

# InTouch

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## From the Managing Director

It is always interesting to reflect on last year and set some new goals for this year. We held our annual family meeting just before New Year's Eve. With no kids at school now, the dynamic of the family meeting has certainly changed, but it was still great to spend some time talking about the future as a family.

As an avid planner, I find the process of annually reviewing and setting goals satisfying and enjoyable. It is also very good to discuss why some goals have not been achieved and what needs to be unlocked to ensure they become a priority moving forward. We have been having an annual family meeting for the last 12 years. Our daughter was only 6 when we started. Obviously, the sophistication of the annual family meeting has evolved a lot, but it has proved to me that you are never too young to start experiencing the planning process.

Having experienced firsthand the impact of the Pinery Fire in 2015 (when 95% of our farm was burned out), I can sympathise with the clients who have been impacted at Yorketown, Keilira, Cudlee Creek and, more recently, on Kangaroo Island. The physical and emotional impact cannot be underestimated. I know we are still cleaning stuff up... All these fires demonstrate to me, that on a catastrophic or 'mongrel day', no farm is safe. It also got me thinking about our insurance for our farm moving forward. Our farm is very segregated, and I never thought for a moment that virtually all of it would be impacted, but the fact is, it was...

As we move into a world where records seem to keep being broken, we must ask ourselves, "if our farm was burnt out, how would we cope and is our insurance up to it...?"

At a philosophical level, if our business cannot afford to lose the asset, then it really needs to be insured. Just knowing how many kilometres of fencing exists can be useful for informed decision making. The other aspect that we learned is building standards change and the gap between the insured value and replacement value is always increasing. As we move into goal setting for the next 12 months, I believe adding a critical review of all insurances is a prudent move.

As we move forward, we are always keen to understand more about client needs and perceptions. Considering this, we will now include a short questionnaire with each InTouch edition based on a particular long-term issue. An outcome of this process is to continue with customisation of our services and the creation of new ones. The first questionnaire relates to perceptions around climate change. We will share the results with you in future editions of InTouch. To complete the short survey (1-2 minutes), please click on the link <https://www.surveymonkey.com/r/InTouchClimateChange>

Rural Directions has some exciting projects planned for 2020. We will progressively announce these projects as we progress through the year.

We look forward to working with you again throughout 2020.

Dave

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## 2019 in review

*James Hillcoat*

After 2018/19, many were looking to 2019/20 to provide a rebound and finish the decade on a high. However, the phrase, "it was amazing for what rainfall we got", started to wear thin after a second year of having to say it. Nevertheless, for another extraordinarily low rainfall year, the phrase still holds true.

Some areas actually achieved above average results. Other areas saw much less grain coming in than expected, due to moisture stress, frost, or a mixture of both. The upper Yorke Peninsula and north eastern Eyre Peninsula were notable disappointments this year. Where 2018 appeared to have expectations set low and achieved good surprises in the paddock, the 2019 expectation was set higher but did not translate to results in the paddock.

From a marketing viewpoint, 2019 almost mimicked that sentiment.

With prices almost \$100/mt less than the previous year for cereals, many were scratching their heads as they weighed up the risk of the year versus the return of the price. Prices remain inflated by the domestic pull of grain, however 2019 saw some key differences over the previous season. With fewer stock on feed and better crops in Victoria and (to a lesser extent) southern New South Wales, the market has not had to price in pulling this grain from further afield as much. Many buyers were also burnt from buying up at harvest 2018, only to see the price fall substantially. This also added towards a more negative market sentiment this past year.

From a global market perspective, 2019 saw another good year internationally, with global pricing remaining at decile 1 to 2 levels, whilst we sat firmly at decile 9 or above. Indeed, China sitting out of the barley market, due to their lower internal demand requirements and an ongoing trade investigation, has kept the likes of barley fairly subdued.

In all, 2019 saw local prices remain high but reasonably benign, trading in a fairly tight range all year for wheat, barley and canola. The standout movers this year have been beans and lentils, with bean demand still standing up after the record prices of the previous year. The expectation is that these prices will not be as high as last year, but they continue to show strength.

Lentils are perhaps the mystery mover this year. Whilst tonnage was down in SA, Victoria has seen a good year for lentil production. As prices hit \$550 Adelaide, there was plenty of volume in the market, yet prices continue to push higher. Rabi production in India is said to be on course for a good year which suggests fundamental change is not the sole driver. A market short could well be the main reason or covering any potential quality issues that may arise out of India.

Looking forward, 'short' will be the word of the year, to start with at least. With supply and demand remaining tight, it will come down to the trade seeing lumps of demand that need covering. After 2018, the trade will be cautious of taking on too much in one hit, rather keeping it hand to mouth. This does create shorts and shorts tend to lead to short but strong spikes, and then a relaxation once this demand is filled. The sorghum crop is also likely to be small, at best, which then forces the market to look further afield. It also creates a long, 10-month window where supply will be tight.

