

2018-19 Season numbers at a glance

KPI's	Budget	Actual
Milk Production (kgMS/ha)	936	899
Milk Production (kgMS/cow)	338	323
Net Dairy Cash Income (\$/kgMS)	\$6.35	\$6.47
Total Farm Working Expenses (\$/kgMS)	\$3.65	\$3.76
Cash Operating Surplus/Deficit (\$/kgMS)	\$2.69	\$2.71
Gross Farm Revenue (\$/kgMS)	\$6.45	\$6.40
Operating Expenses (\$/kgMS)	\$3.90	\$4.02
Operating Profit (\$/ha)	\$2,385	\$2,144

* These KPI's are based on cash book actuals to the 31/5/2019 and estimated non-cash adjustments. The final financial performance based on financial statements may differ

Comments

The overall financial performance for the business was very close to budget which was a satisfactory result given that the 18-19 season was the first year of the larger farming operation, (60 more hectares and 165 more cows).

It is worth noting that the budget for the 18-19 season has a lower deferred milk income being the first year of the larger operation, (\$350 per ha), and included some extra costs relating to the integration of the additional land.

Cash income was down 2%. The lower milk income was off set slightly by increased livestock income.

Total Farm working expenses were actually \$9,929 under budget, (12%), which is \$3.76 per kg MS on the lower than budgeted milksolids so F W E were 3.3% up on budget for the season.

Additional capital expenditure of \$120,000 for an effluent system upgrade for one of the sheds was also able to be completed out of cash flow this year.

The labour costs for the farm have been well above average, (at around \$1.40 per kg MS), for the last 2 seasons as the owners allowed for extra input to ensure successful implementation of the new business structure, (2017/18) and integration of the extra land, (2018/19). Labour requirements for the farm should reduce to more average levels from now on, (more like \$1.00 per kg MS).

Other points of interest

The first part of the season was much improved on the previous 2 years in terms of rainfall and pasture growth. However September and October growth was still about 15% below average, and the latter part of November was wetter and colder.

By late December feed on hand, pasture cover and soil moisture were all good and production was on target for 220,000 to 225,000 kg MS.

Hot windy weather and very little rain from mid-January to late April had a big impact on the final season's performance, with production finishing at 211,250, (4.0% below budget).

All empty cows were culled after the early February pregnancy test, and drying off started early April with the last milking on April 11th.

A lot more re-grassing was carried out in the autumn to repair pasture damage from late winter and early spring 2018 and to remedy the opening up of pastures due to multiple and prolonged summer droughts. There is about 17% of the farm in new grass, under-sown with Italian shogun or in an annual grass/oats crop. It has all been direct drilled with no mechanical cultivation and has established well.

As at June 20th pasture cover is finally on target and cow condition is close to 5.0 so the farm is prepared for the start of calving.

Annual Cash Budget

Name: **Sth West Waikato Sys 2** Budget Period **1 / 6 / 2018** to **31 / 5 / 2019**

Farm Details: **211250 kgMS** **654 cows** **235.0 ha** **323 kgMS/cow** **899 kgMS/ha** **2.78 cows/ha**

