paddock performance (e.g. yield maps or imagery)	☑	☑
	Gross Margins per enterprise and crop type and paddock per year		☑
	Whole Farm and Business Analysis over time		☑
	Labour and machinery efficiency over time	☑	☑
	Interview the knowledge holders	☑	☑
	<b>Current situation</b>		
	Physical farm characteristics	☑	☑
	Balance Sheet		☑
	Profit and Loss		☑
	Net worth		☑
	Liquidity Equity		☑
	Farm Business Resilience Check list	☑	☑
	Profit contributors (Table 1)	☑	☑
	Climate mood analysis (Table 3)		☑
	People Traits -Spending awareness test (Table 4)	☑	
	Workplace behaviour preferences	☑	
	<b>Looking forward</b>		
	Desired outcomes	☑	
	Wish lists and budgets - equipment replacement, infrastructure, expansion plan	☑	☑
	Description of specific decision to be made	☑	
	<i>Will it contribute to profitability?</i>		
	Partial budget analysis		☑
	Climate and price sensitivity analysis		☑
	Whole Farm Business Forecasting		☑
	Will it contribute to net worth?		☑
	Balance sheet scenario analysis		☑

### 3. Averages are overrated - consider the full spectrum of possibilities.

To illustrate the point let's again consider another Elmore district mixed farm enterprise with two generations farming together. Long term Rainfall records accessed from the GRDC Agriculture Victoria Local Climate tool <https://forecasts4profit.com.au/About> (Figure 2).



### Example 2 - Elmore district mixed farm enterprise with two generations farming together

Clearly there is considerable variation around the average, so it makes little sense to be using an average rainfall figure or average production figures to test the feasibility of a change to the business.

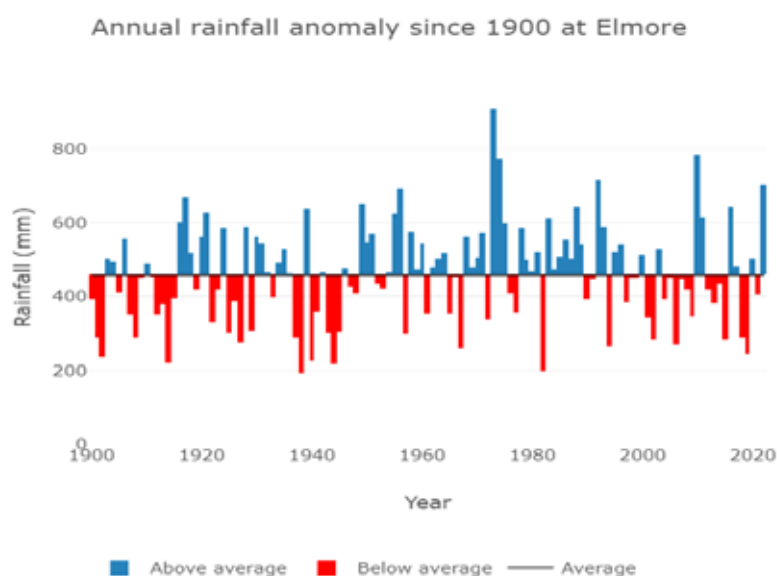
They have a parcel of land near Mitiamo which is lower in rainfall and more variable. Land is cheaper out there than at Elmore, so the farm team is pondering if they should target that region for expansion.

The average gross income from the past eight years is \$700/ha, the average gross income from the past three years is \$1200/ha, the five-year average is \$900/Ha and the average from 2015 to 2020 is \$500/Ha. Which figure should be used as the basis for a further budgeting and analysis? Good question!

One approach is to understand the drivers behind the variation and then perform some sensitivity analysis. In this case the drivers were rainfall and climate related. Table 3 describes the Climate Moods experienced in Australia since 2000.

When the years were categorised according to Pacific and Indian Ocean behaviour as shown in Table 3, the data made more sense. Three seasons experienced Indian Ocean Dipole positive and/or El Niño with rainfall less than 80% of average and either frost or heat stress with income less than \$600/Ha. The three IOD Negative/La Niña seasons generated the highest income ranging from \$1000/Ha to \$2000/Ha despite flooding wiping out 10% of the area farmed.

Based on this knowledge, the business could assess the impact of increasing the area under management at Mitiamo compared to their home block south of Elmore that was less frost prone and had a more consistent rainfall pattern. This would lead to a more informed decision.



**Figure 2.** Variation in Annual Rainfall for Elmore, Victoria



**Table 3.** The Australian Climate Mood 2001-2022

Climate Mood	Years	Pacific Ocean ENSO	Indian Ocean IOD	Typical Weather
A	2010 2014* 2016 2021 2022	La Niña or Neutral	Negative	Wet Cool
B	2000 2007 2008 2011 2020	La Niña	Neutral	Variable Cool
C	2001 2003 2004 2005 2013 2017	Neutral	Neutral	Variable
D	2012 2018 2019	Neutral	Positive	Variable
E	2002 2009	El Niño	Neutral	Dry Hot
F	2006 2015	El Niño	Positive	Very Dry Hot

\*2014 IOD negative phase was short lived

#### 4. Partial Budgets are good for assessing incremental changes and even better if scenarios are compared.

Partial budgeting is a useful tool for examining the potential benefit of a change that impacts one aspect of the business. In the example above, using three income scenarios to perform the partial budget analysis would provide more insight than using a five-year average. Francis (2023) provides some worked examples of how PBA can be used with great effect if combined with scenario analysis.

Redden et al. (2020), provide several examples of the Partial Budget approach for guiding Precision Agriculture related investment decisions including variable rate lime application and selective spray technology (WEEDIT/ WeedSeeker).

#### 5. Bringing it all together with the 4 A framework for effective decision making

The Think Agri Awareness Acceptance Agreeance Action (AAAA) Framework integrates the people, production and profit aspects of farm business decision making. Table 4 outlines the process, enablers and barriers to each stage.



