

Annual Cash Budget

Name: North Canterbury Owner with CM System 4 Budget Period 1 / 6 / 2023 to 31 / 5 / 2024

Farm Details: 260000 kgMS 540 cows 141.0 ha 481 kgMS/cow 1844 kgMS/ha 3.83 cows/ha

Income				\$ Total	\$/kgMS	\$/cow	\$/ha
Net Milk Income	Share of milk cheque received	100%					
Milk Solids advance	260,000 kgMS x \$ 6.65 /kgMS		\$1,728,998	\$6.65	\$3,202	\$12,262	
Milk Solids retrospective	271,014 kgMS x \$ 1.40 /kgMS		\$392,547	\$1.51	\$727	\$2,784	
Milk Solids dividend	226,000 shares x \$ /share		\$72,000	\$0.28	\$133	\$511	
Other Milk Income							
DairyNZ levy	enter as negative number		-\$9,845	-\$0.04	-\$18	-\$70	
Net Dairy livestock sales (calves + culls + other - purchases)			\$208,000	\$0.80	\$385	\$1,475	
Other dairy income e.g. farm cottage rent, trading rebates, small amounts of contracting							
Net Dairy Cash Income			\$2,391,700	\$9.20	\$4,429	\$16,962	
Expenses				\$ Total	\$/kgMs	\$/cow	\$/ha
Wages/payment to contract milker			\$392,800	\$1.51	\$727	\$2,786	
Animal health			\$91,000	\$0.35	\$169	\$645	
Breeding and herd improvement			\$37,900	\$0.15	\$70	\$269	
Farm dairy			\$2,300	\$0.01	\$4	\$16	
Electricity (farm dairy, water supply)			\$3,500	\$0.01	\$6	\$25	
Supplements made (incl. Contractors)			\$111,600	\$0.43	\$207	\$791	
Supplements purchased							
Calf rearing			\$16,600	\$0.06	\$31	\$118	
Young and dry stock grazing			\$1,200	\$0.00	\$2	\$9	
Winter cow grazing			\$10,100	\$0.04	\$19	\$72	
Run-off lease							
Fertiliser (incl. N)			\$224,900	\$0.87	\$416	\$1,595	
Irrigation			\$42,900	\$0.17	\$79	\$304	
Regrassing and cropping			\$188,900	\$0.73	\$350	\$1,340	
Weed and pest			\$1,750	\$0.01	\$3	\$12	
Vehicles and fuel			\$108,500	\$0.42	\$201	\$770	
R&M (land, buildings, plant, machinery)			\$158,900	\$0.61	\$294	\$1,127	
Freight and general farm expenses			\$8,950	\$0.03	\$17	\$63	
Administration e.g. accountant, consultant, phone			\$41,000	\$0.16	\$76	\$291	
Insurance			\$36,200	\$0.14	\$67	\$257	
ACC			\$3,900	\$0.02	\$7	\$28	
Rates			\$24,600	\$0.09	\$46	\$174	
Total Farm Working Expenses			\$1,507,500	\$5.80	\$2,792	\$10,691	
Cash Surplus / Deficit			\$884,200	\$3.40	\$1,637	\$6,271	
				#			
Non Cash adjustments							
Value of change in livestock numbers			-\$110,000	-\$0.42	-\$204	-\$780	
Labour adjustment			\$25,000	\$0.10	\$46	\$177	
Less Feed inventory Adjustment							
Owned support block adjustment			\$87,750	\$0.34	\$163	\$622	
Depreciation			\$120,000	\$0.46	\$222	\$851	
Dairy Gross Farm Revenue			\$2,281,700	\$8.78	\$4,225	\$16,182	
Dairy Operating Expenses			\$1,740,250	\$6.69	\$3,223	\$12,342	
Dairy Operating Profit			\$541,450	\$2.08	\$1,003	\$3,840	

Notes for Budget

Net Milk Income

The advance milk income for 2023-24 is based on a \$6.65 kg/MS advance on 260,000kg MS. The retrospective payment is based on 2022-23 production of 271,014 kg MS @ \$1.45/kg MS. The Fonterra dividend is budgeted at \$0.32/share on 226,000 shares. Income is net of the DairyNZ levy of 3.6 c/kg MS.