Income					\$ Total	\$/kgMS	\$/cow	\$/ha
Net Milk Income	Share of milk cheque received		100%					
Milk Solids advance	211,250	kgMS x \$	4.90	/kgMS	\$1,274,676	\$6.03	\$1,949	\$5,424
Milk Solids retrospective		kgMS x \$		/kgMS		\$0.00	\$0	\$0
Milk Solids dividend		shares x \$		/share		\$0.00	\$0	\$0
DairyNZ levy	enter as negative number					\$0.00	\$0	\$0
Net Dairy livestock sales (calves + culls + other - purchases)					\$91,820	\$0.43	\$140	\$391
Other dairy income e.g. farm cottage rent, trading rebates, small amounts of contracting						\$0.00	\$0	\$0
Net Dairy Cash Income					\$1,366,496	\$6.47	\$2,089	\$5,815
Expenses					\$ Total	\$/kgMS	\$/cow	\$/ha
Wages					\$300,836	\$1.42	\$460	\$1,280
Animal health					\$31,377	\$0.15	\$48	\$134
Breeding and herd improvement					\$42,045	\$0.20	\$64	\$179
Farm dairy					\$7,404	\$0.04	\$11	\$32
Electricity (farm dairy, water supply)					\$28,363	\$0.13	\$43	\$121
Supplements made (incl. Contractors)					\$36,841	\$0.17	\$56	\$157
Supplements purchased						\$0.00	\$0	\$0
Calf rearing					\$9,156	\$0.04	\$14	\$39
Young and dry stock grazing					\$65,633	\$0.31	\$100	\$279
Winter cow grazing						\$0.00	\$0	\$0
Run-off lease						\$0.00	\$0	\$0
Fertiliser (incl. N)					\$68,320	\$0.32	\$104	\$291
Irrigation						\$0.00	\$0	\$0
Regrassing and cropping					\$36,205	\$0.17	\$55	\$154
Weed and pest					\$12,153	\$0.06	\$19	\$52
Vehicles and fuel					\$29,055	\$0.14	\$44	\$124
R&M (land, buildings, plant, machinery)					\$54,289	\$0.26	\$83	\$231
Freight and general farm expenses					\$9,761	\$0.05	\$15	\$42
Administration e.g. accountant, consultant, phone					\$17,548	\$0.08	\$27	\$75
Insurance					\$13,332	\$0.06	\$20	\$57
ACC					\$6,485	\$0.03	\$10	\$28
Rates					\$25,348	\$0.12	\$39	\$108
Total Farm Working Expenses					\$794,151	\$3.76	\$1,214	\$3,379
Cash Surplus / Deficit					\$572,345	\$2.71	\$875	\$2,436
Non Cash adjustments								
Value of change in livestock numbers					-\$14,100	-\$0.07	-\$22	-\$60
Labour adjustment						\$0.00	\$0	\$0
Less Feed inventory Adjustment					-\$14,500	-\$0.07	-\$22	-\$62
Owned support block adjustment						\$0.00	\$0	\$0
Depreciation					\$40,000	\$0.19	\$61	\$170
Dairy Gross Farm Revenue					\$1,352,396	\$6.40	\$2,068	\$5,755
Dairy Operating Expenses					\$848,651	\$4.02	\$1,298	\$3,611
Dairy Operating Profit					\$503,745	\$2.38	\$770	\$2,144

Commentary re variance

	Actual to Budget Variance	
Milksolids	-8,750	Production was on target for 220,000 to 225,000 kg MS until mid-January. However rainfall from mid-January to late April was well below average so all empties were culled in February and the whole herd was dry by 11th April.
Cows	4	Very few losses and wastage over calving so ended up with a few more cows at peak than budget.
Hectares	0	
Net Milk Income	-43759	Milk revenue was down largely due to the lower than budgeted production.
Net Dairy livestock sales (calves + culls + other - purchases)	14120	Plan to trial a lower stocking rate for the 2019-20 season so had about 20 extra MA cows/R 2 heifers to sell. This helped to offset the lower than budgeted cull cow prices, (\$560 per head compared with 750 budgeted).
Other dairy income	0	

Net Dairy Cash Income

-29639

Expenses

Wages	836	
Animal health	3377	
Breeding and herd improvement	4045	Had not budgeted freeze branding and additional ear tags for new cows. The calving pattern of the new herd was poor so also spent more on anoestrous treatment in an effort to improve the 2018 mating performance of the new herd. Still ended up with 25% empty in the 160 new cows, compared with the whole herd average of about 13%.
Farm dairy	404	
Electricity (farm dairy, water supply)	-4637	Over budgeted for power as was still estimating how much would be required with the additional land and cows and with running 2 sheds full time.
Supplements made (incl. Contractors)	-25159	Made more grass silage than budgeted as late spring and early summer had excellent pasture growth. Did make 3 ha less maize silage as there was still about 30 t DM of maize, (from the purchase of the new farm), carried through from the spring. The decision was made to put more area in chicory, (this cost is under cropping and regrassing).
Supplements purchased	-36800	Did not purchase any external supplement as there was 40 t DM maize silage on hand at the start of the season that had been purchased with the new farm. 10 t DM of this was used during the spring.
Calf rearing	56	
Young and dry stock grazing	-3267	Had 10 less heifers at grazing than budgeted.
Winter cow grazing	0	
Run-off lease	0	