**Table 4:** The Think Agri AAAA Decision making framework (Burke ,2020)

Stage	Enablers	Barriers
<b>Awareness</b>  <b>Build insight into financial &amp; production performance and identify causal factors including human aspects. (See Tables 1 + 2)</b>  A mix of mindset and maths	Accessible, easy to use tools Motivation and discipline Outsourcing analysis Professional approach Data skills Good record keeping Attention to detail Systems and processes Appreciating complexity and whole of business thinking Marginal thinking Curiosity Independent thinking	Fear Too hard basket Information overload Confusion Prefer outside jobs Not used to paying for farm business analysis or advice
<b>Acceptance</b>  <b>Make true sense of the data and accept the conclusions</b>  A mix of mindset and maths	Improved awareness and understanding Curiosity Humility Using a Facilitator Independent thinking	Stress Uncertainty and fear Conflict Confidence Peer group pressure
<b>Agreeance</b>  Mainly about mindset  For teams of decision makers-reach agreeance about the decisions that need to be made, the desired outcomes and come to a conclusion.	Common purpose and outcome focus Emotional regulation and professionalism Motivation Using a Facilitator Independent thinking	Stress Lack of direction Conflict Peer group pressure Social media distraction
<b>Action</b>  Mainly about mindset  <b>Commit to a process to reach a decision and to implement.</b> <b>Commit to actions required.</b> <b>Stay accountable and reach a closing point.</b>	Agreeance Independent thinking Timelines and clarity of tasks and roles Common purpose and outcome focus Emotional regulation and professionalism Motivation	Stress Confusion Indecision due to lack of agreeance Avoidance Resistance Peer group pressure

My follow up questions for the speaker.

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## Why working on this could be great for your farming business

- A deeper understanding of your farm business will assist decision making and reduce the likelihood of unintended consequences
- The Local Climate tool can provide insight and confidence for decision making both short and long term
- A combination of economic analysis, production analysis and qualitative assessments strengthens the decision making process
- The bigger the decision, the more valuable it is to use a framework like awareness, acceptance ,agreement and action to ensure the final decision contributes to a thriving business full of happy people.

## Self-evaluation

- How variable is my production and climate?
- What are the people factors that contribute to our decision making process?
- How solid is our overall business position?
- What spending decisions do I need help with?

## We want to work on this in our business, what should we do next?

- Run an awareness audit -how well do you know the production, financial and people factors influencing your business?

### Our First Action

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### Our Second Action

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## Want to learn more, here are some suggestions;

- Forecasts 4 profit : [www.forecasts4profit.com.au/About](http://www.forecasts4profit.com.au/About)
- Farming the Business Manual : [www.grdc.com.au/resources-and-publications/all-publications/publications/2015/01/farming-the-business-manual](http://www.grdc.com.au/resources-and-publications/all-publications/publications/2015/01/farming-the-business-manual)
- Crops, People, Money and you : The Art of Excellent Farming and Better Returns [www.thinkagri.com.au/kates-book/](http://www.thinkagri.com.au/kates-book/)
- Profit for Precision Agriculture publication : [www.grdc.com.au/resources-and-publications/all-publications/publications/2020/profit-for-precision-agriculture](http://www.grdc.com.au/resources-and-publications/all-publications/publications/2020/profit-for-precision-agriculture)
- Profit for Precision Agriculture report : [www.grdc.com.au/resources-and-publications/all-publications/publications/2020/profit-for-precision-agriculture/Profit-from-Precision-Agriculture-Output-3-Report.pdf](http://www.grdc.com.au/resources-and-publications/all-publications/publications/2020/profit-for-precision-agriculture/Profit-from-Precision-Agriculture-Output-3-Report.pdf)
- Machinery Investment and replacement for Australian grain growers (PODCAST): [www.grdc.com.au/news-and-media/audio/podcast/guide-machinery-investment-and-replacement-for-australian-grain-growers](http://www.grdc.com.au/news-and-media/audio/podcast/guide-machinery-investment-and-replacement-for-australian-grain-growers)
- Machinery Investment and replacement for Australian grain growers (PUBLICATION): [www.grdc.com.au/resources-and-publications/all-publications/publications/2022/machinery-investment-and-replacement-for-australian-grain-growers](http://www.grdc.com.au/resources-and-publications/all-publications/publications/2022/machinery-investment-and-replacement-for-australian-grain-growers)
- Expansion and the enterprise choice: [www.grdc.com.au/resources-and-publications/grdc-update-papers/tab-content/grdc-update-papers/2015/08/expansion-and-the-enterprise-choice](http://www.grdc.com.au/resources-and-publications/grdc-update-papers/tab-content/grdc-update-papers/2015/08/expansion-and-the-enterprise-choice)

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### More about Kate . . .

*Dr Kate Burke is an agri-strategist, with specialist knowledge in the science and strategy of broadacre farming and direct investment in farmland. Kate connects the dots between people, productivity and profit to build better farmers, better farms and healthy thriving families and communities.*

*Kate recently published *Crops, People, Money and You: The Art of Excellent Farming and Better Returns* and regularly contributes to *The Guardian Newspaper*, *Rural Network* and *Rural Business Magazine*.*

*In 2021, Kate received the GRDC Seed of Light award.*

*Kate's vision is for half of the farm businesses in Australia to double their productivity and their return on investment. It's a win-win-win for farmers, agribusiness, consumers and the ecosystem to have twice as much food produced from the same area of land in a responsible and sustainable manner.*

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# LOOK AROUND YOU.

1 in 5 people in rural Australia are currently experiencing mental health issues.



**GRDC**

GRAINS RESEARCH  
& DEVELOPMENT  
CORPORATION

The GRDC supports the mental wellbeing of Australian grain growers and their communities. Are you ok? If you or someone you know is experiencing mental health issues call *beyondblue* or Lifeline for 24/7 crisis support.

**beyondblue**

1300 22 46 36

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



**Lifeline**

13 11 14

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



**Looking for information on mental wellbeing? Information and support resources are available through:**

**[www.ifarmwell.com.au](http://www.ifarmwell.com.au)** An online toolkit specifically tailored to help growers cope with challenges, particularly things beyond their control (such as weather), and get the most out of every day.

**[www.blackdoginstitute.org.au](http://www.blackdoginstitute.org.au)** The Black Dog Institute is a medical research institute that focuses on the identification, prevention and treatment of mental illness. Its website aims to lead you through the logical steps in seeking help for mood disorders, such as depression and bipolar disorder, and to provide you with information, resources and assessment tools.

**[www.crrmh.com.au](http://www.crrmh.com.au)** The Centre for Rural & Remote Mental Health (CRRMH) provides leadership in rural and remote mental-health research, working closely with rural communities and partners to provide evidence-based service design, delivery and education.

## Glove Box Guide to Mental Health

The *Glove Box Guide to Mental Health* includes stories, tips, and information about services to help connect rural communities and encourage conversations about mental health. Available online from CRRMH.



