

AGRIHIVE



Supported by:



E-BEEF: MANAGING FOR PROFITABILITY

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MANAGING FOR PROFITABILITY

- ▶ Topics we will discuss today:
- ▶ What is Agrihive
- ▶ Agrihive & BDO Process
- ▶ What are the key drivers of profitability
- ▶ Understanding your numbers - what do they mean
- ▶ Reminder of key tax incentives

CONTROL WHAT YOU CAN CONTROL

- ▶ What are your business and personal goals (short and long term)
- ▶ Understand the profitability ie. net wealth and cash flow of the business
- ▶ Income:
 - Livestock
 - Stocking rates v pasture levels
 - Cattle v sheep v goats (note capital improvements that may be required)
 - Breeders v trade cattle (natural increase v trade opportunity)
 - Fertility rates
 - Other sources of income - diversification on farm and off farm?
- ▶ Review your expenses
 - fixed and variable - insurance, feed costs, fuel (bulk), labor?
 - Consider adjusting your expenditure based on expected revenue
- ▶ Capital improvements & maintenance
 - Timings, costs, increased value
 - Eg. plant and equipment, improved pasture, infrastructure improvements
- ▶ Review your financing arrangements
 - Current bank, RIC, QRIDA loan arrangements

AGRIHIVE & E-BEEF





AGRIHIVE PROGRAM

INTERNAL FARM DATA

(Farmer and Adviser)

- My Family
- My Farm
- My Lifestyle
- My Financials



INTERNAL FARM DATA

(Live and Static)

- Third Parties
- Government
- Industry
- Hardware
- Sensory (IOT)



RICH DATA

Insights Infographics and
Artificial Intelligence

Computation and Algorithms

Prepopulated forms

Reports

[illegible]

Helps Farmers Make Decisions

AGRIHIVE | BDO PROCESS

- ▶ Access to Agrihive is provided
- ▶ You enter
 - Current financial position
 - Projected 12 months activity(Agrihive is available to support with data entry)
- ▶ One-on-one discussion with BDO understand position and options available
- ▶ Keep Agrihive up to date - see the outcome of decisions if they change
- ▶ Opportunity to continue to work BDO and Agrihive at different levels as required who understands the business environment
- ▶ Key findings to date:
 - Opportunity to step back and see the business in a summarised form
 - Each business is in a different and has different business & personal goals.
 - The Agrihive program provides an excellent summary to track business performance, scenarios and to facilitate a deeper review to drive profitability.

AGRIHIVE | BDO PROCESS

The screenshot displays the Agrihive FarmECCO website interface. At the top, the Agrihive logo is on the left, and navigation links for 'About Us', 'Solutions', 'Contact Us', 'Privacy', 'Terms of Use', and a 'Login' button are on the right. The main content area features a large green video player with the FarmECCO logo and a play button. A red diagonal banner on the left reads 'Free Trial'. A blue hexagonal callout box contains a note: 'NOTE: If you don't have a discount coupon please enter FARMMECCO'. Below the video player, a form asks 'What does your financial future look like?' with a text input field containing 'JUNE2020' and a green 'Start' button. A checkbox for 'I agree to the Terms & Conditions' is checked. At the bottom, a 'FIND OUT MORE' link is visible.

Free Trial

NOTE:
If you don't have
a discount coupon
please enter
FARMMECCO

What does your financial future look like?

JUNE2020 Start

☒ I agree to the Terms & Conditions

FIND OUT MORE

KEY DRIVERS OF PROFITABILITY

KEY POINTS IN MANAGING FOR PROFITABILITY

- ▶ Understanding your numbers - what are they saying about your business
- ▶ Understand the levers you have in your business
- ▶ Control what you can control

UNDERSTANDING YOUR NUMBERS

KEY DRIVERS OF PROFITABILITY

- ▶ Do you know if your business is profitable?
- ▶ What is the definition of “profitable”
 - Accountant (usually on a tax basis)
 - Bank (earnings before interest and tax)
 - Management accounts?
- ▶ In the Agrihive program we focus on:
 - Net wealth: is this increasing
 - Business wealth + personal wealth = Net Wealth



UNDERSTANDING YOUR NUMBERS & TERMINOLOGY

Agrihive focuses on:

- ▶ **Net wealth** - Similar to a balance sheet shown at current market values - instead of at cost
- ▶ **Cash flow**: movement in cash for the year
- ▶ **Livestock Schedules**: values, movement, split of classes
- ▶ **Performance Ratios**: profits, costs, viability



UNDERSTANDING YOUR NUMBERS & TERMINOLOGY

- ▶ **Net Wealth:** As of today's value:
 - Value of your farm
 - + Value of your livestock
 - + Value other assets (super, shares, rental property)
 - - loans / debts you have
- ▶ Understanding what factors you can control to improve this going forward

Assets and Liabilities

Bruce, below is a snapshot of Berrigurra Station based on information you entered.

