

# ONLINE, ON TIME AND ON TRACK

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## Summary

- Credible analysis of business performance and comparison with similar businesses is fundamental for success.
- *DairyBase* is a tool to assist farmers and rural professionals in the analysis of annual farm physical and financial performance.
- Through *DairyBase*, dairy farm businesses can identify where the business is doing well and areas for improvement.
- Every farmer measures success differently and will depend entirely on business and personal goals.
- Start the strategic management process today - Get registered for *DairyBase* at SIDE 2007.

## Introduction

DairyBase is the industry's new web-based system for recording and standardising annual farm physical and financial information.

DairyBase Ltd, a company owned by Dairy InSight, came into operation in early 2006 to govern and represent the dairy industry's interests and involvement in the collection and management of dairy farm business data. DairyBase is managed by Dexcel on behalf of the industry.

The aim of DairyBase is to lift the use of financial benchmarking in the Dairy industry by providing clearly defined and readily available performance data through a set of comprehensive reports. Value is added through the analysis and interpretation of results which allow for fact based management decisions to be made on-farm.

The three key objectives for DairyBase are to:

1. allow dairy farmers to better understand the farm business and its performance
2. provide a sound basis for business planning and
3. improve industry on-farm statistics.

DairyBase is aiming to have 1,500 farm businesses using the new system by June 2007, with the medium term goal of 5,000 farm businesses using DairyBase by June 2011.

For DairyBase to be successful and deliver full benefits to dairy farmers it is vital as many farms are on the database as possible. Using DairyBase to analyse farm performance is an annual process.

## **Online – strategic management**

The tensions between the various aspects of farm business performance often conceal opportunities. Balancing production and profit, business size and lifestyle, growth and debt management are just three examples.

DairyBase is the first step in the strategic management process. It provides the information required to answer the key question ‘where are we now’ in a timely and easily accessible (online) manner. It can also be used to help answer other key strategic questions such as, “where do we want to be?” and, “how can we get there”?

The starting point for effective analysis is a robust business plan. Beginning with the end in mind means identifying targets that will build a business that reflects who you are, what you stand for and what you need to succeed. Effective business plans define key performance indicators (KPIs) that identify outcomes required to deliver those targets. They ensure the business remains your servant – not your master!

To maximise progress, performance indicators should range from physical performance for herd, pasture and people management through to broader financial measures such as income, expenditure, profitability and wealth creation.

Monitoring results depends heavily on accurate analysis that cuts through the fog of changing asset values, product prices, cost structures and management strategies. It must provide a clear picture of the cash, true profit and capital result, so strategies to accelerate gains respond to comparisons with the business plan as well as results being achieved by equivalent operations.

## **On time**

The timely availability of quality financial and physical data assists in better decision making and measurement of real performance for the farm business. In particular, this information will aid strategic planning and goal setting, as well as developing a measure of

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whether these targets are met in the future. The difference between good and bad investment decisions often comes down to timing. Available on the web 24 hours a day, DairyBase can be accessed when you need it.

## **On track - why DairyBase?**

Accounts analysis is not new, and in the past many professionals have made considerable efforts to provide information against which clients can compare their results. These individual initiatives have been limited by differing approaches to accounts analysis, which in turn dilutes the relevance of subsequent information.

The two key advantages of DairyBase are: its standardised analysis; and industry wide source of information included in its' benchmark database. Because the analysis requires full reconciliation of balance sheet and profit calculations, the system produces standardised information regardless of the accounting approach. The benefit to users is that they can be sure that KPIs are calculated the same way for all farms.

Add to this, its ability to combine physical and financial performance measures and it becomes a powerful tool. After all, it is the physical performance of the farm that will drive the financial results.

Using DairyBase reports, farmers can measure and track:

- the outcome of specific on-farm initiatives
- financial and physical trends within the business over time and
- how their business stacks up relative to selected groups (including alternative management systems and land uses).

This information should help farmers make rational business decisions.

## **The benefit of benchmarking**

Benchmarking is useful for monitoring progress and setting profitability goals. It has two important components: the first is comparing the performance of the farm through time in relation to targets set; the second is to compare KPIs with others to determine if improvements are being made at the same rate as others.

Find out if the grass really is greener on the other side of the fence with DairyBase!

DairyBase allows a true picture to be painted of wealth creation, and provides information for areas where farmers might improve profitability and not lose sight of the need to always manage the cash flow of the business. There are a few high level KPIs that together, give a very good indication of how a farm business is performing. They are:

- pasture eaten (tDM/ha) and energy eaten (MJME/ha)
- cow efficiency (kg MS per kg livestock liveweight)
- farm working expenses and discretionary Cash/kg MS
- operating profit/ha

- business profit before tax/ total effective ha (including runoff)
- return on assets (%)
- return on equity (%)
- growth in equity (%)

DairyBase allows users to pick groups to compare their farm business against. Some may be interested in regional data while others may prefer to compare similar farming systems. Comparisons can be made to suit your individual situation or interest area. For example, if you are contemplating changing system type and want to get an idea on how those systems perform in your area or on a national basis; or if you are a high input 50:50 sharemilker and you want to compare with others in the same situation.

A minimum of 20 farms must be entered for a benchmark group before statistics will become available, ensuring that confidentiality of individual data is maintained and a minimum level of statistical representativeness has been achieved.

All individual farm data remains confidential to the farm business owner and their nominated rural professionals.

DairyBase enables the refinement of strategy, recognition of outcomes achieved and identification of shortfalls to be addressed in a more thorough and rewarding way.

## **Conclusions**

DairyBase is a tool to assist farmers and rural professionals in the analysis of farm performance. The information will be of great benefit to dairy farmers intent on reducing on-farm costs and boosting profitability.

Measuring progress is an important way to move the business forward. Focusing on what you can influence and control in the farming business will be essential for successful farming. The idea of being profitable is becoming simpler - create a positive cash operating surplus by either increasing your production with little or no extra cost and/or bringing your costs under control.

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## **How do I get involved?**

To find out more and get registered for DairyBase visit the website, [www.dairybase.co.nz](http://www.dairybase.co.nz), contact your local Dexcel Consulting Officer, talk to your local accountant and rural professional or take part in one of Dexcel's Mark and Measure seminars (details on the Dexcel website).

Register with DairyBase at the Dexcel stand during SIDE.