

**North Canterbury Owner Sys 4**  
**2018-19 Season numbers at a glance**

KPI's	Budget	Actual
Milk Production (kgMS/ha)	1,820	1,874
Milk Production (kgMS/cow)	475	489
Net Dairy Cash Income (\$/kgMS)	\$6.43	\$6.85
Total Farm Working Expenses (\$/kgMS)	\$4.03	\$4.26
Cash Operating Surplus/Deficit (\$/kgMS)	\$2.40	\$2.59
Gross Farm Revenue (\$/kgMS)	\$6.43	\$6.77
Operating Expenses (\$/kgMS)	\$4.56	\$4.46
Operating Profit (\$/ha)	\$3,396	\$4,346

\* 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 operating profit per ha for the year is estimated to be \$4,346 which is a very pleasing result. This is 28% up on budget and is due to milk and livestock income being 8% above budget and operating expenses being close to budget, (0.5 % up on budget).

Cash revenue was up on budget due to a higher milk price received, (up \$0.26 per kg MS despite no dividends received for the year) and more milksolids produced as well as higher than budgeted cull cow prices and the sale of additional weaner heifer calves reared.

In 18-19 the farm moved from wintering the mature cows externally to wintering all stock on the support block and eliminating the need to use external grazing. The 18-19 actual costs had winter grazing costs for the winter 2018 and increased harvesting and cropping costs in preparation for winter 2019. The farm had 284 t DM more supplements on hand at the end of the season plus an additional 7.5 ha of fodder beet.

Farm working expenses, (FWE), of \$4.26 per kg MS, were 6 % above budget. This is largely due to additional costs for supplements made and cropping/re-grassing plus animal health costs were up 30%. With the extra wintering costs removed the FWE are closer to \$3.95 per kg MS.

Animal health costs were up due to the decision to aggressively target the high empty rate for the herd. More and early treatment of non-cyclers was undertaken. This has resulted in an improvement in submission rate, (95% for 2018-19), 6 week in-calf rate, (71% from 2018 mating, for spring 2019 calving), and an empty rate of 16%. The empty rate is still a concern but it is lower than previous years.

When the increase in feed on hand is adjusted for operating expenses were \$4.46 per kg MS which was \$0.10, (2%), below budget, and slightly less than the previous 3 year average of \$4.51 per kg MS.

**Other points of interest**

Milk production for the 18-19 season was up 3% on budget. Production was on budget by early December, so the gains were made in the latter part of the season. Most of this was through December and January with excellent pasture growth.

The extreme dry from late January to March resulted in water restrictions and limitations for irrigation. This also coincided in very high spot prices for PKE.

During this period when pasture growth rates were lower than expected the decision was made to stay within the budgeted contracted amount of imported feed and use stocking rate to match feed supply.

Culling was carried out earlier, and more strategic drying off was done based on cow body condition score, (BCS), information. This was the first year that external BCS assessment was carried out. It made decision making simpler, and meant target BCS for the herd was achieved by drying off.

The last of the herd was dried off on 29th May. Cow condition is on target for BCS of 5.0, (heifers 5.5), by calving. Pasture cover was 2,200 kg DM/ha at drying off, (100-150 kg DM/ha above target), and is well on track for 2,650 kg DM/ha by the planned start of calving in early August.

By early December irrigation days were 40% less than average because of the very wet November and early December. However the extended dry period from late January to March increased irrigation requirements and irrigation days for the season finished at 79 days, (up 13 on the previous year).