Itemised Listing

Item	Amount
Farm Assets	
Property	\$13,926,000
Livestock	\$1,933,516
Beach House	\$500,000
John Deere 6210R	\$165,000
HINO Cattle Truck	\$55,000
Prado	\$50,032
Hilux (Toyota)	\$20,000
John Deere Gator	\$6,200
Yamaha	\$2,500
Other assets	\$212,000
Farm Liabilities	
Farm Mortgage	\$2,500,000
Overdraft	\$500,000

Assets & Liability Statement

Item	Amount
Farm Assets	
Property	\$13,926,000
Livestock	\$1,933,516
Beach House	\$500,000
Prado	\$50,032
Other assets	\$460,700
Farm Liabilities	
Farm Mortgage	\$2,500,000
Overdraft	\$500,000
Net Assets	\$13,870,248

Profitability/Cashflow

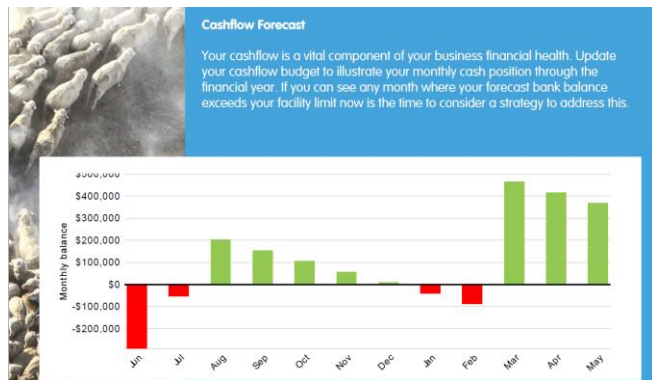
Critical to the sustainability of your enterprise is the ability to generate sufficient cash income to meet your expenses. Below is a high level summary of your forecast enterprise cash flow, you should consider how this can be grown to create more cash in future.

Source	Per Annum
Farm Income	
Operating Income (Livestock)	\$1,452,503
Farm Expenses	\$528,848
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	\$923,655

UNDERSTANDING YOUR NUMBERS & TERMINOLOGY

► Cash flow: Movement in cash for:

- Operational (income & expenses)
- Financing
- Capital
- Personal



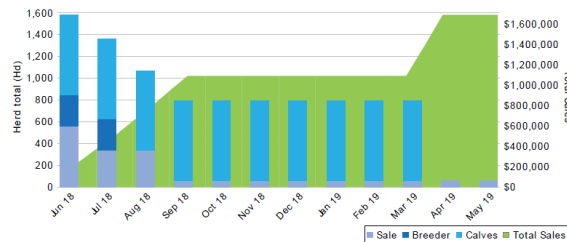
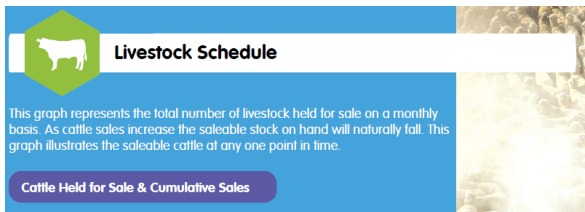
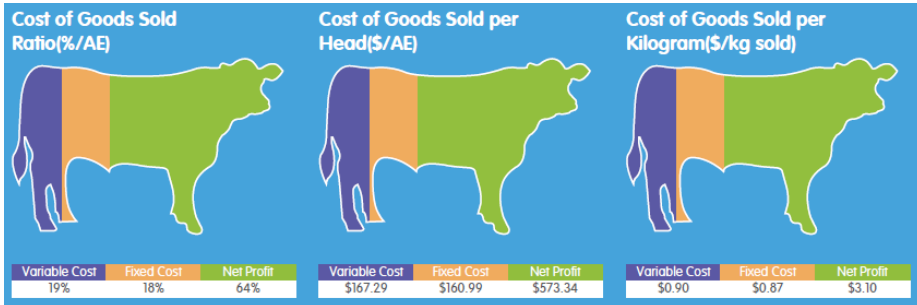
CASHFLOW SUMMARY
FOR THE NEXT 12 MONTHS