**[www.rrmh.com.au](http://www.rrmh.com.au)** Rural & Remote Mental Health run workshops and training through its Rural Minds program, which is designed to raise mental health awareness and confidence, grow understanding and ensure information is embedded into agricultural and farming communities.

**[www.cores.org.au](http://www.cores.org.au)** CORES™ (Community Response to Eliminating Suicide) is a community-based program that educates members of a local community on how to intervene when they encounter a person they believe may be suicidal.

**[www.headsup.org.au](http://www.headsup.org.au)** Heads Up is all about giving individuals and businesses tools to create more mentally healthy workplaces. Heads Up provides a wide range of resources, information and advice for individuals and organisations – designed to offer simple, practical and, importantly, achievable guidance. You can also create an action plan that is tailored for your business.

**[www.farmerhealth.org.au](http://www.farmerhealth.org.au)** The National Centre for Farmer Health provides leadership to improve the health, wellbeing and safety of farm workers, their families and communities across Australia and serves to increase knowledge transfer between farmers, medical professionals, academics and students.

**[www.ruralhealth.org.au](http://www.ruralhealth.org.au)** The National Rural Health Alliance produces a range of communication materials, including fact sheets and infographics, media releases and its flagship magazine *Partyline*.



**CORES™**





# FARM FINANCIAL TOOL: CASH FLOW BUDGET FACT SHEET

## SOUTHERN REGION

## HOW DO I KNOW IF MY BUSINESS HAS ADEQUATE FUNDS?

Maintaining strong control of the cash flow means **planning** (estimating) and **monitoring** the cash flow. Many farmers and banks would say cash flow is **KING** and that is why a cash flow budget is so important!

### KEY POINTS

- Cash flow is a financial 'tool' that tracks cash availability to the business, known as 'Liquidity'.
- A positive cash flow is where more money comes into the business than goes out.
- Cash flow is a key measure to show banks whether the business can service its debt.

### Key Management Concepts

When managing any business, it is good to have both of the following concepts in mind:

1. **Liquidity** – This refers to cash flow which should be managed to ensure more cash comes into the business than goes out.
2. **Efficiency** – This addresses the issue of whether the farm business is getting the best return on the capital being managed, and is measured through both a profit and loss and a balance sheet budget.

By managing both of these concepts (see Figure 1), the farm business will have a greater ability to be sustainable.

### What is a Cash Flow Budget?

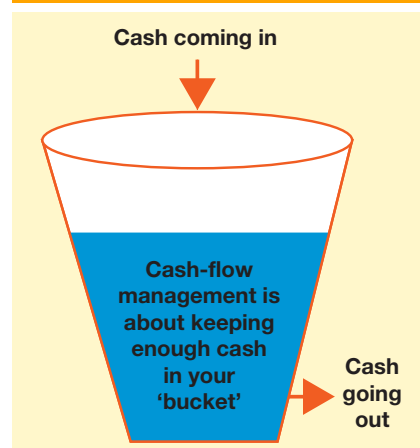
Simply, a cash flow budget measures the amount of money (cash) coming into a business, against what goes out and when. It can be measured as an annual budget, but more commonly it is a one to two-year monthly budget. It is one of the simplest concepts in farm business management, and probably the most used by Australian farmers. Figure 2 provides a simple illustration of how a cash flow works.

### Why use a Cash Flow Budget?

Banks value monthly cash flow budgets from farmer clients as they provide two essential pieces of information:

1. Does the client have the ability to make loan repayments as they become due?
2. If the client has an overdraft, when will the peak overdraft requirement be and in what month will it most likely occur, so they can plan ahead for credit requirements.

Figure 2 A Business Cash Flow

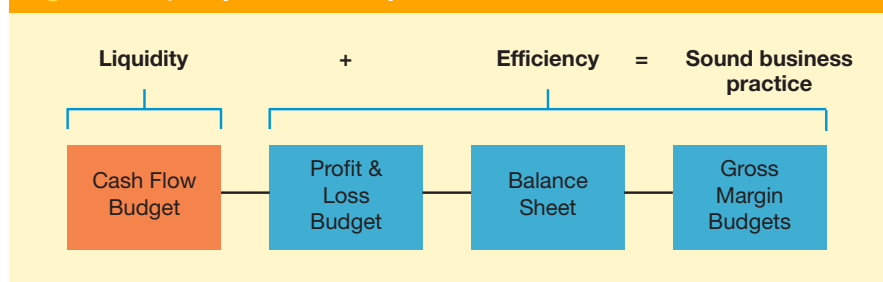


Source: P2PAgri Pty Ltd

As banks value cash flow budgets so highly, farmers have been encouraged to create estimated monthly cash flow budgets. Unfortunately, once farmers have put together this budget and the bank has ticked off all financial questions, it often goes into the farm office top drawer and is not seen again for another year, or until the bank wants another cash flow budget put together for the next season. Quite often this is because the season has turned bad and the bank or the farmer wants to know just how bad, and how much additional overdraft will be needed for the following season.

If this is the financial monitoring habit in your farm business, then the bank may be driving your business, rather than you! You may be missing important financial information that can be gained by actually monitoring the cash flow throughout the season and comparing estimated versus actual figures.

Figure 1 Liquidity and efficiency

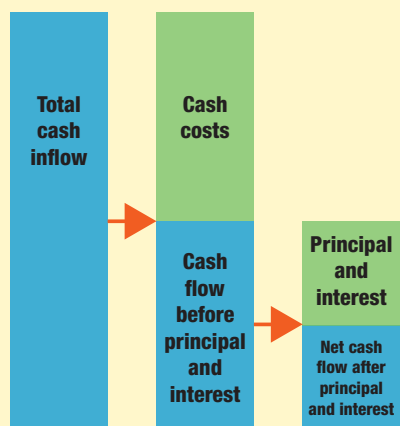


Source: P2PAgri Pty Ltd





Figure 3 Cash Flow Budget



Source: Assoc. Prof. Bill Malcolm, 'Pursuing Growth without Regret in Risky Crop-Farming'

An estimated monthly cash flow budget provides the following useful information:

- Knowing when income and expenditure are expected to occur.
- Using the cash flow budget to manage payments and income to help minimise the use of an overdraft, and hence decrease overdraft interest costs.
- Providing the farm with an early indicator of how much additional finance might be needed following a bad financial season. The farmer can then be proactive with the bank by looking at additional finance needs early, before other farmers who may be in a similar position.

