

Annual Cash Budget

Name: Taranaki Organic System 1 Budget Period 1 / 6 / 2023 to 31 / 5 / 2024

Farm Details: 115000 kgMS 350 cows 168.0 ha 329 kgMS/cow 685 kgMS/ha 2.08 cows/ha

Income				\$ Total	\$/kgMS	\$/cow	\$/ha
Net Milk Income	Share of milk cheque received		100%				
Milk Solids advance	115,000 kgMS x \$ 7.60 /kgMS			\$874,000	\$7.60	\$2,497	\$5,202
Milk Solids retrospective	119,428 kgMS x \$ 2.00 /kgMS			\$238,850	\$2.08	\$682	\$1,422
Milk Solids dividend	130,000 shares x \$ 0.40 /share			\$51,450	\$0.45	\$147	\$306
Other Milk Income							
DairyNZ levy	enter as negative number			-\$4,100	-\$0.04	-\$12	-\$24
Net Dairy livestock sales (calves + culls + other - purchases)				\$60,000	\$0.52	\$171	\$357
Other dairy income e.g. farm cottage rent, trading rebates, small amounts of contracting				\$39,600	\$0.34	\$113	\$236
Net Dairy Cash Income				\$1,259,800	\$10.95	\$3,599	\$7,499
Expenses				\$ Total	\$/kgMS	\$/cow	\$/ha
Wages				\$65,800	\$0.57	\$188	\$392
Animal health				\$30,000	\$0.26	\$86	\$179
Breeding and herd improvement				\$26,000	\$0.23	\$74	\$155
Farm dairy				\$5,000	\$0.04	\$14	\$30
Electricity (farm dairy, water supply)				\$16,200	\$0.14	\$46	\$96
Supplements made (incl. Contractors)				\$7,500	\$0.07	\$21	\$45
Supplements purchased							
Calf rearing				\$2,000	\$0.02	\$6	\$12
Young and dry stock grazing							
Winter cow grazing							
Run-off lease							
Fertiliser (incl. N)				\$26,200	\$0.23	\$75	\$156
Irrigation							
Regrassing and cropping				\$1,000	\$0.01	\$3	\$6
Weed and pest				\$3,300	\$0.03	\$9	\$20
Vehicles and fuel				\$30,000	\$0.26	\$86	\$179
R&M (land, buildings, plant, machinery)				\$46,000	\$0.40	\$131	\$274
Freight and general farm expenses				\$6,000	\$0.05	\$17	\$36
Administration e.g. accountant, consultant, phone				\$24,600	\$0.21	\$70	\$146
Insurance				\$16,000	\$0.14	\$46	\$95
ACC							
Rates				\$15,100	\$0.13	\$43	\$90
Halter				\$40,000	\$0.35	\$114	\$238
Total Farm Working Expenses				\$360,700	\$3.14	\$1,031	\$2,147
Cash Surplus / Deficit				\$899,100	\$7.82	\$2,569	\$5,352
Non Cash adjustments							
Value of change in livestock numbers				\$6,100	\$0.05	\$17	\$36
Labour adjustment				\$103,000	\$0.90	\$294	\$613
Less Feed inventory Adjustment							
Owned support block adjustment							
Depreciation				\$30,000	\$0.26	\$86	\$179
Dairy Gross Farm Revenue				\$1,265,900	\$11.01	\$3,617	\$7,535
Dairy Operating Expenses				\$493,700	\$4.29	\$1,411	\$2,939
Dairy Operating Profit				\$772,200	\$6.71	\$2,206	\$4,596

Notes for Budget

Net Milk Income	Milk revenue is based on 115000 kg MS @ an advance price of \$7.60/kg MS, 119,428 kg MS @ a deferred price of \$2.00/kg MS and a Fonterra dividend of \$0.40/share on 130,000 shares. The milk prices used are as per Fonterra notification late May 2023 for Organic farm supply and are May paid June prices, (this farms financial year is 1 July to 30 June). This is net of the DairyNZ levy, (3.6 c/kg MS). <i>Milk income: 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)	Based on approximately 81 MA Jersey cows and empty R 2 heifers @ \$550, 14 R 2 bulls @ \$1000, and 250 Bobbies at \$20. Any animals born after 2020 are sold as organic meat so receive a premium of \$100/head at slaughter.
Other dairy income	Rent for staff housing plus grazing for 54 yearlings, from second organic farm near the coast, for 52 weeks