DATE 7/6/2018

BUSINESS OPERATING INCOME	PRIOR YR	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	TOTAL
Livestock Sales		\$260,632	\$287,104	\$304,262	\$0	\$0	\$0	\$0	\$0	\$0	\$600,505	\$0	\$0	\$1,452,503
TOTAL OPERATING INCOME		\$260,632	\$287,104	\$304,262	\$0	\$0	\$0	\$0	\$0	\$0	\$600,505	\$0	\$0	\$1,452,503
Livestock Purchases		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BUSINESS OPERATING EXPENDITURE														
Expenses														
Sub-Total Expenses		\$33,042	\$33,042	\$33,042	\$33,042	\$33,042	\$33,042	\$33,042	\$33,042	\$33,042	\$33,042	\$33,042	\$33,042	\$396,500
Financing Expenses														
Farm Mortgage		\$10,625	\$10,625	\$10,625	\$10,625	\$10,625	\$10,625	\$10,625	\$10,625	\$10,625	\$10,625	\$10,625	\$10,625	\$127,500
Overdraft		\$2,500	\$1,451	\$254	\$0	\$0	\$0	\$0	\$0	\$195	\$437	\$0	\$0	\$4,940
Sub-Total Finance Expenses		\$13,125	\$12,076	\$10,889	\$10,625	\$10,625	\$10,625	\$10,625	\$10,625	\$10,820	\$11,062	\$10,625	\$10,625	\$132,340
TOTAL OPERATING EXPENDITURE		\$46,167	\$45,118	\$43,931	\$43,667	\$43,667	\$43,667	\$43,667	\$43,667	\$43,667	\$44,104	\$43,667	\$43,667	\$528,840
NET OPERATING CASHFLOW		\$214,465	\$241,986	\$260,331	\$43,667	\$43,667	\$43,667	\$43,667	\$43,667	\$43,667	\$556,401	\$43,667	\$43,667	\$923,663
CAPITAL OUTFLOW														
Farm Mortgage		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL CAPITAL OUTFLOW		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PERSONAL INCOME														
Rental		\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$24,996
TOTAL PERSONAL INCOME		\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$2,083	\$24,996
PERSONAL EXPENDITURE														
TOTAL PERSONAL EXPENDITURE		\$6,757	\$6,757	\$6,757	\$6,757	\$6,757	\$6,757	\$6,757	\$6,757	\$6,757	\$6,757	\$6,757	\$6,757	\$81,080
TOTAL PERSONAL INCOME (EXPENDITURE)		-\$4,674	-\$4,674	-\$4,674	-\$4,674	-\$4,674	-\$4,674	-\$4,674	-\$4,674	-\$4,674	-\$4,674	-\$4,674	-\$4,674	-\$56,084
NET CASHFLOW		\$209,791	\$237,313	\$255,658	\$48,340	\$48,340	\$48,340	\$48,340	\$48,340	\$48,340	\$48,535	\$551,727	\$48,340	\$867,571
CASH FORECAST														
Opening Balance		-\$500,000	-\$290,209	-\$52,896	\$202,762	\$154,421	\$106,081	\$57,741	\$9,400	-\$38,940	-\$87,475	\$464,252	\$415,912	
Cash Movement		\$209,791	\$237,313	\$255,658	-\$48,340	-\$48,340	-\$48,340	-\$48,340	-\$48,340	-\$48,535	\$551,727	-\$48,340	-\$48,340	\$867,571
Forecast Balance		-\$290,209	-\$52,896	\$202,762	\$154,421	\$106,081	\$57,741	\$9,400	-\$38,940	-\$87,475	\$464,252	\$415,912	\$367,571	\$367,571
Facility Limit		\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000
AVAILABLE BALANCE		\$609,791	\$847,104	\$1,102,762	\$1,054,421	\$1,006,081	\$957,740	\$909,400	\$861,060	\$812,525	\$1,364,252	\$1,315,912	\$1,267,571	\$1,267,571

UNDERSTANDING YOUR NUMBERS & TERMINOLOGY

Livestock:



