

## 2017-18 Season numbers at a glance

KPI's	Budget	Actual
Milk Production (kgMS/ha)	971	943
Milk Production (kgMS/cow)	347	340
Net Dairy Cash Income (\$/kgMS)	\$5.45	\$5.78
Total Farm Working Expenses (\$/kgMS)	\$3.80	\$3.66
Cash Operating Surplus/Deficit (\$/kgMS)	\$1.65	\$2.12
Gross Farm Revenue (\$/kgMS)	\$5.21	\$5.55
Operating Expenses (\$/kgMS)	\$4.02	\$3.78
Operating Profit (\$/ha)	\$1,158	\$1,669

\* These KPI's are based on cash book actuals to the 31/5/2018 and estimated non-cash adjustments. The final financial performance based on financial statements may differ

### Comments

Spring was cold and relentlessly wet so got off to a slow start. Conditions improved from late September and because our farm drains well we had caught up lost production and were ahead by late November. Then the dry hit and production crashed precipitously! We put the cows onto once-a-day in early December and had no good quality feed to put them on so they didn't hold production levels as well as usual. Late summer things started to improve. We dropped only a proportion of our empties early as we had lots of feed all of a sudden. We had almost caught up with production again when we started feeding the maize. Unfortunately we had a new contractor this year and forgot to ask for a longer chop. It was fed out as we normally do but because it was a very fine chop and the grass was growing a lot more rapidly than normal - almost like spring pasture, a significant proportion of the herd developed ruminal acidosis to a greater or lesser extent. This dropped production precipitously again and it took a long time for the cows to pick up again this late in the season. We ended up with production 5,000 kg MS below budget but equal to last season which was not a particularly good season either! The cows have picked up well since drying off and we are happy with their condition and have good pasture cover for next season. Have had a bit of an issue with lameness as the races have taken a hit with all the wet weather and cows have been stood off a bit as well. Financially the year has gone reasonably well, with a slightly higher milk price offsetting the 3% lower than budget milk production. Farm working expenses for the year finished at \$3.66 per kg MS (including \$1.15 per kg MS of owners PAYE wages). This is 3.7% less than budgeted with the main variation being that 100 t DM of maize budgeted to be purchased in the autumn was not needed as some extra Maize was grown, 5 ha more grass silage was made and very little was needed to be fed in the autumn due to exceptional pasture growth rates.

Despite the lack of deferred income of about \$1.20 due to the 17-18 season being the first year of operation under this equity partnership, the business generated enough cash surplus to be able to repay the early season working capital borrowings, plus put aside sufficient funds to tide us over the 2018 winter and early spring.

### Other points of interest

The maize was again planted with minimum tillage – spray and direct drill which does impact yield. It was slow establishing because of the dry conditions but despite that still gave 16-17 t DM per ha.

We are very happy with the minimum tillage approach as the soil structure is much improved and will continue with this method in the future.

N use was 85 kg N per ha which was similar to the previous season but up on budget, again largely due to the cold wet weather in the late spring period.

Somatic cell count for the season is 132400 which is up a little on the previous season but still reasonable given the cows were on once a day for so long and just how wet it was in the spring.

The first round of mating went well with good submission rates, however the very hot weather and poor quality pasture through late November and December resulted in above average numbers of late empty cows.

# Annual Cash Budget

Name: <u>South West Waikato Owner Sys 2</u> Budget Period <u>1 / 6 / 2017</u> to <u>31 / 5 / 2018</u>						
Farm Details:						
Budget	170,000 kgMS	490 Cows	175.0 ha	347 kgMS/cow	971 kgMS/ha	2.80 cows/ha
Farm Details: Actual						
	165,000 kgMS	486 cows	175.0 ha	340 kgMS/cow	943 kgMS/ha	2.78 cows/ha
Variance (Actual less Budget)						
	-5,000 kgMS	-4 cows	ha	-7 kgMS/cow	-29 kgMS/ha	-0.02 cows/ha
Income				Budget	Actual	Variance
Net Milk Sales				\$836,645	\$840,567	\$3,922
Net Dairy livestock sales (calves + culls + other - purchases)				\$90,629	\$91,929	\$1,300
Other dairy cash income					\$21,849	\$21,849
<b>Net Dairy Cash Income</b>				<b>\$927,274</b>	<b>\$954,345</b>	<b>\$27,071</b>
Expenses				Budget	Actual	Variance
Wages				\$215,000	\$221,485	\$6,485
Animal health				\$24,800	\$23,092	-\$1,708
Breeding and herd improvement				\$32,000	\$32,712	\$712
Farm dairy				\$6,000	\$3,730	-\$2,270
Electricity (farm dairy, water supply)				\$26,000	\$22,322	-\$3,678
Supplements made (incl. Contractors)				\$21,500	\$24,239	\$2,739
Supplements purchased				\$59,124	\$34,215	-\$24,909
Calf rearing				\$7,650	\$6,577	-\$1,073
Young and dry stock grazing				\$61,516	\$53,503	-\$8,013
Winter cow grazing						
Run-off lease						
Fertiliser (incl. N)				\$60,360	\$28,598	-\$31,762
Irrigation						
Regrassing and cropping				\$13,000	\$18,477	\$5,477
Weed and pest				\$4,000	\$4,607	\$607
Vehicles and fuel				\$20,300	\$14,820	-\$5,480
R&M (land, buildings, plant, machinery)				\$28,000	\$61,272	\$33,272
Freight and general farm expenses				\$7,500	\$8,209	\$709
Administration e.g. accountant, consultant, phone				\$15,000	\$11,431	-\$3,569
Insurance				\$15,000	\$15,252	\$252
ACC				\$5,000	\$1,140	-\$3,860
Rates				\$25,000	\$18,917	-\$6,083
Other farm working expenses (not included in any of the above)						
<b>Total Farm Working Expenses</b>				<b>\$646,750</b>	<b>\$604,598</b>	<b>-\$42,152</b>
<b>Cash Operating Surplus / Deficit</b>				<b>\$280,524</b>	<b>349,747</b>	<b>\$69,223</b>
Non Cash Adjustments				Budget	Actual	Variance
Value of change in livestock numbers				-\$40,911	-37,802	3,109
Labour adjustment						
Less Feed inventory Adjustment				\$3,000	20,146	17,146
Owned support block adjustment						
Depreciation				\$40,000	40,000	
<b>Dairy Gross Farm Revenue</b>				<b>\$886,363</b>	<b>\$916,543</b>	<b>\$30,180</b>
<b>Dairy Operating Expenses</b>				<b>\$683,750</b>	<b>\$624,452</b>	<b>-\$59,298</b>
<b>Dairy Operating Profit</b>				<b>\$202,613</b>	<b>\$292,091</b>	<b>\$89,478</b>
<b>Dairy Operating Profit/ha</b>				<b>\$1,158</b>	<b>\$1,669</b>	<b>\$511</b>

