

Season numbers at a glance

KPI's	Budget	Updated forecast Budget/Actuals
Milk Production (kgMS/ha)	1,186	1,130
Milk Production (kgMS/cow)	393	377
Net Dairy Cash Income (\$/kgMS)	\$7.88	\$7.83
Total Farm Working Expenses (\$/kgMS)	\$4.30	\$4.57
Cash Operating Surplus/Deficit (\$/kgMS)	\$3.58	\$3.26
Gross Farm Revenue (\$/kgMS)	\$7.89	\$7.88
Operating Expenses (\$/kgMS)	\$5.11	\$5.42
Operating Profit (\$/ha)	\$3,298	\$2,778

* 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

- Production for the season has been revised downwards by 5% following a particularly wet winter and spring.
- Cash operating surplus is likely to be down 13% largely due to the lower forecast milk production and milk price.
- Close monitoring and management of the budget has kept total farm working expenses close to the original budget but there is significant variation for some costs.

Comments

A combination of a wet winter and spring and a slower calving pattern of bought in cows resulted in a revision of the budgeted milk solids down to 206,000 kg from 210,000 kgMS. This has since been dropped to 200,000 kgMS.

The milk price has also been revised down by \$0.43/kgMS so the updated forecast for income is significantly down on the original budget, (6%).

Milksolids to end of December is 126,371, (63% of revised total of 200,000 kg). Peak cows milked is 530, (5 down on budget). Losses at calving were a bit higher than budgeted due to metabolic issues in older less sound cows kept to make up numbers. Cow numbers still milking by December 31st were 523.

Daily per cow peak was 2.1 kgMS/cow/day, being fed pasture, maize or grass silage, and PKE/DDG blend.

Supplements fed to date are all the maize and grass silage that was on hand at the start of the season, (150 t DM, 283 kgDM/cow), plus meal through the shed, (PKE/DDG mix, 255 tDM or 481 kgDM/cow). This is as per budget.

The wetter than average winter and spring meant pasture growth rates were down and pasture cover was well under control all spring and early summer. Only 100 bales, (18.5 tDM), of baleage was made late spring which is 30% down on budget, (140 bales).

14 ha maize planted early to mid-November but it went in 3 weeks later than planned because of the wet.

4.5 ha of fodder beet was planted October 10th, again about 3-4 weeks later due to the wet conditions. This means it will be 3-4 weeks later before it is ready to be grazed. To fill the gap 2.5 ha of turnips were planted. The turnips will be grazed from January 25th and should last until mid-February when the Fodder beet will be ready.

The herds have been on twice a day milking but the plan is to put one herd on to 10/7 on 20th January. This will be milking once a day on Sat, Sunday, Tuesday and Thursday and twice a day Monday, Wednesday and Friday. This will take the pressure off the younger cows.

Fertiliser usage is down on budget. It was too wet on the peat so two nitrogen applications were missed in the spring, plus when the payout drop was announced, fertiliser applications were prioritised and most of what has gone on has been applied to the 30 ha purchased this season.

The PKE/DDG mix was able to be contracted at \$440 per ton landed which is about \$120 less than budgeted. R & M is up with half the increase relating to unforeseen breakage on the new farm and additional drainage being needed on the home farm as a result of the wet winter and spring.

Regrassing and cropping costs are up on budget in part due to the timing of payment for maize harvesting. The 2024 harvest will now be in this financial year.

When the payout drop was announced all farm expenditure was reviewed and we operated a zero budget where all expenditure had to prove a return. This has gone a long way to ensuring that there has been minimal cost creep this year, (forecast total farm working expenses are only about \$12,000 up on budget, and this is including paying for 2 years of maize harvest).

Current position

Production is currently 1.3 kgMS/cow/day from 523 cows. Daily total milksolids is behind budget, hence a further reduction in forecast MS for the season. BCS is lighter than target, which is a reflection of the tougher season so far. Feed intakes at present are 17kg DM/cow/day from pasture and 1 kg DM/day from meal.

Current pasture cover is 2,200 kgDM/ha. The herd is on a 25 day grazing rotation.