Expenses

Wages	This is the gross wages including employee house allowance for 0.6 FTE permanent staff member, (25-30 hours per week, most weekends off).
Animal health	Focus is on prevention rather than cure. The approach to animal health is kept simple and is based on good observation. The farm has good infrastructure so things like lameness are not an issue. SCC for 2022-23 was 186,000. Calving is Jersey on Jersey so there are fewer calving related difficulties/vet visits. Standard minerals are used and required vaccinations are carried out, (Lepto). BVD not a problem - milk test is used. Calf horn de-budding is included in animal health costs. Johnes testing is done annually from herd test milk samples. Incidence is low now and there are no clinical signs of the disease. As part of being fully organic certified and as a participant in the Well Farm project, the herd will be independently condition scored, (by vets), four times a year. BCS at drying off mid May 2023 was 4.5.
Breeding and herd improvement	Includes the cost of DNA testing calves 90-100 calves and herd testing. Mating is AB for 6 weeks followed with bulls for 5 weeks. 8 R 1 bulls are used on the heifers and then used on the herd. Only one lot of bulls is needed as the heifers are run on the milking area. The empty rate for the herd for 2022-23 was 16%, the highest recorded for the farm unfortunately. Also included in this expense is registration of about 90-100 heifer calves with the breed society Jersey NZ.
Farm dairy	Includes detergent, rubberware (replaced once per year), and miscellaneous shed expenses. Standard cleaning procedures and recommendations for detergent use are followed.
Electricity (farm dairy, water supply)	Focused on efficient processes so good cow flow and efficient routines have decreased milking costs. Have varivac fitted to machines so electricity usage is more efficient. This includes the cost of access to the water scheme that provides all the farm water via gravity feed. Shed/farm Power is \$10,000 and water supply is \$6,200.
Supplements made (incl. Contractors)	Only genuine surpluses harvested off the 168 ha. For 2023-24 the plan is to make 500 bales of hay, (15 bale equivalents). The cost includes paying for an external contractor for baling only.
Supplements purchased	No supplements purchased.
Calf rearing	This is for the costs for bedding and sundry equipment. The plan is to rear 80-100 replacement heifer calves and 12-14 bull calves. Calves are reared on colostrum, whole milk, pasture and hay. This has been the practice for the last 3 years and it has worked well.
Young and dry stock grazing	Not required as all young stock - 110-115 weaner replacement heifers and bulls, 104 R 2 heifers and 14 R 2 bulls, (until summer), are grazed on the 55 ha of the farm. This area also will provide winter grazing for the herd, grazing for 54 yearlings from a second organic farm for 52 weeks, plus all the hay, (500 bales 15 bale equivalents), for the herd and young stock. The 55 ha are not quite adjacent to the milking area so having additional young stock there greatly reduces the need to move milking cows along a public road.
Winter cow grazing	
Run-off lease	
Fertiliser (incl. N)	Following a review with regenerative farming consultants, fertiliser for the farm is based on organic fish, seaweed and humates. A fit for purpose spreader is owned so spreading is all done in house. Cost includes \$800 for conventional soil testing and \$2,300 soil microbial testing.

Irrigation	
Regrassing and cropping	Much of the farm has now been planted with multi species pastures so no regrassing is planned for this season. This cost is for some seed for a bit of remedial reseeding. The 2023-24 plan is to use deferred grazing on the main milking area in the summer rather than planting any summer multi species crops so there is little regrassing and cropping expense for the 2023-24 season.
Weed and pest	Weeds and pests are not usually a problem. Weed control is a combination of manual control or an organic spray. The spray is mainly used for gorse on the river boundary. This includes equipment and supplies for organic pest trapping and control.
Vehicles and fuel	Do most of the harvesting and tractor work so this cost includes the fuel costs associated with that. Includes \$19,500 for fuel which is up on previous years due to price rises.
R&M (land, buildings, plant, machinery)	The farm has been well maintained over the past years and buildings and infrastructure are in good condition. Very little maintenance is planned but have included \$13,000 for buildings, \$8,000 for fencing and \$2,000 for tracks and drains. A lot R & M is done in house, so reliance on contractors is minimal. This cost includes the maintenance of the harvesting machinery owned and cowshed plant maintenance of about \$7,500. An allowance of \$10,000 is in the budget to cover contractors for riparian plant release, the purchase of hemp/wool mix weed mats for weed control around new tree plantings, and for the purchase of about 1,000 flax pants and 600 shade trees. The additional plants are to replace existing plantings lost to flooding or rabbit damage.
Freight and general farm expenses	Includes costs for protective clothing, bio-security supplies, (disinfectant, brushes etc), rubbish disposal, dead cow removal and bio-security levy.
Administration e.g. accountant, consultant, phone	Do own GST, PAYE and budgeting. Includes administration and accounting fees for two financial entities, \$2,000 for Organic auditing fees which is an annual requirement for Organic certification, plus travel costs relating to visiting other organic farms and organisations as part of continued learning about organic farming. Satellite pasture assessment is used, so fees for that are also included here.
Insurance	Includes: milk losses, loss of cows, public liability and property. This is something that is reviewed annually to make sure it is still relevant.
ACC	All cover is with a private insurer and is not included in the farm budget.
Rates	
Halter	Halter subscription costs for 350 cows, paid in advance in one lump sum, so get one month free.

Non Cash adjustments

Value of change in livestock numbers	Expect to end the season with 4 fewer R 1 heifers, 30 more 2 R 2 heifers and 21 fewer MA cows. IRD NMAV, (National Average Market Values), for 2023 are used to estimate the value of change in dairy livestock numbers. Net livestock income , (cash and non-cash), equates to \$0.40/ kg MS.
Labour adjustment	This is for 1.75 FTE, (3600 hours) of unpaid labour input from the business owners and family.
Less Feed inventory Adjustment	Expect to have no significant difference in opening and closing feed on hand for the season, (45 t DM of hay opening and closing).
Owned support block adjustment	
Depreciation	As per financial statements for 2021-22 year, with allowance made for two more years depreciation. There have been no significant asset purchases in the past year and none are planned for the 2023-24 season.