## Commentary re variance

	Actual to Budget Variance	
Milksolids	-5,000	Lost early gains made through the spring with the sudden and severe dry period through December. Had nearly caught up in the early autumn with the good summer growth rates when issues with feeding maize silage caused a significant incidence of ruminal acidosis in the herd which took a long time for the cows to recover from. The maize silage had inadvertently been made using a very fine chop instead of longer chop and when fed in conjunction with the very rapidly growing autumn grass ruminal acidosis developed.
Cows	-4	
Hectares	0	
Net Milk Income	3922	Milk price received was \$0.17 per kg MS higher than budgeted which offset the 5000 kg MS (3%) lower production.
Net Dairy livestock sales (calves + culls + other - purchases)	1300	
Other dairy income	21849	This is rental for surplus farm houses that was omitted from the original budget

### Net Dairy Cash Income

27071

### Expenses

Wages	6485	Paid for more relief work over the summer period.
Animal health	-1708	
Breeding and herd improvement	712	Included freeze branding the herd this year which wasn't in the original budget.
Farm dairy	-2270	
Electricity (farm dairy, water supply)	-3678	Went once a day early in December so electricity usage was lower than budgeted
Supplements made (incl. Contractors)	2739	Made 2.5 ha more maize silage and 5 ha more silage in the spring as well as summer/early autumn silage.
Supplements purchased	-24909	Had budgeted to buy 100 t DM Maize silage in the autumn but didn't need to as grew 2.5 ha more on farm plus made more late summer/autumn silage and the summer autumn growth was also exceptional.
Calf rearing	-1073	
Young and dry stock grazing	-8013	
Winter cow grazing	0	
Run-off lease	0	

Fertiliser (incl. N)	-31762	Did not apply any spring fertiliser as the soil conditions went from too wet to too dry very quickly. Also the fertiliser recommendations are still to continuing mining the high Olsen P, (still over 40), so only autumn fertiliser was applied. 85 kg N per ha was applied this year (70 kg N/ha was budgeted for). This was in response to poorer earlier growth rates in the late winter and spring due to the weather/soil conditions.
Irrigation	0	
Regrassing and cropping	5477	had 2.5 ha extra maize area to re-grass plus did more undersowing to repair damage from the spring.
Weed and pest	607	
Vehicles and fuel	-5480	Had no major breakdowns :-)
R&M (land, buildings, plant, machinery)	33272	Spent an additional \$16,000 on general R & M, mainly to upgrade and extend the silage pit which had previously had dirt walls. Double the budget was spent on tracks which had suffered during the prolonged wet weather. Plant and machinery was nearly double the budget due to unforeseen repairs being required.
Freight and general farm expenses	709	
Administration e.g. accountant, consultant, phone	-3569	
Insurance	252	
ACC	-3860	Had based ACC on previous years and not taken into account that the shareholders are all now on PAYE and the company ACC liability would be lower.
Rates	-6083	Budget error.
Other farm working expenses (not included in any of the above)	0	

<b>Total Farm Working Expenses</b>	<b>-42152</b>	
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**Non Cash adjustments**

Value of change in livestock numbers	3109	
Labour adjustment	0	
Less Feed inventory Adjustment	17146	Ended the season with an additional 81 t DM on hand due to the extra supplement made and not needing to feed much out in the autumn because pasture growth rates were so good. The additional feed is valued at \$180 per t DM which is more in line with the cost to make it.
Owned support block adjustment	0	
Depreciation	0	