

Taranakai Organic System 1
2019-20 Season numbers at a glance

KPI's	Budget	Actual
Milk Production (kgMS/ha)	774	653
Milk Production (kgMS/cow)	325	273
Net Dairy Cash Income (\$/kgMS)	\$8.19	\$9.45
Total Farm Working Expenses (\$/kgMS)	\$2.57	\$3.06
Cash Operating Surplus/Deficit (\$/kgMS)	\$5.63	\$6.39
Gross Farm Revenue (\$/kgMS)	\$8.07	\$9.58
Operating Expenses (\$/kgMS)	\$3.40	\$4.05
Operating Profit (\$/ha)	\$3,614	\$3,609

* These KPI's are based on cash book actuals to the 31/5/2020 and estimated non-cash adjustments. The final financial performance based on financial statements may differ

Comments

The farm became fully certified as Organic in September 2019.

Operating profit for the season is estimated to be \$3,609 per ha, (very close to budget of \$3,614!). This is the highest profit for the farm since 2013-14. It is a very pleasing result and an endorsement of the business philosophy to make the most of a self-contained farm system by sustainably and ethically producing quality high value specialty milk.

The cash operating surplus was \$31,000 less than budget, a combination of income being \$30,000 below budget while maintaining costs to close to budget (only up \$1,870).

Milk production was 20,000kg down on budget due to the drier summer and early autumn and also due to taking 30% of the farm out of the grazing round in the autumn to sow in multi species pasture.

The lower milk production was offset by the milk price received to the end of June being \$8.96 per kg MS, (\$1.23 up on budget). The final organic milk price for 2019-20 has been announced at \$10.19 per kg MS.

There were a number of smaller costs variations but the main increase over budget was re-grassing costs, which were well up due to the change in the pasture renewal programme. The main savings compared with the budget came from vehicle costs and farm repairs and maintenance

Other points of interest
 The winter and spring were mild although mid-September soil conditions got a bit dry. This was followed by cold and wet conditions until early October.

Through spring and early summer there has been a good mix of rain and good hours. Pasture growth has been normal.

The herd went on to once a day milking on December 14th which was nearly two months earlier than last year. This was entirely for lifestyle reasons.

50 ha of supplement were harvested as hay well, up on budget and previous years. There was no turnip crop planted as no contouring was needed to be done this year so this contributed to more pasture surplus.

Some small areas that were pugged during the winter were reseeded, which worked well.

After much research the decision was made to move away from ryegrass and white clover predominant pastures and in the autumn 30% of the farm was sown with mixed pastures incorporating plantain, chicory and a mixture of other species. This increased re-grassing costs this year.

Calving went well, helped by good weather and well established routines due to having staff that have been with the farm for a long time.

The calving rate was 64% after 3 weeks, 85% after 6 weeks and 97% after 9 weeks from a 10 week mating period and no intervention.

Submission rate for 2019-20 was 86% after 3 weeks with no intervention. However the non- return rate is 52% which is lower than previous years, so the 2020-21 calving could potentially be a bit slower than this season, and there could be fewer AB replacements available.

Pregnancy testing via milk sampling was done late January. The empty rate for the season was 11%.

The herd was dried off earlier than planned due to the drier summer/autumn as well as having 30% of the farm out of rotation due to re-grassing with multi species pasture. This was the right decision for the farm system as it ensured cow condition and pasture cover going into the winter were on target and the 2020-21 spring would not be compromised.

Administration costs were up as a specialist biological soil scientist has been employed as part of the fertiliser policy and pasture species review.

R & M was down as the budget had included the repainting of the cowshed in the autumn which was deferred due to Covid-19.

The farm has no compliance issues, and the several international organic audits during the season strengthens their ability to market their product.