Figure 3 illustrates a cash flow budget, where the total cash that flows into the farm business is balanced against the cash costs and loan repayment costs (principal and interest). The aim of any business is for the 'Net Cash flow after principal and interest payments' to be positive rather than negative. If the farm business's cash flow is negative for a couple of years, then either business reserves will be needed to maintain business viability, or bank debt will need to grow.

### Farm Case Study Estimated Monthly Cash Flow

A cash flow budget will provide the greatest information to a farm business when it involves two steps: a forward estimate of the monthly cash flow, followed by recording monthly actuals against these estimated figures.

#### Step 1: Estimating Monthly Cash Flow

- The first challenge for farmers is putting an estimate together, as you need to go through each category estimating when

Figure 4 Estimated Monthly Income and Expenses

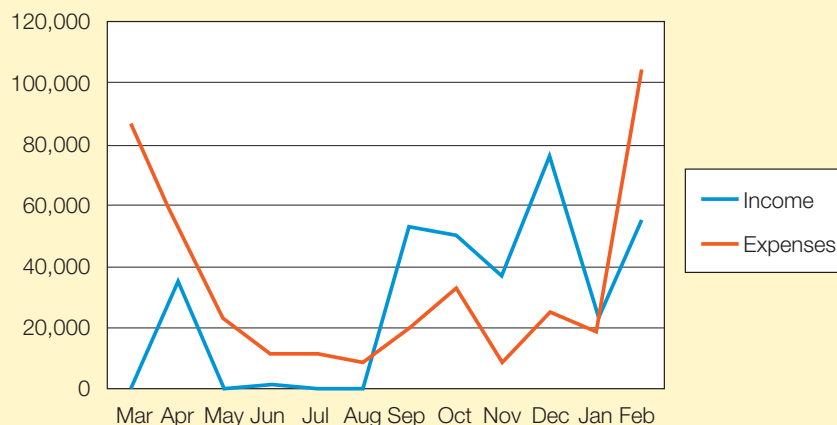
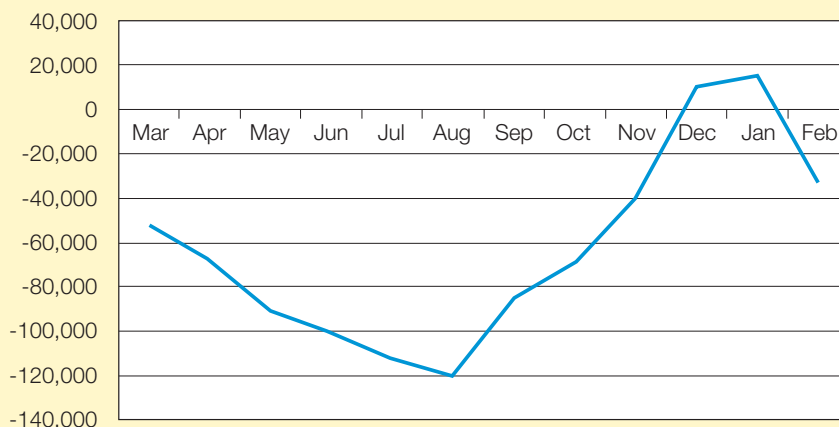


Figure 5 Estimated Monthly Cash Flow



Source: P2PAgri Pty Ltd

income and expenditure will occur. To illustrate this, the cash flow estimate of a farm case study is provided in Table 1.

- The results of this case study's estimated cash flow are summarised in Figures 4 and 5.

Figure 4 shows the 'lumpiness' of the monthly income and the expenses, and that they roughly match-up.

- Figure 5 provides an overview of the estimated monthly cash flow where the interaction of the monthly income is combined with the expenses to show what cash levels are in the business cheque account. If all the income and expenses come out of the one cheque account, then this would show the bank what the overdraft level is expected to be in each month. This provides the bank with a simple tool to monitor the business as the season unfolds.

**Note:** In Figure 5, the maximum overdraft is \$120,000 and it is expected to occur in August.

#### Step 2: Monitoring Actual Cash Flow

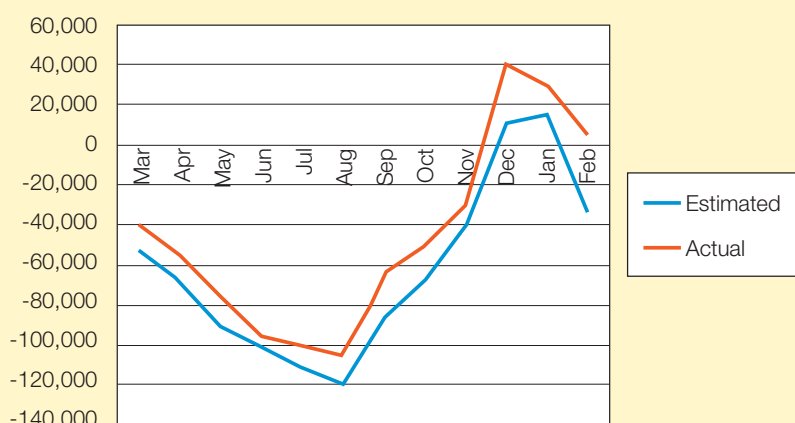
- The next challenge for farmers is to actually monitor the monthly cash flow as the season unfolds. Figure 6 shows an expected versus actual monthly cash flow and indicates the season delivered a better outcome than was expected. Monitoring throughout the season is ideally done monthly as the cheque account statement becomes available, or can be done quarterly in line with completing and submitting the Business Activity Statement (BAS) to the Australian Taxation Office (ATO).
- The result in Figure 6 is a typical one. The significant part of the overdraft is used from July to September and is not used again through the summer months, as the grain income begins to enter the cheque account during this period. With this income, the overdraft returns to a \$0 balance, something the bank would like to happen at least once a year. However, in reality, in poor times the \$0 balance