Many will be hoping that 2020 sees a return of more consistent rainfall. We expect prices to remain strong until we see a definite turn of fortunes in a productive sense. With that in mind though, forward risk management of pricing is still an important tool to manage a more favourable season, and a profitable decile 9 base should be an integral starting point.

## SnapShot™ benchmarking

*Royce Pitchford*

The theme of this edition of InTouch is reviewing 2019 and moving into 2020. Looking at the financial performance of your business is a crucial step in reviewing the past and making plans for the future. The information that is found during this process can be used to build your strategy to help reach your long-term goals.

Financial results from 2019 will vary substantially, with many businesses being significantly impacted by drought. This can be confronting and difficult to talk about. However, it is still a worthwhile exercise to do, as you can look at what worked well and what didn't work well financially. This will give you a clear picture on what the strengths are within your business that are making it more resilient, as well as the pain points which need to be addressed once conditions improve.

Whilst we need to review the previous year on its own, it is also important to use multiple years of data to see trends and get a better picture of the long-term performance of the business. We recommend looking to go back through at least the last 3 years of data (5 years would be even better) to get a true picture of the strengths and weaknesses of the business.

Taking time to review your results each year allows you to build a more detailed strategic plan for the growth of your business. The results show where there is opportunity to improve business profitability.

To look at business performance we use our benchmarking system called SnapShot. SnapShot captures the overall balance sheet position and the management profit and loss statement. The management profit and loss statement accounts for changes in livestock inventory, capital expenditure and puts a market rate on depreciation, so it is a better indicator of profitability than a cashflow report or tax return. SnapShot then uses this information, along with production records, to create a range of benchmarks to better analyse the true performance of the business.

SnapShot can be used as part of a benchmarking group or as an individual business review. Those who do SnapShot as part of an individual review get to anonymously review their results through the annual combined report, which includes all the businesses that entered data into SnapShot for that year.

If you're interested in a business review session, using SnapShot, or starting a benchmarking group, then please register your interest by email [admin@ruraldirections.com](mailto:admin@ruraldirections.com) or call 08 8841 4500.

## Looking out for yourself in difficult times

Carlyn Sherriff

The 2019 production year, and early 2020 have been a mixed bag, with ups and downs across the industry. Ongoing drought and natural disasters have impacted many of us, personally and across the wider community. Here are a few ideas to ensure positive wellbeing.

- **Be with others**  
Surround yourself with others to provide support, joy and comfort. Spend time with family and friends, ideally away from your farm or home base to limit distractions. Down technology and focus on connection. Simply enjoy catching up.
- **Focus on strengths and positives**  
Reflect on your strengths and the positives in each day. Emphasise the good before thinking of the bad. A glass half full, rather than empty, approach assists.
- **Take time out**  
Make a break a high priority. Stop and refocus your week or month to ensure you get some time away from the farm. Ask a friend or neighbour to watch your place while you have a few nights away, then return the favour.
- **Sleep well**  
Wind down at the end of the day. Make a list of the things on your mind so you can relax in the evening. Listen to some music, reduce screen time and ensure you get 8 hours of sleep each night.
- **Try meditation**  
Linked to getting enough sleep, try a meditation app or routine to allow your body to totally relax and unwind.
- **Be active**  
Go for a walk, run or ride – get moving! Try for 30 minutes each day. Consider participating in a local Park Run or joining Fat Farmers <https://fatfarmers.com/>. Being active is a great way to clear your head and maintain good health.
- **Moderate your alcohol consumption**  
Be mindful of your alcohol consumption. Consider cutting it out or limiting your intake. Your body and mind will thank you for it.
- **Set goals for the year ahead**  
Take the time out with your family and business team to set some goals for the year ahead. Set personal goals first, then consider your business goals. What will you achieve in 2020?
- **Ask for help**  
If you are really struggling to cope don't be afraid to tell someone. Ask for help, talk to your GP. Visit [www.beyondblue.org.au](http://www.beyondblue.org.au) to find other support services, information and tools to assist.

## Machinery cost of ownership survey

Royce Pitchford

To improve overall profitability, it is important to continually review the high cost areas of your business and look to see if they can be improved. Machinery ownership is one high cost area which needs to be managed carefully to maximise profitability.

In 2019 we opened up a survey focusing on the costs associated with machinery ownership. The survey aimed to look at the total costs for some big-ticket items and the results will be available soon.

The survey looked at the total cost of ownership for harvesters, self-propelled sprayers, balers and air seeders. The information collected on ownership costs included depreciation, finance, insurance and repairs and maintenance, as well as operating costs including fuel and labour.

The results show that there is a wide range in costs at the per rotor hour and per hectare level. For harvesters the average cost is \$258/hour, however it ranges from \$68/hour to \$552/hour. At a per hectare level the average cost of ownership was \$51/ha ranging from \$20/ha to \$108/ha.

