



A users guide to the Gross Margin and Financial Analysis Tools

A range of farm business planning and financial analysis tools are available to use or download for free from AgriGrowth Tasmania's *Investing in Irrigation* web-portal. This fact sheet describes what tools are available.

Most tools are available as spreadsheets which can be adjusted to suit individual situations.

Website: <http://dpiwwe.tas.gov.au/agriculture/investing-in-irrigation>

FARM BUSINESS PLANNING TOOLS

Gross Margins

The **Gross Margin Analysis Tools** are aimed to help identify higher return enterprises. Gross margin is the financial difference between returns received from sales of produce and the variable costs associated with producing that produce. The profitability of the whole farm once the overhead costs are deducted can then be examined by using the **Designing a Successful Business** worksheet.

The cash crop and livestock enterprise tools are designed for:

- **high rainfall districts**, e.g. Meander Valley
- **low rainfall districts**, e.g. Midlands

Because of the large variation in environmental conditions and farm management systems it is impossible to produce any budget that has universal applicability. The tools can easily be adjusted for inputs, yields and prices to reflect:

- climate (rainfall, evaporation, min and max temperatures).
- soil types, which will substantially impact on actual gross margins achieved.
- current market prices.
- management systems.

The current scope of enterprises that can be analysed using the tools include:

Livestock:

- Beef cattle breeding
- Beef cattle finishing & trading
- Dairy
- Dairy agistment
- Prime lamb production – first cross ewes
- Prime lamb finishing
- Wool

Cash crops:

- Cereals – Barley (irrigated and dryland)
- Cereals – Wheat (irrigated and dryland)
- Cereals – Oats (irrigated and dryland)
- Canola (irrigated and dryland)
- Grass seed
- Clover seed
- Brassica seed
- Maize silage
- Lucerne
- Poppies
- Pyrethrum
- Industrial hemp
- Linseed
- Carrot seed

Fresh vegetables

- Broccoli
- Beans (fresh and processing)
- Carrots (fresh and processing)
- Cauliflower
- Onions
- Peas
- Potatoes (fresh and processing)
- Potatoes (seed)
- Pumpkins

Perennial Horticulture

- Blueberries
- Cherries
- Hazelnuts
- Olives (for oil)
- Raspberries
- Strawberries
- Wine grapes (Chardonnay & Pinot Noir)

Financial Management Modules

Easy to use tools have been developed to assist farmers and investors to consider the transition to new higher return enterprises and guide investment in irrigation and perennial horticultural enterprises. These are:

- **Designing a Successful Business** – Utilising the enterprise and gross margin analysis in a whole farm budget. This will assist businesses in making a transition and guide farm management decisions for improved profitability. It is an easy tool to help prepare a budget for a bank loan.
- **Profitability of Irrigated Perennial Crops** - An investment module for those perennial horticultural crops where expenses are very high in the initial years and the majority of income is derived once the enterprise is fully established.
- **Irrigation Investment Analysis** – An additional worksheet to assist farmers in planning investment in new irrigation infrastructure, plant and equipment (e.g. dams, pump types). It also considers that a new irrigation development is not always additional income – as income from current enterprises is forgone (replaced).

Industry Information

Information is also available on potential opportunities in specific industries:

Into Dairy - Dairy Farming in Tasmania: including investment opportunities, buying a dairy farm and costs of dairy conversions.

Wine Tasmania: for information on investing in the Tasmanian Wine Industry.

Farm Forestry: including integrated farm forestry, commercial plantings and carbon values.

MARKET OPPORTUNITIES

A Market Focus to Irrigation Investment

Market Research

It is imperative that a new investment in irrigation is market-led. Market research has been undertaken in order to develop profiles for a range of enterprises. The profiles provide an initial overview of such issues as current markets, consumer buying trends, market outlook, and potential future markets. Current market profiles are available for:

- Barley
- Lucerne
- Linseed
- Carrot seed
- Poppies
- Wheat
- Hemp
- Carrots
- Potatoes
- Onions
- Carrots
- Cherries
- Strawberries
- Blueberries
- Hazelnuts
- Olives
- Wine

For further information on the **Gross Margin and Financial Analysis Tools**, please visit:
www.dpipwe.tas.gov.au/agriculture/investing-in-irrigation

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