# Annual Cash Budget

Name: **North Canterbury Owner Sys 4** Budget Period **1 / 6 / 2018 to 31 / 5 / 2019**

Farm Details: **264237 kgMS** **540 cows** **141.0 ha** **489 kgMS/cow** **1874 kgMS/ha** **3.83 cows/ha**

Income					\$ Total	\$/kgMS	\$/cow	\$/ha
<b>Net Milk Income</b>	Share of milk cheque received		100%					
Milk Solids advance	264,237	kgMS x \$	5.13	/kgMS	\$1,355,968	\$5.13	\$2,511	\$9,617
Milk Solids retrospective	258,164	kgMS x \$	1.21	/kgMs	\$312,633	\$1.18	\$579	\$2,217
Milk Solids dividend		shares x \$		/share		\$0.00	\$0	\$0
DairyNZ levy	enter as negative number				-\$9,511	-\$0.04	-\$18	-\$67
Net Dairy livestock sales (calves + culls + other - purchases)					\$150,821	\$0.57	\$279	\$1,070
Other dairy income e.g. farm cottage rent, trading rebates, small amounts of contracting						\$0.00	\$0	\$0
<b>Net Dairy Cash Income</b>					<b>\$1,809,911</b>	<b>\$6.85</b>	<b>\$3,352</b>	<b>\$12,836</b>
Expenses					\$ Total	\$/kgMS	\$/cow	\$/ha
Wages					\$200,593	\$0.76	\$371	\$1,423
Animal health					\$69,922	\$0.26	\$129	\$496
Breeding and herd improvement					\$23,605	\$0.09	\$44	\$167
Farm dairy					\$7,066	\$0.03	\$13	\$50
Electricity (farm dairy, water supply)					\$21,592	\$0.08	\$40	\$153
Supplements made (incl. Contractors)					\$61,170	\$0.23	\$113	\$434
Supplements purchased					\$94,872	\$0.36	\$176	\$673
Calf rearing					\$11,692	\$0.04	\$22	\$83
Young and dry stock grazing						\$0.00	\$0	\$0
Winter cow grazing					\$62,203	\$0.24	\$115	\$441
Run-off lease					\$90,000	\$0.34	\$167	\$638
Fertiliser (incl. N)					\$164,406	\$0.62	\$304	\$1,166
Irrigation					\$62,496	\$0.24	\$116	\$443
Regrassing and cropping					\$89,280	\$0.34	\$165	\$633
Weed and pest					\$211	\$0.00	\$0	\$1
Vehicles and fuel					\$49,329	\$0.19	\$91	\$350
R&M (land, buildings, plant, machinery)					\$49,822	\$0.19	\$92	\$353
Freight and general farm expenses					\$4,640	\$0.02	\$9	\$33
Administration e.g. accountant, consultant, phone					\$30,831	\$0.12	\$57	\$219
Insurance					\$20,084	\$0.08	\$37	\$142
ACC					\$2,609	\$0.01	\$5	\$19
Rates					\$10,072	\$0.04	\$19	\$71
<b>Total Farm Working Expenses</b>					<b>\$1,126,495</b>	<b>\$4.26</b>	<b>\$2,086</b>	<b>\$7,989</b>
<b>Cash Surplus / Deficit</b>					<b>\$683,416</b>	<b>\$2.59</b>	<b>\$1,266</b>	<b>\$4,847</b>
Non Cash adjustments								
Value of change in livestock numbers					-\$19,540	-\$0.07	-\$36	-\$139
Labour adjustment					\$26,000	\$0.10	\$48	\$184
Less Feed inventory Adjustment					\$85,200	\$0.32	\$158	\$604
Owned support block adjustment						\$0.00	\$0	\$0
Depreciation					\$110,000	\$0.42	\$204	\$780
<b>Dairy Gross Farm Revenue</b>					<b>\$1,790,371</b>	<b>\$6.78</b>	<b>\$3,316</b>	<b>\$12,698</b>
<b>Dairy Operating Expenses</b>					<b>\$1,177,295</b>	<b>\$4.46</b>	<b>\$2,180</b>	<b>\$8,350</b>
<b>Dairy Operating Profit</b>					<b>\$613,076</b>	<b>\$2.32</b>	<b>\$1,135</b>	<b>\$4,348</b>