UNDERSTANDING YOUR NUMBERS & TERMINOLOGY

► Performance Ratios (Profits):

- Asset turnover ratio:

$$\frac{\text{Total Business Income (Sales)}}{\text{Total Business Assets}}$$

- Return on business equity:

$$\frac{\text{Business Profit (including financing costs)}}{\text{Business Equity (Assets - Liability)}}$$

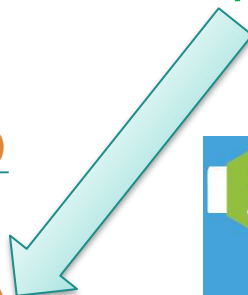
- Return on total capital:

$$\frac{\text{Business Profit (including financing costs)}}{\text{Total Business Assets}}$$

- Return on total capital (including capital appreciation)

$$\frac{\text{Business Profit (including financing costs + average gain on land)}}{\text{Total Business Assets}}$$

KEY RATIO



Performance Ratio		Weak Range	Your Score	Strong Range
Profits				
Asset turnover ratio	9%	<15%		>30%
Return on business equity	7%	<2.5%		>5%
Return on total capital	5%	<2.5%		>4%
Return on total capital - including capital appreciation	18%	<15.35%		>16.85%

UNDERSTANDING YOUR NUMBERS & TERMINOLOGY

► Performance Ratios (Costs):

- Input cost ratio:
$$\frac{\text{Variable \$}}{\text{Total Business Income (Sales)}}$$
- Overhead cost ratio:
$$\frac{\text{Fixed Costs (including finance costs)}}{\text{Total Business Income (Sales)}}$$
- Finance cost ratio:
$$\frac{\text{Finance costs}}{\text{Total Business Income (Sales)}}$$
- Depreciation cost ratio:
$$\frac{\text{Depreciation expense \$}}{\text{Total Business Income (Sales)}}$$

Cost		Weak Range	Your Score	Strong Range
Input cost ratio	19%	>40%		<25%
Overhead cost ratio	18%	>40%		<30%
Finance cost ratio	9%	>15%		<5%
Depreciation ratio	0%	>20%		<10%

KEY RATIO -
Break Even

UNDERSTANDING YOUR NUMBERS & TERMINOLOGY

► Viability:

- Interest cover ratio:

$$\frac{\text{Business Profit (excluding financing costs)}}{\text{Finance costs}}$$

- Debt to income ratio:

$$\frac{\text{Total Business Income (Sales)}}{\text{Total Business Debt}}$$

- Equity ratio:

$$\frac{\text{Business Equity (Assets - Liability)}}{\text{Total Business Assets}}$$

KEY RATIO -
Lending Risk



Viability		Weak Range	Your Score	Strong Range
Interest cover ratio	7.98 times	<1		>2
Debt to income ratio	207%	>300%		<100%
Equity ratio (equity to assets)	82%	<70%		>90%

KEY RATIO -
Lending Capacity



CONTROL WHAT YOU CAN CONTROL

- ▶ What are your business and personal goals (short and long term)
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DEPRECIATION MEASURES

INSTANT ASSET WRITE-OFF

► Instant asset write-off

- Asset <\$150k
- Aggregated turnover <\$500m
- First used or installed ready between 12 March and 30 June 2020
- From 1 July 2020 this reduces down to Asset <\$1,000 and only applicable for business's with turnover <\$10m

BUSINESS INVESTMENT INCENTIVE

► Business Investment Incentive

- 50% of cost claimable in year 1, plus ordinary depreciation on the rest
- Aggregated turnover <\$500m
- First used or installed ready between 12 March 2020 and 30 June 2021
- No contract/construction before 12 March
- New assets
- For use in Australia principally in a business

WHAT NOW?





NEXT STEPS

- ▶ Ebeef Members - ensure you have completed your Agrihive system and or check in with Agrihive.
- ▶ Once completed book your free appointment with BDO to review.
- ▶ If you are new to Agrihive, please enter the following trial code on the agrihive website June2020.
- ▶ A fully tax-deductible subscription to Agrihive is available for \$2500 before the end of the financial year which includes a high level BDO business review with Jodie.
- ▶ A 5-year whole of business plan can be developed for you with BDO price on application.

Free Trial

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FARMECCO

What does your financial future look like?

JUNE2020

Start

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FIND OUT MORE

QUESTIONS?

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