

Taranaki Owner System 1 Organic
2023-24 Mid Season Update January 11th 2024
Season numbers at a glance

KPI's	Budget	Updated forecast Budget/Actuals
Milk Production (kgMS/ha)	661	661
Milk Production (kgMS/cow)	329	336
Net Dairy Cash Income (\$/kgMS)	\$10.97	\$11.87
Total Farm Working Expenses (\$/kgMS)	\$3.14	\$3.18
Cash Operating Surplus/Deficit (\$/kgMS)	\$7.83	\$8.69
Gross Farm Revenue (\$/kgMS)	\$11.02	\$11.81
Operating Expenses (\$/kgMS)	\$4.29	\$4.33
Operating Profit (\$/ha)	\$4,448	\$4,940

* These KPI's are based on cash book budget/actuals to the 31/12/2023 and estimated non-cash adjustments. The final financial performance based on financial statements may differ

Key points

- Well distributed average rainfall and plenty of sunshine days in the winter helped to set up a good start to the season.
- Production to the end of December is 8% up on last season from 8% fewer cows.
- Income forecast to be up 8% on budget as the milk price and dividend payments are about \$0.90/kg MS up on budget.
- Operating expenses, (opex), and Farm working expenses, (FWE), are similar to budget and should be around \$4.30-\$4.35/kg MS for opex and \$3.15-\$3.20/kg MS for FWE
- Halter continues to deliver savings in time involved with collecting information required for making stock and pasture management decisions.

Comments

Production to December 31st is 70,457 kg MS which is 8%, (5,000 kgMS), up on last season Peak cows milked is 342 which is 28 less than 2022-23 and 6 less than budget.

The autumn, winter and spring have been good this year. Rain fall has been average and well distributed, with plenty of sunshine days in winter. Pasture growth from June to December has been better than previous years and spring growth was on target. November had a higher than average rainfall but there were many windy and sunny days in between so conditions never got too wet.

Supplements fed for the season is 35 t DM which is on target and leaves 10 t DM of hay still on hand. The herd peaked at 1.9 kg/cow per day on pasture which is 26% better than last season, (1.5kgMS/cow/day).

6.36 ha of multi species crops have been planted and should provide about 4 weeks of feed for the herd in February. With enough seed left over from last season and all work done in house the on cost this year is a few extra hours on the tractor. The seed used is a 20 species mix with 5 grasses and clovers, chicory, plantain and several other species including some brassicas. This crop area will again morph into permanent pasture so no further work will be needed.

Hay harvested this year should yield about 400 bales, (15 bale equivalent), off 33 ha. This is 130 more bales than last season but is on budget (400-500 bales). Some was made before Christmas and the balance is being baled now.

There is 8 ha of deferred grazing set aside for the heifers which will provide a bulk of feed once pasture growth rates start to drop.

The herd went on to once a day milking on December 8th, (similar time to last season). This is for lifestyle reasons and to benefit the cows.

Fertiliser applied to date is on budget.

Having information from Halter has made decision making so much easier. In August Pasture pro was released and this has now replaced other methods of pasture cover and growth rate assessment.

With current weather forecasts and the continuing threat of El Nino looming there could still be a tough autumn ahead. Therefore, even though both production and payout forecasts are currently up on budget, milk production forecast for the season has been kept at 115,000 kg MS, Income is forecast to be about \$100,000 up on budget due to better than expected milk and dividend payments, (the original budget was very conservative).

Farm working expenses are looking to be about \$3.18/kg MS which is close to the original budget of \$3.14.

The capital payment from Fonterra in August made a big difference to the cash flow and helped to mitigate the impact of the drop in the advance rate at that time.

Current Situation

Despite cow numbers being 8% less than last season for the same time of the year, current daily production is slightly up on last season, (and budget). The herd is producing 1.4 kg MS/cow/day, having been on once a day milking since December 8th. Cow intakes are about 18 kg DM/cow/day of mixed species pasture. Cow condition score is 4.3 which is similar to last season.

Pasture cover is 2,320 kg DM per ha, and with current pasture growth rates of 67 kg DM/ha/day cover is lifting. The grazing rotation is 32 days with the hay paddocks still to come in. This is a slower round than for the same time last year and pasture cover is about 100 kg DM/ha higher.

There are 147 rising 2 year old heifers and 84 replacement weaners and 9 weaner bulls on farm. The weaners are run 10 days ahead of the milking herd and the R 2's are being break fed with a back fence.

Soil moisture levels are reasonable but the forecast for the next couple of weeks is for hot dry weather so this situation could change quickly.