Table 1 Farm Case Study Estimated Cash Flow

Planned Monthly Cash Flows													
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<b>Income</b>													
Hard wheat	90,600		35,600								35,000		20,000
Malt barley	50,000										30,000		20,000
Oats	18,000											18,000	
Canola	8,400												8,400
Beans	1,100												1,100
Lupins	800												800
Self replacing merino	134,300							50,000	50,000	34,300			
Prime lambs	20,000										10,000	5,000	5,000
Off-farm	1,000						500				500		
Other farm income	4,000							2,000		2,000			
<b>Interest Earned</b>													
Farm Management Deposits (FMD)	3,848	962			962			962			962		
<b>Total Gross Income</b>	<b>332,048</b>	<b>962</b>	<b>35,600</b>	<b>0</b>	<b>962</b>	<b>0</b>	<b>500</b>	<b>52,962</b>	<b>50,000</b>	<b>36,300</b>	<b>76,462</b>	<b>23,000</b>	<b>55,300</b>
<b>Crop Costs</b>													
Seed	6,000	6,000											
Fertiliser	52,000	25,000	27,000										
Chemicals	30,000	10,000	10,000								10,000		
Insurance	215										215		
Fuel & oil	19,000	10,000							9,000				
R&M	10,560	880	880	880	880	880	880	880	880	880	880	880	880
Other	1,560	130	130	130	130	130	130	130	130	130	130	130	130
<b>Livestock Costs</b>													
Purchases	9,800								9,800				
Wool packs	500							500					
Wool freight	400								400				
Shearing	6,000							6,000					
Flock costs	6,000			2,000		2,000	1,000	1,000					
Supplementary feeding	5,500	5,500											
Pasture improvement	17,200	17,200											
<b>Overhead Costs (General)</b>													
General fuel	6,200	1,550			1,550			1,550			1,550		
Accommodation	70				70								
Council rates	768	64	64	64	64	64	64	64	64	64	64	64	64
Council rates parents house	4,360	1,090			1,090			1,090			1,090		
Donations	1,740	435			435			435			435		
Education	55		55										
Electricity Property 1	454			454									
Electricity Property 2	3,336		834			834			834			834	
Private electricity	1,772		443			443			443			443	
Freight	188				188								
Donations	3,915				435	435	435	435	435	435	435	435	435
Farm and personal insurance	25	25											
Levys wool	14,000			10,000							4,000		
Office expenses	57					57							
Postage	90			90									
Stationary	100			20			20		20	20			20
Other office expenses	10	10											
Professional fees - accounting	600	200			200			200					
Property improvements	1,800		1,800										
Property repairs and maintenance	2,800			2,000					800				
Registration	150	150											
R & M farm and house	2,400	200	200	200	200	200	200	200	200	200	200	200	200
Water	1,000				500					500			
Selling expenses	680	170			170			170			170		
Stock fee	420	35	35	35	35	35	35	35	35	35	35	35	35
Subscriptions	1,300								1,300				
Telephone	1,200		200		200		200		200		200		200
tools and equipment purchase	3,120	260	260	260	260	260	260	260	260	260	260	260	260
Vehicle repairs	5,000		2,500						2,500				
Building	4,200	700		700		700		700		700		700	
Clay spreading	1,000		1,000										
Workshop expenses	2,000	2,000											
Workcover	880		440						440				
Family cash drawings	60,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Loan Repayments</b>													
<b>(Interest + Principal) &amp; Lease Costs</b>													
<b>Existing Farm Loans</b>													
Bank 1	30,000												30,000
Airseeded bar and boomspray	31,949												31,949
Tractor 9050	22,495												22,495
<b>New Farm Loans</b>													
	0												
<b>Existing Off-Farm Loans</b>													
Real estate	0												
<b>New Off-Farm Loans</b>													
Real estate	0												
<b>Land Lease + Interest (Other)</b>													
Leased land	0												
Overdraft & stock mortgage	1,860	155	155	155	155	155	155	155	155	155	155	155	155
Bank fees	0												
<b>Total Gross Costs</b>	<b>398,284</b>	<b>86,754</b>	<b>50,996</b>	<b>21,988</b>	<b>11,562</b>	<b>11,193</b>	<b>8,379</b>	<b>18,804</b>	<b>33,051</b>	<b>8,379</b>	<b>24,819</b>	<b>18,536</b>	<b>103,823</b>
<b>Net Inc (dec) in cash held</b>	<b>-66,236</b>	<b>-85,792</b>	<b>-15,396</b>	<b>-21,988</b>	<b>-10,600</b>	<b>-11,193</b>	<b>-7,879</b>	<b>34,158</b>	<b>16,949</b>	<b>27,921</b>	<b>51,643</b>	<b>4,464</b>	<b>-48,523</b>
<b>Cash held at beginning of period</b>	<b>55,000</b>												
<b>Overdraft at beginning of period</b>	<b>21,949</b>												
<b>Total Cash at beginning of period</b>	<b>33,051</b>	<b>33,051</b>	<b>-52,741</b>	<b>-68,137</b>	<b>-90,125</b>	<b>-100,725</b>	<b>-111,918</b>	<b>-119,797</b>	<b>-85,639</b>	<b>-68,690</b>	<b>-40,769</b>	<b>10,874</b>	<b>15,338</b>
<b>Total Cash at end of period</b>	<b>-33,185</b>	<b>-52,741</b>	<b>-68,137</b>	<b>-90,125</b>	<b>-100,725</b>	<b>-111,918</b>	<b>-119,797</b>	<b>-85,639</b>	<b>-68,690</b>	<b>-40,769</b>	<b>10,874</b>	<b>15,338</b>	<b>-33,185</b>



**Figure 6 Expected versus actual cash flow**

Source: P2PAgri Pty Ltd

in the overdraft may not occur. This is when communication with the bank is essential to revise expectations.

### Additional accounting thinking

When undertaking a Cash Flow budget, a number of accounting processes need to be kept in mind:

- How to handle Goods and Services Tax (GST)** – Technically, the impact of GST should flow through the business. However, as income and expenses usually do not line up in a farming business, there will be times when GST will need to be paid to the ATO, and other times when the ATO refunds the GST. This does have an impact on the cash flow and should be accounted for in cash flow estimates. However, farmers often complete the estimated cash flows without assessing the impact of the GST. So, either:
  - (1) include the GST estimate, which means you will be using GST inclusive numbers in the budget, or
  - (2) do not allow for GST and use GST exclusive numbers. If using this method, keep in mind that you will need to pay GST with some BAS statements.

Just make it clear which method you have used.
- Keep farming years in mind** – While the ATO requires farmers to report their tax returns annually over a financial year (July – June), the monthly cash flow can be reported with a different starting month. Usually, it is normal to have the

income and costs of the same season in the one year, so dryland farmers start their monthly cash flow estimates from March each year.