Annual Cash Budget

Name: Taranaki Owner Organic System 1 Budget Period 1 / 6 / 2019 to 31 / 5 / 2020

Farm Details: 109641 kgMS 402 cows 168.0 ha 273 kgMS/cow 653 kgMS/ha 2.39 cows/ha

Income				\$ Total	\$/kgMS	\$/cow	\$/ha
Net Milk Income	Share of milk cheque received	100%					
Milk Solids advance	kgMS x \$	/kgMS	\$985,782	\$8.99	\$2,452	\$5,868	
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)			\$49,940	\$0.46	\$124	\$297	
Other dairy income e.g. farm cottage rent, trading rebates, small amounts of contracting				\$0.00	\$0	\$0	
Net Dairy Cash Income			\$1,035,722	\$9.45	\$2,576	\$6,165	
Expenses				\$ Total	\$/kgMS	\$/cow	\$/ha
Wages			\$64,284	\$0.59	\$160	\$383	
Animal health			\$30,145	\$0.27	\$75	\$179	
Breeding and herd improvement			\$23,642	\$0.22	\$59	\$141	
Farm dairy			\$3,927	\$0.04	\$10	\$23	
Electricity (farm dairy, water supply)			\$13,138	\$0.12	\$33	\$78	
Supplements made (incl. Contractors)			\$8,518	\$0.08	\$21	\$51	
Supplements purchased				\$0.00	\$0	\$0	
Calf rearing			\$3,724	\$0.03	\$9	\$22	
Young and dry stock grazing				\$0.00	\$0	\$0	
Winter cow grazing				\$0.00	\$0	\$0	
Run-off lease				\$0.00	\$0	\$0	
Fertiliser (incl. N)			\$59,201	\$0.54	\$147	\$352	
Irrigation				\$0.00	\$0	\$0	
Regrassing and cropping			\$16,979	\$0.15	\$42	\$101	
Weed and pest			\$152	\$0.00	\$0	\$1	
Vehicles and fuel			\$19,201	\$0.18	\$48	\$114	
R&M (land, buildings, plant, machinery)			\$22,586	\$0.21	\$56	\$134	
Freight and general farm expenses			\$5,840	\$0.05	\$15	\$35	
Administration e.g. accountant, consultant, phone			\$27,422	\$0.25	\$68	\$163	
Insurance			\$17,961	\$0.16	\$45	\$107	
ACC			\$1,245	\$0.01	\$3	\$7	
Rates			\$17,425	\$0.16	\$43	\$104	
Total Farm Working Expenses			\$335,390	\$3.06	\$834	\$1,996	
Cash Surplus / Deficit			\$700,332	\$6.39	\$1,742	\$4,169	
Non Cash adjustments							
Value of change in livestock numbers			\$14,300	\$0.13	\$36	\$85	
Labour adjustment			\$83,350	\$0.76	\$207	\$496	
Less Feed inventory Adjustment				\$0.00	\$0	\$0	
Owned support block adjustment				\$0.00	\$0	\$0	
Depreciation			\$25,000	\$0.23	\$62	\$149	
Dairy Gross Farm Revenue			\$1,050,022	\$9.58	\$2,612	\$6,250	
Dairy Operating Expenses			\$443,740	\$4.05	\$1,104	\$2,641	
Dairy Operating Profit			\$606,282	\$5.53	\$1,508	\$3,609	