With a total of 17 ha out in crops the current stocking on pasture effective area is 3.27 cows/ha. Current growth rates are 60 kgDM/ha/day, and with 30 mm rain 15/16 January this should hold for a bit longer. With daily pasture intakes of 17 kgDM/cow/day and 3.27 cows/ha this equates to 56 kg/ha/day, so cover is holding or increasing slightly.

Looking forward

The options for destocking and once a day milking will be considered for later in the season for both herds if growth rates, cover and cow condition drop too much.

There are still 1 to 1 ½ more applications of N for the season depending on the weather, which will be used in the autumn to help increase growth rates and pasture cover.

Current feed on hand available to feed out between now and mid-May is 313 tDM which equates to about 600 kgDM/cow on 523 cows or 5.4 kgDM/c/d. This will still leave about 150 t DM maize/baleage to take through to next season.

The plan is to feed turnips till mid-February, then fodder beet till drying off mid-May, (this is of course rain and culling dependent). The PKE blend can be fed at higher rates to cover any gaps until the maize is harvested in late March.

All decisions from now on are based on feed budgets and ensuring pasture cover and cow BCS targets are met at the end of the season so that next season is not compromised.

Calving and reproduction

- The calving pattern for the 2023 spring was 85% in 3 weeks, 92% after 6 weeks and 100% by 9 weeks.
- Herd testing for one herd was dropped following the payout and at the same time the decision was made to switch to cheaper heat detection methods.
- Pregnancy testing is planned for early February.
- More AB heifers were born than expected so all 130 have been reared. The plan is to have a good cull of older and poorer producing cows in two years' time.
- Weaners went off farm on November 20th as planned.
- A total of 16 bulls were purchased for the two herds and the yearlings at grazing. The difference between purchase and sale price will cost about \$675/bull. Bulls were removed prior to Christmas and have been sold.

Other points of interest.

- High interest rates are hurting but at least they have not risen further.
- Still very concerned about the El Nino forecast and it is looking like the hot dry weather forecasted earlier is starting to appear.
- There are still a lot of maintenance work to do, in particular upgrading the race that connects the two farms so that it can withstand the increase in traffic.
- Riparian planting plans has been put on hold while other more essential bodies of work are carried out.

Annual Cash Budget and updated forecast *December 2023*

Name:	East Waikato Owner/Owner with CM System 3			Budget Period	1 / 6 / 2023	to	31 / 5 / 2024
Farm Details:							
Budget	210,000 kgMS	535 Cows	177.0 ha	393 kgMS/cow	1186 kgMS/ha	3.02 cows/ha	
Farm Details:							
Budget/Actual	200,000 kgMS	530 cows	177.0 ha	377 kgMS/cow	1130 kgMS/ha	2.99 cows/ha	
Variance (Actual less Budget)	-10,000 kgMS	-5 cows	ha	-15 kgMS/cow	-56 kgMS/ha	-0.03 cows/ha	
Income				Budget	Budget/Actual	Variance	
Net Milk Sales				\$1,583,500	\$1,492,765	-\$90,735	
Net Dairy livestock sales (calves + culls + other - purchases)				\$71,000	\$74,000	\$3,000	
Other dairy cash income							
Net Dairy Cash Income				\$1,654,500	\$1,566,765	-\$87,735	
Expenses				Budget	Budget/Actual	Variance	
Wages				\$180,000	\$188,158	\$8,158	
Animal health				\$30,500	\$32,119	\$1,619	
Breeding and herd improvement				\$27,900	\$24,215	-\$3,685	
Farm dairy				\$21,100	\$10,806	-\$10,294	
Electricity (farm dairy, water supply)				\$17,600	\$16,815	-\$785	
Supplements made (incl. Contractors)				\$3,500	\$2,500	-\$1,000	
Supplements purchased				\$207,700	\$148,294	-\$59,406	
Calf rearing				\$5,400	\$12,504	\$7,104	
Young and dry stock grazing				\$113,500	\$111,905	-\$1,595	
Winter cow grazing							
Run-off lease							
Fertiliser (incl. N)				\$120,000	\$111,587	-\$8,413	
Irrigation							
Regrassing and cropping				\$50,000	\$97,484	\$47,484	
Weed and pest				\$1,000	\$5,436	\$4,436	
Vehicles and fuel				\$35,100	\$49,067	\$13,967	
R&M (land, buildings, plant, machinery)				\$22,800	\$47,277	\$24,477	
Freight and general farm expenses				\$12,500	\$6,885	-\$5,615	
Administration e.g. accountant, consultant, phone				\$11,900	\$11,178	-\$722	
Insurance				\$15,500	\$14,413	-\$1,087	
ACC				\$4,700	\$2,766	-\$1,934	
Rates				\$21,400	\$21,245	-\$155	
Other expenses							
Total Farm Working Expenses				\$902,100	\$914,654	\$12,554	
Cash Operating Surplus / Deficit				\$752,400	652,111	-\$100,289	
Non Cash Adjustments				Budget	Actual	Variance	
Value of change in livestock numbers				\$1,350	9,669	8,319	
Labour adjustment				\$120,000	120,000		
Less Feed inventory Adjustment							
Owned support block adjustment							
Depreciation				\$50,000	50,000		
Dairy Gross Farm Revenue				\$1,655,850	\$1,576,434	-\$79,416	
Dairy Operating Expenses				\$1,072,100	\$1,084,654	\$12,554	
Dairy Operating Profit				\$583,750	\$491,780	-\$91,970	
Dairy Operating Profit/ha				\$3,298	\$2,778	-\$520	