# Annual Cash Budget

<b>Name:</b>	North Canterbury Owner Sys 4			<b>Budget Period</b>	1 / 6 / 2018	to	31 / 5 / 2019
<b>Farm Details:</b>							
<b>Budget</b>	256,615 kgMS	540 Cows	141.0 ha	475 kgMS/cow	1820 kgMS/ha	3.83 cows/ha	
<b>Farm Details: Actual</b>							
	264,237 kgMS	540 cows	141.0 ha	489 kgMS/cow	1874 kgMS/ha	3.83 cows/ha	
<b>Variance (Actual less Budget)</b>	7,622 kgMS	cows	ha	14 kgMS/cow	54 kgMS/ha	cows/ha	
<b>Income</b>				<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
Net Milk Sales				\$1,544,160	\$1,658,862	\$114,702	
Net Dairy livestock sales (calves + culls + other - purchases)				\$106,000	\$150,821	\$44,821	
Other dairy cash income							
<b>Net Dairy Cash Income</b>				<b>\$1,650,160</b>	<b>\$1,809,683</b>	<b>\$159,523</b>	
<b>Expenses</b>				<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
Wages				\$195,000	\$200,593	\$5,593	
Animal health				\$55,000	\$69,922	\$14,922	
Breeding and herd improvement				\$19,110	\$23,605	\$4,495	
Farm dairy				\$8,000	\$7,066	-\$934	
Electricity (farm dairy, water supply)				\$24,797	\$21,592	-\$3,205	
Supplements made (incl. Contractors)				\$48,000	\$61,170	\$13,170	
Supplements purchased				\$93,400	\$94,872	\$1,472	
Calf rearing				\$10,000	\$11,692	\$1,692	
Young and dry stock grazing							
Winter cow grazing				\$61,100	\$62,203	\$1,103	
Run-off lease				\$85,000	\$90,000	\$5,000	
Fertiliser (incl. N)				\$160,000	\$164,406	\$4,406	
Irrigation				\$61,140	\$62,496	\$1,356	
Regrassing and cropping				\$42,400	\$89,280	\$46,880	
Weed and pest				\$1,000	\$211	-\$789	
Vehicles and fuel				\$41,100	\$49,329	\$8,229	
R&M (land, buildings, plant, machinery)				\$62,500	\$49,822	-\$12,678	
Freight and general farm expenses				\$12,100	\$4,640	-\$7,460	
Administration e.g. accountant, consultant, phone				\$29,700	\$30,831	\$1,131	
Insurance				\$14,000	\$20,084	\$6,084	
ACC				\$3,000	\$2,609	-\$391	
Rates				\$9,000	\$10,072	\$1,072	
Other farm working expenses (not included in any of the above)							
<b>Total Farm Working Expenses</b>				<b>\$1,035,347</b>	<b>\$1,126,495</b>	<b>\$91,148</b>	
<b>Cash Operating Surplus / Deficit</b>				<b>\$614,813</b>	<b>683,188</b>	<b>\$68,375</b>	
<b>Non Cash Adjustments</b>				<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
Value of change in livestock numbers					-19,540	-19,540	
Labour adjustment				\$26,000	26,000		
Less Feed inventory Adjustment					85,200	85,200	
Owned support block adjustment							
Depreciation				\$110,000	110,000		
<b>Dairy Gross Farm Revenue</b>				<b>\$1,650,160</b>	<b>\$1,790,143</b>	<b>\$139,983</b>	
<b>Dairy Operating Expenses</b>				<b>\$1,171,347</b>	<b>\$1,177,295</b>	<b>\$5,948</b>	
<b>Dairy Operating Profit</b>				<b>\$478,813</b>	<b>\$612,848</b>	<b>\$134,035</b>	
<b>Dairy Operating Profit/ha</b>				<b>\$3,396</b>	<b>\$4,346</b>	<b>\$951</b>	