### FAQs

#### Will my bank require a monthly cash flow estimate at the start of each season?

Check with your bank, as not all banks require monthly cash flow estimates. It largely depends on the historic financial performance of the business. However, it is sound business practice to complete an estimated monthly cash flow at the commencement of each season.

#### Should the cash flow be the only budget I keep on the business?

The monthly cash flow budget is the most common budget kept by farmers in Australia, because banks encourage them to be done. Also, when there are various government schemes assisting during times of hardship, farmers sometimes need to have cash flow estimates to demonstrate eligibility. If a farm's objective is to maintain a livelihood, then a cash flow budget is probably the only budget that is needed. However, if the goal is business sustainability and efficiency, then other budgets such as profit and loss and balance sheets are also needed.

#### Is there an easier way of calculating the business monthly cash flow budget?

Monthly cash flow budgets are best completed using a computer program.

However, you can use a pencil, rubber, calculator and cash flow templates which are normally available from your bank. There are a number of software packages available to help create a cash flow, ranging from spreadsheets to accounting packages like Phoenix and Agrimaster, or even planning programs like P2PAgri.

#### What if my monthly cash flow doesn't look good?

Just doing a monthly cash flow is a good discipline. Looking at a poor cash flow can be disheartening but even if it doesn't look positive, at least it is a start to thinking about how can you improve the cash flow. It helps you to objectively focus on strategies to improve the business' financial position.

## USEFUL RESOURCES

### Related GRDC Fact Sheets

Other fact sheets in this Farm Business Management series provide further detail on farm financial tools: Farm Business Overview (Order Code: GRDC909), Profit and Loss Budget (Order Code: GRDC916), Balance Sheet (Order Code: GRDC917), Crop Gross Margin Budget (Order Code: GRDC914) and Livestock Gross Margin Budget (Order Code: GRDC915).

Copies of all the above fact sheets are FREE plus P&H and available from:

Ground Cover Direct Freephone: 1800 11 00 44 or email: [ground-cover-direct@canprint.com.au](mailto:ground-cover-direct@canprint.com.au)

These can also be downloaded from [www.GRDC.com.au/fbm](http://www.GRDC.com.au/fbm)

**Plan to Profit (P2P)**, a whole-farm financial management program that can help calculate a farm's financial budgets: [www.P2PAgri.com.au](http://www.P2PAgri.com.au)

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2023 YARRAWONGA/ELMORE GRDC FARM BUSINESS UPDATE

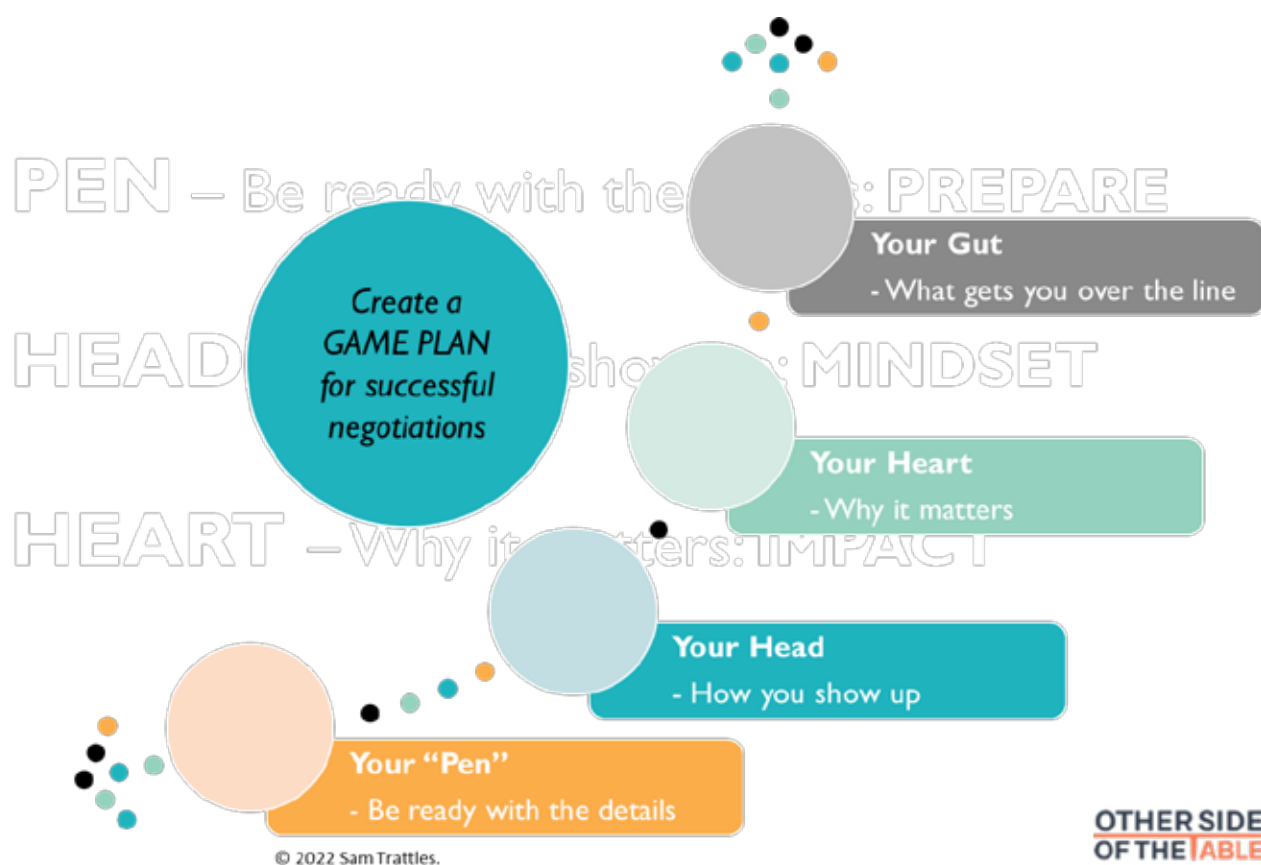
# Communicating with influence – tactics in your negotiation toolkit

**Sam Trattles**

*Other Side of the Table*

## Key messages

- ◆ Re-frame your mindset towards negotiating.
- ◆ A framework can help you prepare for impactful outcomes.
- ◆ Learn ways to apply this structure, so uncomfortable conversations don't feel so uncomfortable.



## Introduction

Communicating with influence is the difference between 'having a chat' versus sharing information so the other party does something different. It's about embracing uncomfortable conversations, so you can negotiate good outcomes.