Looking forward

The philosophy for summer is not to feed supplements to any animal that won't be in the herd for the next season so culls will go early. Drying off will be based on the autumn/winter feed budget, and will ensure that cow condition and feed cover targets for the end of May and at calving will not be compromised.

There is about 40 t DM of hay available for use this season which is about 20 t DM up on last year. The 6.5 ha of multi species crop are growing well and will provide a bulk of feed for February.

Once empty cows have been confirmed in February 25-30 cows can be culled, with space already booked. This will bring stock numbers down to about 300 by late February. Getting culls away early means they go while prices are still reasonably high and it frees up more feed for the remaining cows.

Any cows that are at or below 3.5 BCS will be dried of in early April which will further reduce feed demand.

2023-24 Mid-season Update January 11th 2024

Calving and reproduction

- The calving pattern for the 23-24 season was 52% after 3 weeks, 73% after 6 weeks and 91% after 9 weeks. This is similar to the previous season and is still slower than ideal.
- Relied solely on Halter information to identify cows in heat this season. Submission rates for the first 3 weeks were 84% which is up on last season, (80%).
- With heat detection for mating easier, the bulls were removed from the herd early and 10 days of AB with short gestation bulls was carried out. This meant mating finished 8 days earlier than planned on December 24th. It also means fewer bulls need to be reared as herd bulls in the future.
- Estimated 6 week in calf rate as per MINDA is 65%, slightly better than last season (62%).
- Last season only cows identified as possibly empty on Halter were pregnancy tested. There were no late empties identified in the winter and early spring so we will repeat this process in February. This has significantly reduced the cost and time required for pregnancy testing.
- Early indications for information from Halter indicate that the empty rate is likely to be 10% or lower.
- As part of the Welfarm project the herd will again be assessed in mid-February for condition score and tail damage. They will also get their Lepto vaccination at the same time.
- The herd condition score will be assessed again in early May, (in paddock this time).
- 84 replacement heifers and 9 replacement bulls were reared this year. The budget was for 80-100 replacements and 12-14 bull calves. The number of replacements needed now is only about 80 so 84 will be plenty.
- Being a closed herd, (in conjunction with the second farm), and organic, the number kept tends to usually be higher than needed for risk management. Surplus can always be sold later.
- Fewer bulls are needed now with lower yearling heifer numbers for next spring and the plan to now use all AB for the herd.

Other points of interest

- Have been employing our son at weekends and holidays, so labour on the farm has increased by about 0.20 FTE
- **Halter** continues to deliver savings in time involved with collecting information required for making stock and pasture management decisions. This means more time can be spent observing the animals and making better timed decisions.
- The forecast from Fonterra Organics is still looking strong. However a dry autumn is always a possibility in Coastal Taranaki so the current plan to dry off based on autumn/winter feed budgets and cow condition will not change.
- Staff have had time off from mid-December till early January.
- Our time off will be travelling around the North Island supporting Motorcross, BMX and race car activities of family members.
- In the spring a power surge blew a transformer near the dairy shed. This took out power to the shed, damaged pulsators, fried the electric fence unit and the mains supply for **Halter** and blew the motors on the garage doors.
- Mains power was only out for half a day, and the extent of the impact on the farm was reduced as there is a generator on farm so the milking machines could be repaired immediately.
- The battery backup for **Halter** worked well, but a few changes of battery were needed as it was several days before all the parts needed to repair the **Halter** mains unit were available.
- The surge protection between the transformer and the cowshed has now been updated and tested so this should not be an issue in the future.
- Higher interest rates continue to hurt but there have been no further increase to date which is a relief.
- Debt repayment has continued.

Environment

- There are no outstanding actions on the Fonterra Farm Environment plan.
- The tree planting plan was put on hold when interest rates started to rise. If cash flow continues to look good then planting of some trees will be reinstated.
- Continued maintenance of existing plantings will be done in the autumn.