## Commentary re variance

	Actual to Budget Variance	
Milksolids	7,622	Milk production is 3% up on budget. Production was on budget by early December, so the gains were made in the latter part of the season. Most of this was through December and January which had excellent pasture growth.
Cows	0	
Hectares	0	
Net Milk Income	114702	Milk revenue was up on budget due to the higher than budgeted milksolids and because the milk price received of \$6.28 per kg MS to the end of May was \$0.26 per kg MS higher than budget.
Net Dairy livestock sales (calves + culls + other - purchases)	44821	Reared extra replacement heifer calves and sold 36 as weaners for \$400 per head. Plus the cull MA cows/R 2 heifers were sold for \$128 per head more than budget.
Other dairy income	0	
<b>Net Dairy Cash Income</b>	<b>159523</b>	
<b>Expenses</b>		
Wages	5593	
Animal health	14922	This is up due to the decision to aggressively target the high empty rate for the herd. More and early treatment of non-cyclers was undertaken. This has resulted in an improvement in submission rate (95% for 2018-19), 6 week in-calf rate (71% for 18-19) and an empty rate of 16%. The empty rate is still a concern but it is lower than previous years.
Breeding and herd improvement	4495	The increased treatment for anoestrous cows resulted in more cows mated to AB earlier and so more expensive dairy breed semen was used rather than beef semen.
Farm dairy	-934	
Electricity (farm dairy, water supply)	-3205	
Supplements made (incl. Contractors)	13170	Harvested 21 t DM more baleage on the milking platform and 110 t DM more cereal and grass silage on the support block than was budgeted for. This was partly due to the very good spring early summer pasture growth but also because 5 more hectares was planted for cereal silage as part of the plan to have more feed on hand so that all cows can be wintered on the support block.
Supplements purchased	1472	Supplements purchased was on budget. During the late summer/early autumn dry period and associated water restrictions, when pasture grown was below demand, the decision was made to cull earlier than usual to match feed demand to supply and stay within budgeted imported feed allocations rather than purchase more PKE. The spot prices for PKE were too high to justify the expense in relation to the returns, and although this did result in forgoing some milk production, the impact on operating profit was minimal.
Calf rearing	1692	
Young and dry stock grazing	0	

Winter cow grazing	1103	
Run-off lease	5000	Lease price went up after the 18-19 budget was prepared.
Fertiliser (incl. N)	4406	
Irrigation	1356	
Regrassing and cropping	46880	Planted an additional 5 ha of oats for cereal silage so also had more land to re-grass in early January. Also planted 9.2 ha more Fodder beet than budgeted - 7.5 ha on the support block so all cows can be wintered there, plus 2.2 ha on the milking area for use from April to transition cows to fodder beet ready for wintering.
Weed and pest	-789	
Vehicles and fuel	8229	Fuel prices were higher than budgeted, plus there was more tractor work done with the increased cropping and supplements made.
R&M (land, buildings, plant, machinery)	-12678	Didn't need to carry out as much R & M as budgeted. Infrastructure is in good order as priority has always been to keep up to date with maintenance, especially in good pay-out years.
Freight and general farm expenses	-7460	
Administration e.g. accountant, consultant, phone	1131	
Insurance	6084	Under budgeted.
ACC	-391	
Rates	1072	

<b>Total Farm Working Expenses</b>	<b>91148</b>	
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### Non Cash adjustments

Value of change in livestock numbers	-19540	There are 19 less R 1 heifers as at 31/5/2019.
Labour adjustment	0	
Less Feed inventory Adjustment	85200	Finished the season with 284 t DM more of grass and cereal silage as plan to winter all stock on the support block. The 18-19 season included 2 years of wintering costs - winter grazing for 2018 winter and the extra cropping and supplement made, ready for the 2019 winter. This adjustment offsets the additional cost of this extra cropping and feed made.
Owned support block adjustment	0	
Depreciation	0	