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.

Net Dairy livestock sales (calves + culls + other - purchases)

Stock income based on 150 MA cows/R 2 Heifers @ \$685 per head, 55 carry over culls from, the 22-23 season, sold August 23 @\$880/head and 320 4 day old calves @ \$40/head, (combination of bobby sales and feeder calf sales), 16 two year old bulls @\$1,300/head.

Other dairy income

Expenses

Wages

The farmer owners live off farm so their input into the business is largely in governance and administration roles only, plus overseeing any R & M on the support block near Rangiora. A contract milker employs 2 full time staff plus part time and relief staff. A part time staff member, (about 0.6 FTE), is employed to help manage the support block and do work on the milking area that is the owners responsibility e.g. repairs and maintenance. Wages paid covers payments to the contract milker and for the part time staff at the support block. The contract milker pays for dairy farm staff, (2.5 FTE), farm dairy consumables, dairy farm electricity and farm bikes used on the dairy farm.

Animal health

This includes vet visits, minerals, drenches, dry cow therapy,(DCT), teat seal and vaccines. The farm policy is vigilance and be proactive. The SCC for the 2021-22 season was 110,000. In accordance with recommended practice the policy is to use selective DCT on cows which have SCC over 150,000, had clinical cases of mastitis during the year, or have visible teat damage. This is about 20% of the herd. The balance of the herd is treated with internal teat sealant. Cows to be treated with DCT are identified in consultation with the Vet. The cost for treating anoestrous cows is included here. Includes synchrony treatments for about 140 heifers.

Breeding and herd improvement

The herd has been sire proving scheme, (SPS), for over 30 years so herd testing and semen costs are discounted. AB is for 6 weeks with SPS bulls, followed by 1 week short gestation Hereford semen, (as a marker,) then 3 weeks AB using short gestation Kiwi cross semen. 4-5 herd tests per year are done. Costs include Tail paint and identification. Own bulls are used with the heifers and carry over cows. This year, for the first time, the heifers were synchronised and mated to AB.

Farm dairy

The dairy shed is 40 aside herringbone shed. Standard recommendations for plant cleaning and detergents are followed. Metered detergent dispensers are installed so wastage is minimised. Contract milker pays for consumables, owner pays for plant related costs.

Electricity (farm dairy, water supply)

This is for farm power and support block power only. It does not include the milking shed power. That is paid for by the contract milker

Supplements made (incl. Contractors)

This covers 40-60 t DM baleage made on the milking platform and 510 t DM on the support block. Support block baleage is pasture only this year. Mowing and tedding of supplement is done with on farm resources, baling is by contractor. 400 t DM of supplement from the support block will be transferred to the dairy farm. Transport costs of \$3,000 are included.