Newer machines were more expensive than older machines when compared by cost per rotor hour. However, when this cost was taken back to a per hectare basis, the difference wasn't as significant. This isn't surprising, as we would expect newer harvesters to do more hectares per hour than older machines.

The main driver behind these figures is how well suited the harvester is to the scale of the business. This drives the total cost of ownership through depreciation, repairs and maintenance and fuel consumption. It is important to consider the following aspects, when purchasing a harvester, so that total cost of ownership is minimised:

- What size harvester (considering class and horsepower) best suits our operation?
- How long are we expecting to keep it for and what will the depreciation be during that period?
- How can we increase operating efficiency to get the most out of every rotor hour?
- How do new harvesters compare to old harvesters on a per hour, hectare or tonne basis?

Self-propelled sprayers also showed a lot of variation averaging at \$6.50/ha and ranging from \$3/ha to almost \$17/ha. The main driver of ownership costs in self-propelled sprayers is the depreciation cost per sprayed hectare. For example, when the depreciation cost is above \$3/ha it will be difficult to achieve a total cost of less than \$9/ha.

The machinery cost of ownership survey report will be released shortly and will cover off on the following:

- Average cost of ownership for harvesters, self-propelled sprayers, balers and seeders
- Differences in ownership costs and running costs for new and old machines
- Comparisons of different machinery strategies, for example 1 big harvester vs. 2 smaller harvesters
- What the difference is in total cost for a disc seeder vs a knife point

Those who participated in the survey will receive a copy of the report when it's ready. If you didn't enter any data and want to purchase a copy of the report then please register your interest by email [admin@ruraldirections.com](mailto:admin@ruraldirections.com) or call 08 8841 4500.

## No more AUSkey

Do you use AUSkey to access the ATO and submit your BAS? Are you ready for myGovID and Relationship Authorisation Manager (RAM)? AUSkey will be retired at the end of March 2020 and will be replaced by myGovID and RAM. Together these services will provide you with a secure, simple and flexible access to the ATO. Go to <https://www.ato.gov.au/Business/Business-bulletins-newsroom/General/Are-you-ready-for-myGovID-and-RAM/> for more information and to register.

## Bushfire impact on farming

Colin Hinze

Recent major fires in all mainland states of Australia have resulted in substantial disruption and devastation to many primary production businesses. The level of damage sustained and the current circumstances of each business varies widely within and across each region, therefore there is not a one-size-fits-all formula for recovery. There is, however, a general approach that all primary producers can follow to manage the road back to normality.

Once the site is safe, and critical human and livestock needs have been addressed, the following steps can be followed:

Thoroughly assess the damage to your property.

- Take lots of photos, and if you are using your smartphone, make sure that you enable 'geotagging' so that a GPS location is automatically linked to each of your photos
- Make a list of buildings, machinery and infrastructure that has been damaged or destroyed, including water and irrigation systems
- Estimate crop and/or livestock losses

Seek help from others.

- Government agencies and volunteer service groups are often available to assist with cleanup and recovery activity
- If possible, be very specific about what help you need, so that you have a better chance of getting it

Don't forget your personal recovery.

- Find some time to get away from the bushfire area, even for a few days, to recharge and refresh
- Seek support to cope with the emotional impact of the fire and recovery process

Take time to consider longer term opportunities.

- Can new fences be better located, or are they needed at all?
- Should permanent plantings be replanted?
- Can infrastructure be better designed and located?

Damaged vines, burnt posts and melted dripper line in a vineyard impacted by the Cudlee Creek fire



## Staff profile - Thomas Reichstein

Tom started with Rural Directions during November as a graduate agribusiness consultant.



### What does your role mean (in a nutshell):

Working within the grain marketing team to learn how to assist clients in trading grain to getting the best possible outcome.

### Favourite food:

Can't go past a chicken schnitty at the pub

### 2 people I would invite to dinner are:

Kerry O'Keefe and Roger Federer

### What one item in the kitchen best describes you and your personality?

A wooden spoon because I love to stir the pot

### Favourite karaoke song:

Khe Sanh by Cold Chisel

### Ultimate travel destination:

USA to experience all the different sporting leagues

### Do you have any phobias?

Snakes - cannot stand them

## Next Gen Breakthrough

Rebekah Starick

Have you recently become involved in your farm business; are you working through management succession and seeking to improve your management skills?

Rural Directions is developing a new three-year program to develop the management skills of the next generation of farm managers. Called Next Generation Breakthrough, groups of farm businesses from across South Australia will have the opportunity to undertake peer to peer learning, covering a variety of financial, people and business management topics with ongoing professional support from experienced Rural Directions consultants.

With a focus on practical implementation for your business, and involving a strong peer network to develop ideas, this program will give you confidence in the future of your farm business.

Interested in taking part? Express your interest by email [admin@ruraldirections.com](mailto:admin@ruraldirections.com) or phone (08) 8841 4500.

## A baby boy!

Congratulations to Natasha and Cameron Searle on the safe arrival of Hugh, born 18 January 2020.