In this practical session, Sam will share information on how to:

- Be clear on what you're trying to achieve,
- Step through a framework to create a game plan to succeed,
- Apply this structure, so uncomfortable conversations don't feel so uncomfortable.





Uncomfortable conversations are present across all areas of business, whether you're trying to get a better deal from suppliers and buyers, or when you have to give feedback to a poor performing staff member.

All of these conversations can be particularly challenging, and your current approach might be holding you back. But if you can communicate in ways that helps you influence positive outcomes you won't have avoid them anymore.

In this session Sam will share stories and advice on how negotiating can be rewarding, empowering and fun – as long as you bring the right game.

Preparing for negotiation

Negotiating great outcomes for you and your business can be challenging, there are so many aspects to running a successful business that it can be one more thing you don't want to do. Without a process to fall back on, it can feel like guess work.

Regardless of the situation you're navigating, a difficult conversation with an under-performing staff member, the purchase of a piece of machinery, or engaging a new supplier in any aspect of your business, your ability to influence the outcome is enhanced if you prepare for the discussion.

As we work through the session you can populate this table - YOUR Game Plan map – to help you prepare for any situation you need to influence the outcome from. Viewing it from both sides of the table.

Your GAME PLAN map...


My follow up questions for the speaker.



## Why working on this could be great for your farming business

- You'll feel more confident to negotiate better outcomes for your business.
- The framework will help you prepare for any difficult conversation, making them less difficult.
- You'll see how your mindset effects the outcomes you'll able to achieve.

## Self-evaluation

- Consider how often each day you're required to navigate an uncomfortable conversation. How equipped do you feel to influence the outcome of these situations?

Not at all confident.....Completely confident

- What situations, relationships and purchases could your business benefit from if you could improve your negotiation capability by just a few percent? List situations with the most potential benefit to your business.

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- When you think about engaging in these types of discussions, could your confidence do with a bit of bolstering by being able to identify your existing strengths? Y / N

## We want to work on this in our business, what should we do next?

- Consider a situation you have coming up that you're feeling a little uncomfortable about.
- Populate the template for YOUR Game Plan Map, considering your side of the table, as well as the other person's.
- Talk it through with someone you trust to get feedback and build your confidence.
- Engage in the conversation.
- Relax, you've done the work, you've got this. 😊

## Want to learn more, here are some suggestions;

- Visit [www.othersideofthetable.com](http://www.othersideofthetable.com) to find a raft of blog posts with negotiation tips and tactics.
- Reach out to request a copy of Sam's book: *I Love Negotiating* or *Negotiate Your Worth*
- Get in touch to find out more about 1-on-1 or group coaching programs to help you feel more confident to influence great outcomes at any deals 'table'.



Our First Action \_\_\_\_\_

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Our Second Action \_\_\_\_\_

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### More about Sam . . .

*Commercial Deals Negotiator, Sam Trattles, is an award-winning business owner and author, a speaker and commentator on what it takes to be an intentional negotiator. As the founder of Other Side of the Table, Sam's vision is to change the way Australians think, feel and approach negotiating from the classroom, to the living room, to the workplace.*

*Prior to starting Other Side, Sam enjoyed a corporate marketing career for close to two decades across Australia and the UK. She held senior leadership roles for brands including Telstra and PricewaterhouseCoopers and has negotiated over \$525M worth of deals. As a result, Sam is one of Australia's most skilled commercial negotiators.*

*Sam's negotiator style is strategic, inclusive, pragmatic, and fair. She likes to challenge the status quo through curiosity, listening with intent and being a straight shooter. Her thought leadership is practical and accessible so people, all around the world, can achieve a fair and reasonable exchange in value when they're negotiating.*

*Snapshot of achievements:*

- *negotiated over \$525M worth of deals*
- *awarded the 'Best General Business Book for 2022' by the Australian Business Book Awards*
- *experienced in multiple industries and business structures – metro, regional and global*
- *AGSM @UNSW Adjunct Faculty Member – subject matter expert on negotiating.*

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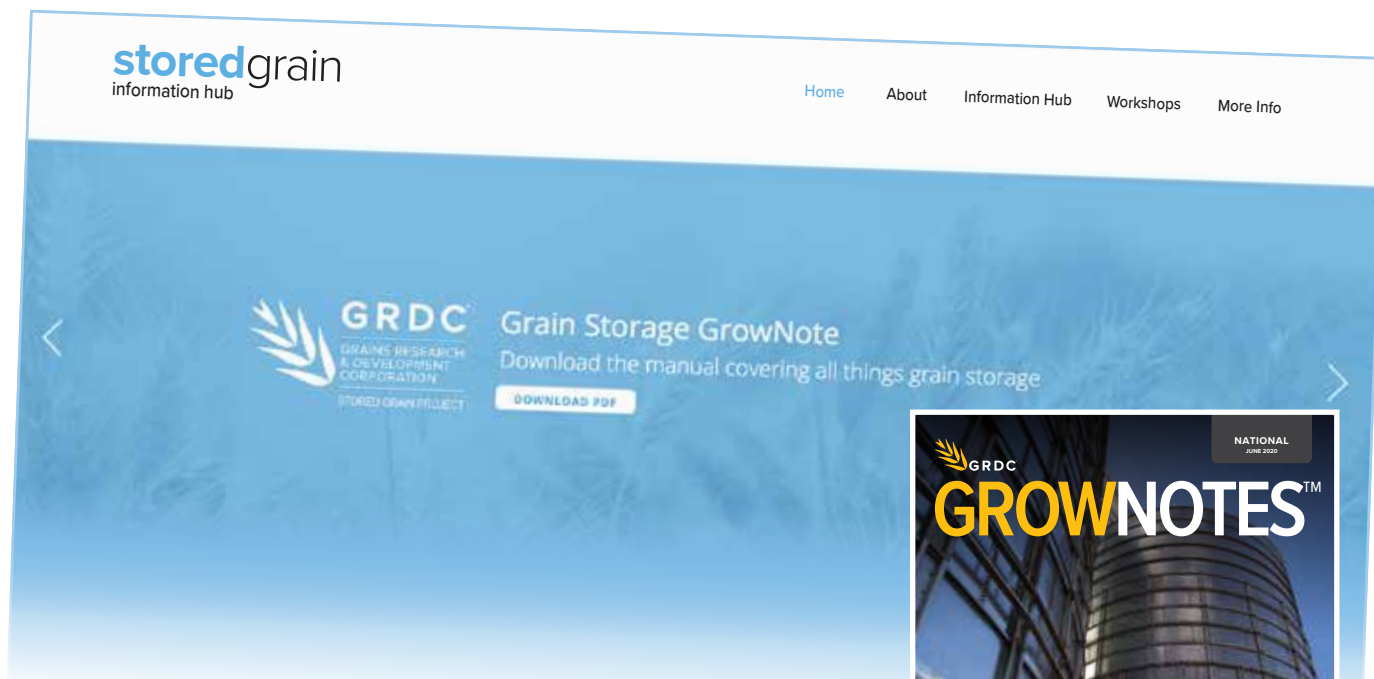
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# 2022–2023 GRDC SOUTHERN REGIONAL PANEL