Fertiliser (incl. N)	9040	Increased phosphate applications through the use of DAP in an effort to remedy P deficiency in cows which had resulted in an increase in "downer" cows in the spring.
Irrigation	0	
Regrassing and cropping	23205	Planted 10 ha of chicory that had not been budgeted for. Carried out a lot more under-sowing than budgeted to repair cumulative damage from the previous late winter and spring and remedy the opening up of pastures due to multiple and prolonged summer droughts. Regrassed 5.5 ha with permanent pasture (sprayed out, grass to grass), have 10 ha in annuals/oats, this is following a spring 2018 crop, plus 27 ha has been under-sown with Italian shogun.
Weed and pest	8153	Paid for more weed and pest contracting due to machinery breakdowns in the spring and staff illnesses in the summer/autumn.
Vehicles and fuel	7055	Fuel was up about \$2000, and there were unbudgeted tractor repairs.
R&M (land, buildings, plant, machinery)	4289	Plant and equipment was up about \$3,300.
Freight and general farm expenses	1761	
Administration e.g. accountant, consultant, phone	2548	
Insurance	-1668	
ACC	3485	
Rates	-6652	The budgeted rates expense were very much an estimate as there was no clear figure to budget on with the addition of the new property.
Other farm working expenses (not included in any of the above)	0	

Total Farm Working Expenses	-9929	
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Non Cash adjustments		
Value of change in livestock numbers	-36510	Will be trialling a lower stocking rate in 2019-20 so ended the season with 16 less MA cows and 5 less R 2 heifers than the original budget.
Labour adjustment	0	
Less Feed inventory Adjustment	-500	
Owned support block adjustment	0	
Depreciation	0	

Annual Cash Budget

Name: South West Waikato Owner Sys 2 Budget Period 1 / 6 / 2018 to 31 / 5 / 2019

Farm Details:
Budget 220,000 kgMS 650 Cows 235.0 ha 338 kgMS/cow 936 kgMS/ha 2.77 cows/ha

Farm Details: Actual
 211,250 kgMS 654 cows 235.0 ha 323 kgMS/cow 899 kgMS/ha 2.78 cows/ha

Variance (Actual less Budget)
 -8,750 kgMS 4 cows ha -15 kgMS/cow -37 kgMS/ha 0.02 cows/ha

Income	Budget	Actual	Variance
Net Milk Sales	\$1,318,435	\$1,274,676	-\$43,759
Net Dairy livestock sales (calves + culls + other - purchases)	\$77,700	\$91,820	\$14,120
Other dairy cash income			
Net Dairy Cash Income	\$1,396,135	\$1,366,496	-\$29,639

Expenses	Budget	Actual	Variance
Wages	\$300,000	\$300,836	\$836
Animal health	\$28,000	\$31,377	\$3,377
Breeding and herd improvement	\$38,000	\$42,045	\$4,045
Farm dairy	\$7,000	\$7,404	\$404
Electricity (farm dairy, water supply)	\$33,000	\$28,363	-\$4,637
Supplements made (incl. Contractors)	\$62,000	\$36,841	-\$25,159
Supplements purchased	\$36,800		-\$36,800
Calf rearing	\$9,100	\$9,156	\$56
Young and dry stock grazing	\$68,900	\$65,633	-\$3,267
Winter cow grazing			
Run-off lease			
Fertiliser (incl. N)	\$59,280	\$68,320	\$9,040
Irrigation			
Regrassing and cropping	\$13,000	\$36,205	\$23,205
Weed and pest	\$4,000	\$12,153	\$8,153
Vehicles and fuel	\$22,000	\$29,055	\$7,055
R&M (land, buildings, plant, machinery)	\$50,000	\$54,289	\$4,289
Freight and general farm expenses	\$8,000	\$9,761	\$1,761
Administration e.g. accountant, consultant, phone	\$15,000	\$17,548	\$2,548
Insurance	\$15,000	\$13,332	-\$1,668
ACC	\$3,000	\$6,485	\$3,485
Rates	\$32,000	\$25,348	-\$6,652
Other farm working expenses (not included in any of the above)			
Total Farm Working Expenses	\$804,080	\$794,151	-\$9,929

Cash Operating Surplus / Deficit	\$592,055	572,345	-\$19,710
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Non Cash Adjustments	Budget	Actual	Variance
Value of change in livestock numbers	\$22,410	-14,100	-36,510
Labour adjustment			
Less Feed inventory Adjustment	-\$14,000	-14,500	-500
Owned support block adjustment			
Depreciation	\$40,000	40,000	

Dairy Gross Farm Revenue	\$1,418,545	\$1,352,396	-\$66,149
Dairy Operating Expenses	\$858,080	\$848,651	-\$9,429
Dairy Operating Profit	\$560,465	\$503,745	-\$56,720
Dairy Operating Profit/ha	\$2,385	\$2,144	-\$241