

# Annual Cash Budget

Name: **Lower Northland Owner System 4** Budget Period **1 / 6 / 2023** to **31 / 5 / 2024**

Farm Details: **140000 kgMS** **290 cows** **112.0 ha** **483 kgMS/cow** **1250 kgMS/ha** **2.59 cows/ha**

| Income   |                               |      |  |  | \$ Total           | \$/kgMS        | \$/cow         | \$/ha           |
|--|-------------------------------|------|--|--|--------------------|----------------|----------------|-----------------|
| <b>Net Milk Income</b>   | Share of milk cheque received | 100% |  |  |                    |                |                |                 |
| Milk Solids advance  | 140,000 kgMS x \$ 6.40 /kgMS  |      |  |  | \$893,740          | \$6.38         | \$3,082        | \$7,980         |
| Milk Solids retrospective  | 130,600 kgMS x \$ /kgMS       |      |  |  | \$191,400          | \$1.37         | \$660          | \$1,709         |
| Milk Solids dividend   | 135,000 shares x \$ /share    |      |  |  | \$80,100           | \$0.57         | \$276          | \$715           |
| Other Milk Income - Winter Milk  |                               |      |  |  | \$107,000          | \$0.76         | \$369          | \$955           |
| DairyNZ levy <small>enter as negative number</small>                                     |                               |      |  |  | -\$5,040           | -\$0.04        | -\$17          | -\$45           |
| Net Dairy livestock sales (calves + culls + other - purchases)                           |                               |      |  |  | \$173,900          | \$1.24         | \$600          | \$1,553         |
| Other dairy income e.g. farm cottage rent, trading rebates, small amounts of contracting |                               |      |  |  | \$18,200           | \$0.13         | \$63           | \$163           |
| <b>Net Dairy Cash Income</b>   |                               |      |  |  | <b>\$1,459,300</b> | <b>\$10.42</b> | <b>\$5,032</b> | <b>\$13,029</b> |

| Expenses  |  |  |  |  | \$ Total         | \$/kgMs       | \$/cow         | \$/ha          |
|---|--|--|--|--|------------------|---------------|----------------|----------------|
| Wages/payment to contract milker                  |  |  |  |  | \$69,000         | \$0.49        | \$238          | \$616          |
| Animal health                                     |  |  |  |  | \$40,450         | \$0.29        | \$139          | \$361          |
| Breeding and herd improvement                     |  |  |  |  | \$28,600         | \$0.20        | \$99           | \$255          |
| Farm dairy  |  |  |  |  | \$4,600          | \$0.03        | \$16           | \$41           |
| Electricity (farm dairy, water supply)            |  |  |  |  | \$20,760         | \$0.15        | \$72           | \$185          |
| Supplements made (incl. Contractors)              |  |  |  |  | \$126,400        | \$0.90        | \$436          | \$1,129        |
| Supplements purchased                             |  |  |  |  | \$117,850        | \$0.84        | \$406          | \$1,052        |
| Calf rearing                                      |  |  |  |  | \$42,700         | \$0.31        | \$147          | \$381          |
| Young and dry stock grazing                       |  |  |  |  |                  |               |                |                |
| Winter cow grazing                                |  |  |  |  |                  |               |                |                |
| Run-off lease                                     |  |  |  |  | \$20,940         | \$0.15        | \$72           | \$187          |
| Fertiliser (incl. N)                              |  |  |  |  | \$72,900         | \$0.52        | \$251          | \$651          |
| Irrigation  |  |  |  |  |                  |               |                |                |
| Regrassing and cropping                           |  |  |  |  | \$28,000         | \$0.20        | \$97           | \$250          |
| Weed and pest                                     |  |  |  |  | \$2,200          | \$0.02        | \$8            | \$20           |
| Vehicles and fuel                                 |  |  |  |  | \$66,200         | \$0.47        | \$228          | \$591          |
| R&M (land, buildings, plant, machinery)           |  |  |  |  | \$87,900         | \$0.63        | \$303          | \$785          |
| Freight and general farm expenses                 |  |  |  |  | \$10,800         | \$0.08        | \$37           | \$96           |
| Administration e.g. accountant, consultant, phone |  |  |  |  | \$22,450         | \$0.16        | \$77           | \$200          |
| Insurance   |  |  |  |  | \$17,700         | \$0.13        | \$61           | \$158          |
| ACC   |  |  |  |  | \$4,210          | \$0.03        | \$15           | \$38           |
| Rates   |  |  |  |  | \$6,700          | \$0.05        | \$23           | \$60           |
| <b>Total Farm Working Expenses</b>                |  |  |  |  | <b>\$790,360</b> | <b>\$5.65</b> | <b>\$2,725</b> | <b>\$7,057</b> |