November 2022



**ANDREW RUSSELL,  
PANEL CHAIR**  
Rutherglen, Vic

Andrew is the managing director and a shareholder of Lilliput Ag, and a director and shareholder of the affiliated Baker Seed Co, a family owned farming and seed cleaning business. He has served on GRDC's medium-rainfall zone RCSN (now National Grower Network) and has held many leadership roles with Riverine Plains Inc, Victorian Farmers Federation and the Rutherglen Group of fire brigades.  
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**PRU COOK, DEPUTY  
CHAIR**  
Dimboola, Vic

Raised on a mixed farm in Victoria's Wimmera region, Pru has spent her professional career working in extension for the grains industry. Starting her career at the DPI, she has worked at GRDC and the Birchip Cropping Group, managing a number of extension projects. She has recently started her own business specialising in extension, project development and project management.  
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**JON MIDWOOD**  
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Jon has worked in agriculture for the past three decades, both in the UK and in Australia. In 2004, he moved to Geelong, Victoria, and managed Grainsearch. In 2010 he became chief executive of Southern Farming Systems (SFS). In 2012, he became a member of the GRDC's high-rainfall zone RCSN (now National Grower Network) and joined the GRDC Southern Panel in 2015. In 2020, he resigned from SFS to establish an independent consultancy TechCrop Services.  
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**LOU FLOHR**  
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Along with her parents and partner, Lou runs a mixed-farming enterprise that

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**ANDREW WARE**  
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Andrew is a research agronomist who started his career with the South Australian Research and Development Institute (SARDI) and then spent time at CSIRO in Adelaide. This was followed by 10 years away from research, managing the family farm on the Lower Eyre Peninsula, before returning to SARDI. In 2019, he started his own research company, EPAG Research, delivering applied research across the Eyre Peninsula.  
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**MICHAEL TRELOAR**  
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Michael is a third-generation grain grower who produces wheat, barley, canola, beans, lupins and lentils on a range of soil types. He has previously been involved in a number of research organisations, including the South Australian Grain Industry Trust (of which he was chair for four years), the Lower Eyre Agricultural Development Association and the South Australian No Till Farmers Association.  
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**PROF MICHELLE WATT**  
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Michelle holds the Adrienne Clarke Chair of Botany at the University of Melbourne, having commenced in that position in February 2020. From 2015 to 2019 she was based in Germany as a director of the Plant Sciences Institute and professor of crop root physiology at the University of Bonn. Prior to 2015, she was at CSIRO researching root-rhizosphere processes to enhance wheat yield in rain-fed conservation agriculture.  
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**SIMON BURGESS**  
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Simon is the operating partner of a large mixedfarming business in the northern midlands of Tasmania, producing wheat, barley, canola, faba beans, poppies, potatoes, processing peas and clover seed. He has served on GRDC's high-rainfall zone RCSN (now National Grower Network) and holds a Diploma of Agriculture.  
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Ruth is an agro-ecologist who runs a consulting business. She has a Bachelor of Science in Ecology and Master of Applied Science in Wildlife Management from the University of Sydney, and she has worked in sustainable agriculture RD&E and property management since 2002. She is passionate about supporting farmers and farming systems groups and has been the Upper North Farming Systems Group Executive Officer and Project Manager since 2013.  
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Tim farms with his wife, father and aunt on a 6500ha mixed property. After completing his Bachelor of Agriculture and Commerce at the University of Melbourne in 2006, he took on work at Advisor Edge, Birchip Cropping Group (BCG) and RMCG. In 2011, Tim moved back to Birchip and continued his role with BCG and commenced his formal involvement with the family farm.  
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**DR RON OSMOND**  
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Ron joined GRDC in 2013 and is general manager of strategy and business development. Prior to joining GRDC, after completing a PhD in agricultural science, Ron worked in scientific and management roles in intellectual property development and commercialisation in the private sector.  
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# GRDC Farm Business Update YARRAWONGA/ELMORE



## Acknowledgements

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The ORM team would like to thank those who have contributed to the successful staging of the Yarrawonga & Elmore GRDC Farm Business Updates:

- Riverine Plains farming systems group.
- 2023 planning contributors.





Provide your feedback electronically;

1. scan the QR with your phone camera
2. leave feedback as you go – click ‘Next’ to save responses before exiting the survey.



Or use the form on the next page – please tear it out of your book and leave it at the registration desk as you exit the venue. Thank you!



## 2023 Yarrawonga/Elmore Farm Business Updates feedback

### 1. Location of Update

☐ Yarrawonga

☐ Elmore

### 2. Industry 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).

### 3. Prepare to perform - getting out of the mud, ready for new opportunities. *Natalee Johnston*

Content relevance  /10

Presentation quality  /10

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

### 4. Profitable machinery investment. *Gary Northover, Ben Hogan & grower perspective*

Content relevance  /10

Presentation quality  /10

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

### 5. Making good decisions – a practical approach. *Cam Nicholson*

Content relevance  /10

Presentation quality  /10

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

### 6. Analysing contributions to profit. *John Francis (Yarrawonga), Kate Burke (Elmore)*

Content relevance  /10

Presentation quality  /10

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

### 7. Panel discussion: Managing cashflow through 2023. *Panel with Jane Foster*

Content relevance  /10

Presentation quality  /10

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



## 8. Communicating with influence. *Sam Trattles*

Content relevance  /10

Presentation quality  /10

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

### Your next steps

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

10. 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

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

Strongly agree

☐

Agree

☐

Neither agree  
nor Disagree

☐

Disagree

☐

Strongly disagree

☐

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



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