Commentary re variance

	Actual to Budget Variance	
Milksolids	-10,000	Milk production is down due to the wet winter and spring and slower grass growth, plus a slower calving pattern for the bought in cows.
Cows	-5	Losses at calving were a bit higher than budgeted due to metabolic issues in older less sound cows kept to make up numbers.
Hectares	0	
Net Milk Income	-90735	Milk solids forecast is down 10,000 kgMS and the advance milk price is \$0.43 down on budget. Fonterra dividend was up on budget which has helped to offset some of the losses due to lower production and milk price.
Net Dairy livestock sales (calves + culls + other - purchases)	3000	
Other dairy income	0	

Net Dairy Cash Income

-87735

Expenses

Wages	8158	
Animal health	1619	
Breeding and herd improvement	-3685	Dropped herd testing from one herd and switched to cheaper heat detection devices.
Farm dairy	-10294	
Electricity (farm dairy, water supply)	-785	
Supplements made (incl. Contractors)	-1000	
Supplements purchased	-59406	The PKE/DDG mix was able to be contracted for \$440/t landed which is about \$120/t less than the budget.
Calf rearing	7104	Used more meal for the calves due to slow spring grass growth. Plus reared 10-15 more calves than budget as more heifer calves were born.
Young and dry stock grazing	-1595	
Winter cow grazing	0	
Run-off lease	0	

Fertiliser (incl. N)	-8413	Fertiliser is down on budget. It was too wet on the peat so 2 nitrogen applications were missed plus when the payout drop was announced fertiliser applications were prioritised and most of what has gone on has been applied to the 30 ha purchased this season.
Irrigation	0	
Regrassing and cropping	47484	Includes harvest of 2024 maize crop which was originally budgeted to be paid June 2024. Also planted an extra 4.5 ha of turnips to fill the gap until the fodder beet is ready to graze. It was planted 3 weeks later than planned due to the wet soil conditions.
Weed and pest	4436	Weeds have been more of a problem due to the wet spring and pasture damage as a result.
Vehicles and fuel	13967	Includes two years of vehicle insurance due to timing change of payments, which accounts for about \$6,500 of the increase. May be over budgeting for vehicle expenses for the balance of the season. Hopefully we will end up with less of a difference.
R&M (land, buildings, plant, machinery)	24477	Spent an extra \$12,000 on drainage on the home farm because of the very wet spring. The balance of the increase is due to extra R & M needed on the new farm due to unforeseen breakages and additional race work needed to connect the two farms.
Freight and general farm expenses	-5615	
Administration e.g. accountant, consultant, phone	-722	
Insurance	-1087	
ACC	-1934	
Rates	-155	
Other Expenses	0	

Total Farm Working Expenses	12554	
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Non Cash adjustments

Value of change in livestock numbers	8319	More heifer calves were born so have kept 13 calves rather than the budgeted 118.
Labour adjustment	0	
Less Feed inventory Adjustment	0	
Owned support block adjustment	0	
Depreciation	0	