|                               |  |  |  |  |                  |               |                |                |
|-------------------------------|--|--|--|--|------------------|---------------|----------------|----------------|
| <b>Cash Surplus / Deficit</b> |  |  |  |  | <b>\$668,940</b> | <b>\$4.78</b> | <b>\$2,307</b> | <b>\$5,973</b> |
|-------------------------------|--|--|--|--|------------------|---------------|----------------|----------------|

| Non Cash adjustments                 |  |  |  |  |                    |                |                |                 |
|--------------------------------------|--|--|--|--|--------------------|----------------|----------------|-----------------|
| Value of change in livestock numbers |  |  |  |  |                    |                |                |                 |
| Labour adjustment                    |  |  |  |  | \$120,000          | \$0.86         | \$414          | \$1,071         |
| Less Feed inventory Adjustment       |  |  |  |  |                    |                |                |                 |
| Owned support block adjustment       |  |  |  |  |                    |                |                |                 |
| Depreciation                         |  |  |  |  | \$65,000           | \$0.46         | \$224          | \$580           |
| <b>Dairy Gross Farm Revenue</b>      |  |  |  |  | <b>\$1,459,300</b> | <b>\$10.42</b> | <b>\$5,032</b> | <b>\$13,029</b> |
| <b>Dairy Operating Expenses</b>      |  |  |  |  | <b>\$975,360</b>   | <b>\$6.97</b>  | <b>\$3,363</b> | <b>\$8,709</b>  |
| <b>Dairy Operating Profit</b>        |  |  |  |  | <b>\$483,940</b>   | <b>\$3.46</b>  | <b>\$1,669</b> | <b>\$4,321</b>  |

## Notes for Budget

|  |  |
|--|--|
| Net Milk Income  | Milk revenue is based on 140,000 kg MS for the 2023-24 season at a milk price of \$8.42/kg MS including advance, deferred on 130,600 kg MS and the winter milk premium. The Fonterra dividend is based on \$0.57/share on an average of 135,000 shares. The milk revenue is net of the DairyNZ levy of \$0.036/kg MS** <i>This milk income is the farmers best estimate of their likely net milk sales. It may or may not be out of date based on new information from Dairy Companies. It does not necessarily reflect DairyNZ's milk price forecast.</i> |
| Net Dairy livestock sales (calves + culls + other - purchases) | Includes 61 cull MA cows and R 2 heifers @ \$812/head, 10 autumn 2022 born steers and heifers @ \$875, 38 spring 2022 born steers and heifers @ \$770/head, 56 2023 autumn born steers, bulls and beef heifers @ \$600/head, 80 beef R 1 2023 spring born steers and beef heifers @ \$600/head, 4 Angus composite heifers, (ex embryo transfer programme), 2022 born @ \$1,800, and 3 MA bulls @ \$1,800/head. Net stock income is net of industry levies, yard fees and commissions.  |
| Other dairy income   | Rent for surplus farm house.   |

## Expenses

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| Wages                                  | This covers one full time permanent employee and includes allowance for housing as employee has own house.  |
| Animal health                          | <p>The animal health focus is on good observation, prevention and early treatment if required.</p> <p>Cu and Se are administered through the water during calving and mating using a dosatron system. Liver and blood sample analysis shows that this is sufficient to maintain acceptable levels.</p> <p>Best practice is followed to ensure good udder health and good quality milk is produced. The goal is to maintain a SCC of under 100000.</p>   |
| Breeding and herd improvement          | <p>Mating is 9 weeks for the autumn herd and 10-11 weeks for the spring herd. AB is used for 3 weeks for both herds. The highest genetic merit cows and all the yearlings are mated to AB. For the 2023 season sexed semen will be to reduce the number of cows needed to be mated to generate enough replacements. The lower genetic merit cows are naturally mated with Angus composite cross bulls, (Angus/Simmental/Gelbvie). After AB is finished 2 teams of 2 bulls are run with the herd and 2 bulls are run with the heifers. No Angus composite cross bull embryo transfer will be done this year as there are sufficient bulls on hand. It will be carried out again in the 2024-25 season matings.</p> <p>Herd testing is carried out 4 times a year one milking per test.</p> |
| Farm dairy                             | This covers consumables such as detergents, rubberware, filter socks etc.   |
| Electricity (farm dairy, water supply) | The shed is a 32 bail rotary and is operational 365 days per year as the farm is split calving.   |
| Supplements made (incl. Contractors)   | This covers supplements made on both the milking area and the support block and the growing and harvesting of maize on the support block. The maize to be grown this year on the support block is estimated to cost \$0.25/kg DM including regrassing into permanent pasture. About 16 ha will be planted using a mix of earlier and later maturing varieties to stagger harvesting and to provide some feed earlier in late summer autumn. This should yield 350 t DM of maize silage. Another 5 ha will be planted in a grain variety, and should yield about 60 t DM of grain which will be kibbled. Supplements made are budgeted at 270 bales, (270 kg bales), of baleage at \$55/bale and 40 t DM of pasture silage @ \$0.20/kgDM.  |
| Supplements purchased                  | The budget is for about 281 t of PKE/30% molasses blend for the year for an average price \$438/t DM landed, (includes \$50/t freight). 85 t has been purchased for June and July @ \$455/t landed, 168 t has been contracted for \$407/t landed. Another 56 t at \$400/t landed has been added to the budget for contingency in case of a very dry summer. The majority of this will be used for milking cows, though a small amount may be used at the support block for young stock. This product has been chosen to provide a higher energy feed to counter the low ME of the kikuyu in cows diet, particularly in the autumn.  |
| Calf rearing                           | The majority of calves are reared to weaning, including about 80 replacement heifers and 170-190 dairy bulls, beef heifers and steers. This cost includes about 2.0 t calf milk replacer and 9-10 t DM of calf meal, (pellets and kibbled maize). This cost also includes about \$2,200 for vet costs and \$5,000 for equipment and bedding.  |