Supplements purchased	The current budget does not include the purchase of any PKE as there is sufficient supplement on hand at the start of the season to meet forecasted feed requirements. This could change if the opportunity arises to contract feed at a favourable price. If that happens changes to the existing budget would be made re feed made on farm which should more than offset the cost of the imported feed.
Calf rearing	This cost is for 146 replacement heifer calves, plus 16 bull calves for use as herd bulls, plus 9 beefies. Includes \$2,300 for bedding and equipment and \$300 for animal health and \$14,000 for calf meal, (13 t @ \$1,100/t). Calves are reared on colostrum and then whole milk from the vat - no penicillin milk is fed to calves. Hay and meal are available at all times to the calves.
Young and dry stock grazing	All young stock are on the owned support block. The \$1,200 is the cost of transport for 170 weaners to the support block.
Winter cow grazing	Cows are wintered on the support block near Rangiora. The \$10,000 is for freight to and from winter grazing for about 500 cows.
Run-off lease	
Fertiliser (incl. N)	This is net of rebates. The level of N application for 2023-24 will be close to 190 kg N per ha. Fertiliser applied is as per nutrient budgets and soil test recommendations. Olsen P is over 40 and pH is 6.2. Includes fertiliser for the support block as well. The fertiliser policy will be reviewed in the spring and if the milk price drops significantly, maintenance fertiliser applications can be limited to autumn only as the farm fertility is at a high level.
Irrigation	Irrigation on the dairy farm is 95% pivot irrigators. This will be the sixth full season on the new pressurised Amuri Irrigation Scheme. The support block is not irrigated.
Regrassing and cropping	The cropping policy is under review with yields and costs from last year being analysed to see if the policy is still the most efficient use of resources. Currently the cropping plan for 2023-24 on the dry land support block is for 20-25 ha of fodder beet for winter feed and 20-25 ha of forage rape for summer feed. The estimated yields are 16 t DM/ha for the fodder beet and 7.6 t DM/ha for the forage rape. The costs include the re-grassing of these cropped areas. Last winters' fodder beet area is sown with permanent pasture in the spring and the summer forage will go into permanent pasture in March. On the milking platform, 3.5 ha of this winters' crop area is regressed in the spring and another 3.5 ha will go into fodder beet for next autumn, this is also up for review.
Weed and pest	This is just for weed and pest control on the milking platform. Support block weed and pest is included in the cropping costs.
Vehicles and fuel	The farm has a mix of Quads and 2 wheel motor bikes. Tractors are used mainly for general farm work and feeding out. Do own mowing and tedding but use contractors for baling silage. Have increased number of vehicles with the addition of the support block at Rangiora so costs reflect this. Included is the provision of a vehicle, (plus running costs), for staff transport between the milking area and the support block. A regular maintenance and service schedule is followed for all vehicles. Fuel costs make up 55% of vehicle and fuel expenses.
R&M (land, buildings, plant, machinery)	Buildings and plant and machinery owned has increased with the addition of the support block near Rangiora so maintenance costs are up on previous budgets. The farm policy is to be proactive for maintenance and keep up to date in good cash flow years so that if need be it can be reduced in low payout years.
Freight and general farm expenses	Includes Bio-security levy of \$6,500, protective clothing of \$900, rubbish disposal of \$400 and dog costs of \$770.
Administration e.g. accountant, consultant, phone	Includes about \$1,200 for environmental monitoring, (soil moisture), \$5,000 for training and conferences. Do all own GST and payroll.
Insurance	Keep excesses on the high side to try to keep premiums down. This includes insurance for buildings and equipment on the dairy farm and the support block so are higher than previous years.

ACC	Based on last years' cost.
Rates	This is for both the dairy farm and the support block.
Other farm working expenses (not included in any of the above)	
Non Cash adjustments	
Value of change in livestock numbers	Expect to have 35 fewer R 2 heifers and MA cows, and 55 fewer carry over culls on hand. The R 2 heifers and MA cows are valued at IRD's 2023 NAMV for these classes of stock. The culls are valued at IRD's 2023 NAMV for R 2 bulls and steers, (\$1,012), which is closer to their true market value. The culls were carried through from last season as there was excess feed on the support block and by keeping them for 3-4 months and selling them in August rather than April they will return better prices. This non cash adjustment offsets the higher than usual cash income from livestock sales which resulted from carrying extra culls through to this financial year. Cash and Non cash net livestock income is \$0.35/kg MS.
Labour adjustment	This labour adjustment covers 0.25 FTE management input for maintenance work on the support block plus governance, business and farm planning, staff meetings, GST, payroll and farm administration.
Less Feed inventory Adjustment	Plan to carry the same amount of supplement into the winter next season.
Owned support block adjustment	Based on 195 effective ha of dry land at an estimated market rental of \$450 per ha. Provides grazing for 170 weaner heifers, bulls and steers, 200 R 2 heifers and carry over cows and wintering for 400 MA in calf cows for 6 weeks.
Depreciation	As per 2021-22 financial statements plus allowance for 2 more years of depreciation and assets sales and purchases.