Annual Cash Budget and updated forecast October 2023

Name:	Taranaki Owner Organisis System 1			Budget Period	1 / 4 / 2023	to	31 / 3 / 2024
Farm Details:							
Budget	115,000 kgMS	350 Cows	174.0 ha	329 kgMS/cow	661 kgMS/ha	2.01 cows/ha	
Farm Details:							
Budget/Actual	115,000 kgMS	342 cows	174.0 ha	336 kgMS/cow	661 kgMS/ha	1.97 cows/ha	
Variance (Actual less Budget)	kgMS	-8 cows	ha	8 kgMS/cow	kgMS/ha	-0.05 cows/ha	
Income				Budget	Budget/Actual	Variance	
Net Milk Sales				\$1,162,000	\$1,265,912	\$103,912	
Net Dairy livestock sales (calves + culls + other - purchases)				\$60,000	\$58,589	-\$1,411	
Other dairy cash income				\$39,600	\$40,890	\$1,290	
Net Dairy Cash Income				\$1,261,600	\$1,365,391	\$103,791	
Expenses				Budget	Budget/Actual	Variance	
Wages				\$65,800	\$75,336	\$9,536	
Animal health				\$30,000	\$34,895	\$4,895	
Breeding and herd improvement				\$26,000	\$25,255	-\$745	
Farm dairy				\$5,000	\$4,563	-\$437	
Electricity (farm dairy, water supply)				\$16,200	\$15,668	-\$532	
Supplements made (incl. Contractors)				\$7,500	\$7,500		
Supplements purchased							
Calf rearing				\$2,000	\$1,755	-\$245	
Young and dry stock grazing							
Winter cow grazing							
Run-off lease							
Fertiliser (incl. N)				\$26,200	\$27,064	\$864	
Irrigation							
Regrassing and cropping				\$1,000		-\$1,000	
Weed and pest				\$3,300	\$765	-\$2,535	
Vehicles and fuel				\$30,000	\$26,157	-\$3,843	
R&M (land, buildings, plant, machinery)				\$46,000	\$47,229	\$1,229	
Freight and general farm expenses				\$6,000	\$5,505	-\$495	
Administration e.g. accountant, consultant, phone				\$24,600	\$28,948	\$4,348	
Insurance				\$16,000	\$19,388	\$3,388	
ACC							
Rates				\$15,100	\$16,689	\$1,589	
Other expenses				\$40,000	\$28,757	-\$11,243	
Total Farm Working Expenses				\$360,700	\$365,474	\$4,774	
Cash Operating Surplus / Deficit				\$900,900	999,917	\$99,017	
Non Cash Adjustments				Budget	Actual	Variance	
Value of change in livestock numbers				\$6,100	-7,300	-13,400	
Labour adjustment				\$103,000	103,000		
Less Feed inventory Adjustment							
Owned support block adjustment							
Depreciation				\$30,000	30,000		
Dairy Gross Farm Revenue				\$1,267,700	\$1,358,091	\$90,391	
Dairy Operating Expenses				\$493,700	\$498,474	\$4,774	
Dairy Operating Profit				\$774,000	\$859,617	\$85,617	
Dairy Operating Profit/ha				\$4,448	\$4,940	\$492	

Commentary re variance

	Actual to Budget Variance	
Milksolids	0	
Cows	-8	Had a few more deaths than expected.
Hectares	0	
Net Milk Income	103912	Had budgeted conservatively for milk price and dividend payment. Both are now above budget, equating to another \$0.91/kgMS
Net Dairy livestock sales (calves + culls + other - purchases)	-1411	
Other dairy income	1290	

Net Dairy Cash Income 103791

Expenses

Wages	9536	Have been employing son at weekends and holidays, so labour on the farm has increased by about 0.20 FTE
Animal health	4895	Had a few extra vet callouts. Have lost 6 cows this year, 2 after difficult calvings, 1 twisted gut, 1 mastitis, 1 paralysis, 1 unknown.
Breeding and herd improvement	-745	
Farm dairy	-437	
Electricity (farm dairy, water supply)	-532	
Supplements made (incl. Contractors)	0	
Supplements purchased	0	
Calf rearing	-245	
Young and dry stock grazing	0	
Winter cow grazing	0	
Run-off lease	0	

Fertiliser (incl. N)	864	
Irrigation	0	
Regrassing and cropping	-1000	
Weed and pest	-2535	Have cut back on gorse spraying along the river bank. A lot was done last season and less is needed this year.
Vehicles and fuel	-3843	
R&M (land, buildings, plant, machinery)	1229	Had a transformer blow which "fried" a few things including the milking machine pulsators and the Halter mains power supply. Most are covered by insurance but there has been some additional cost.
Freight and general farm expenses	-495	
Administration e.g. accountant, consultant, phone	4348	
Insurance	3388	Insurance costs have risen considerably due to price rises.
ACC	0	
Rates	1589	
Halter	-11243	Costs were down on budget as got a refund from the 2022-23 season. This was due to having fewer cows in the herd compared with what had been paid for earlier in the season.

Total Farm Working Expenses	4774	
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Non Cash adjustments

Value of change in livestock numbers	-13400	Have kept 25 fewer replacement R 1 heifers and bulls. Had fewer heifer replacement born and need fewer bulls now with fewer yearlings for next spring and also plan to use all AB next season for the cows.
Labour adjustment	0	
Less Feed inventory Adjustment	0	
Owned support block adjustment	0	
Depreciation	0	