|   |   |
|---|---|
| Young and dry stock grazing                       |   |
| Winter cow grazing                                |   |
| Run-off lease                                     | A 150 ha support block is leased across the road from the milking platform. This is made up of about 30 ha that is deer fenced and is in good pasture. This is where the maize is grown. The balance is hilly, poorer pasture and is often invaded by wild deer from the neighbouring forestry block. 40 ha of flat pasture was under water for 3 weeks after cyclone Gabriel. It has been too wet since to regrass so this area is currently under performing.   |
| Fertiliser (incl. N)                              | Fertiliser applied is as per recommendations based on soil tests. Applications of P and K applied to the sandy loan soils, on the milking area, (15% of the farm area), are reduced this year as this area is now all under effluent irrigation. The marine clay soils have high inherent nutrient levels that do not vary much each year. They have low nutrient requirements so only lime and nitrogen are applied to these soils, (85% of the farm area). Nitrogen applied to the milking area for the year will be about 85-90 kg N/ha. Sources of N are SustaiN and DAP depending on what is cheapest at the time. Cartage is included in this cost. Application is done using own spreader. The budget includes allocation for about 22 t Lime. Also in the budget is allocation for \$5,000 for organic fish/seaweed/humates. This is applied to pasture that has newer species of red clover, fescue and chicory, and is tailored to promote clover growth. N use on these areas will be halved to about 40-50 kg N/ha. The budget does allow for more nitrogen to be applied to silage paddocks to boost yields. |
| Irrigation  |   |
| Regrassing and cropping                           | Includes \$18,000 for sowing 12 ha of chicory and clover and 8 ha of turnips. The chicory area is sown in annual rye grass for winter feed and resown in turnips the following spring and then sown in permanent pasture in the autumn, (fescue, chicory and white and red clover mix). This means in any one year there are 18-20 ha of the milking area planted in summer crop. The kikuyu dominant pasture, (about 90 ha), is mulched in the autumn and undersown with a tetraploid hybrid ryegrass. Allocation of about \$10,000 is for regrassing flood damaged areas of the support block in the spring, (if the soil is dry enough).   |
| Weed and pest                                     | Includes chemicals for general farm weed and pest control, (rats and mice around maize silage), and equipment and supplies for deterrent of birds and deer.   |
| Vehicles and fuel                                 | Fuel budget is about \$33,000. This is quite high as supplements are fed out year round. The farm is over 20 km from the nearest service centre which also adds to fuel costs. The extensive support block also adds to the vehicle running costs.  |
| R&M (land, buildings, plant, machinery)           | R & M expenditure has been high for the last 6 years so the plan for this season is to only do minor works like fencing repairs that don't cost too much and can be done in house and with second hand or existing materials on farm. Includes about \$18,000 for plant and machinery maintenance, \$17,000 for drainage and \$5,000 for track repairs.   |
| Freight and general farm expenses                 | Includes bio-security levy of \$3,000, protective clothing and general freight costs.   |
| Administration e.g. accountant, consultant, phone | Do own GST and payroll. Includes accountancy, consultancy, communication costs, subscriptions and staff costs, (tea/coffee/biscuits etc).   |
| Insurance   | Farm insurance to cover buildings, plant, vehicles, business interruption and lost milk and liability   |
| ACC   |   |
| Rates   | As per latest rates notices. Covers the support block as well.  |

### Non Cash adjustments

|                                      |  |
|--------------------------------------|--|
| Value of change in livestock numbers | Expect to have no significant change in stock numbers on hand at the end of the season.  |
| Labour adjustment                    | The unpaid labour input by the business owners is 1.5 FTE.   |
| Less Feed inventory Adjustment       | Expect to have no significant change in supplements on hand at the end of the season. Aim to take 230 t DM of maize and 55 t DM of silage into the winter next season again. |
| Owned support block adjustment       |  |

## Depreciation

As per the 2021-22 financial statements plus allowance for 2 more years depreciation and some asset purchases and sales.