Annual Cash Budget

Name: Taranaki Organic Sys 1		Budget Period 1 / 6 / 2019 to 31 / 5 / 2020				
Farm Details:						
Budget	130,000 kgMS	400 Cows	168.0 ha	325 kgMS/cow	774 kgMS/ha	2.38 cows/ha
Farm Details: Actual						
	109,641 kgMS	402 cows	168.0 ha	273 kgMS/cow	653 kgMS/ha	2.39 cows/ha
Variance (Actual less Budget)						
	-20,359 kgMS	2 cows	ha	-52 kgMS/cow	-121 kgMS/ha	0.01 cows/ha
Income		Budget	Actual	Variance		
Net Milk Sales		\$1,005,010	\$985,782	-\$19,228		
Net Dairy livestock sales (calves + culls + other - purchases)		\$60,000	\$49,940	-\$10,060		
Other dairy cash income						
Net Dairy Cash Income		\$1,065,010	\$1,035,722	-\$29,288		
Expenses		Budget	Actual	Variance		
Wages		\$62,000	\$64,284	\$2,284		
Animal health		\$26,400	\$30,145	\$3,745		
Breeding and herd improvement		\$18,700	\$23,642	\$4,942		
Farm dairy		\$4,500	\$3,927	-\$573		
Electricity (farm dairy, water supply)		\$14,000	\$13,138	-\$862		
Supplements made (incl. Contractors)		\$6,500	\$8,518	\$2,018		
Supplements purchased						
Calf rearing		\$6,200	\$3,724	-\$2,476		
Young and dry stock grazing						
Winter cow grazing						
Run-off lease						
Fertiliser (incl. N)		\$65,000	\$59,201	-\$5,799		
Irrigation						
Regrassing and cropping		\$3,000	\$16,979	\$13,979		
Weed and pest		\$100	\$152	\$52		
Vehicles and fuel		\$30,000	\$19,201	-\$10,799		
R&M (land, buildings, plant, machinery)		\$36,000	\$22,586	-\$13,414		
Freight and general farm expenses		\$3,320	\$5,840	\$2,520		
Administration e.g. accountant, consultant, phone		\$20,000	\$27,422	\$7,422		
Insurance		\$16,500	\$17,961	\$1,461		
ACC		\$1,500	\$1,245	-\$255		
Rates		\$19,800	\$17,425	-\$2,375		
Total Farm Working Expenses		\$333,520	\$335,390	\$1,870		
Cash Operating Surplus / Deficit		\$731,490	700,332	-\$31,158		
Non Cash Adjustments		Budget	Actual	Variance		
Value of change in livestock numbers		-\$16,000	14,300	30,300		
Labour adjustment		\$83,350	83,350			
Less Feed inventory Adjustment						
Owned support block adjustment						
Depreciation		\$25,000	25,000			
Dairy Gross Farm Revenue		\$1,049,010	\$1,050,022	\$1,012		
Dairy Operating Expenses		\$441,870	\$443,740	\$1,870		
Dairy Operating Profit		\$607,140	\$606,282	-\$858		
Dairy Operating Profit/ha		\$3,614	\$3,609	-\$5		

Commentary re variance

	Actual to Budget Variance	
Milksolids	-20,359	The budgeted milk production and farm system takes into consideration some period of summer/autumn dry weather. The prolonged dry weather in the summer and autumn did impact the production for that period, as well as the drying off date. However the herd was also dried off earlier than planned in part due to having resown 30% of the farm with multi-species pasture and so was out of the grazing rotation for a large part of the late autumn.
Cows	2	Minimal losses so peak cows actually up slightly on budget
Hectares	0	
Net Milk Income	-19228	Increase in milk price received of \$1.23 per kg MS offset the 20,000 kg Milksolids produced so milk income was not down too much on budget.
Net Dairy livestock sales (calves + culls + other - purchases)	-10060	Had budgeted to cull or sell more animals. Finished the season with \$14,300 more stock on hand than at the start of the season where as the budget was for \$16,000 less stock. Deficit from stock sales is more than made up for by the increase in the value of change in livestock numbers.
Other dairy income	0	
Net Dairy Cash Income	-29288	
Expenses		
Wages	2284	
Animal health	3745	This is one area that is really hard to budget for as there are new remedies becoming available all the time for organic farms. Have trialled various new remedies hence costs are up a bit.
Breeding and herd improvement	4942	
Farm dairy	-573	
Electricity (farm dairy, water supply)	-862	
Supplements made (incl. Contractors)	2018	Good pasture growth October to December meant more supplement was made than budgeted so harvest costs were up.
Supplements purchased	0	
Calf rearing	-2476	The calf rearing regime is moving from feeding meal to just feeding milk, quality pasture and hay so this year less meal was used, helped by good weather during the spring. 12 more calves than budgeted were reared.
Young and dry stock grazing	0	
Winter cow grazing	0	
Run-off lease	0	

Fertiliser (incl. N)	-5799	
Irrigation	0	
Regrassing and cropping	13979	No turnips were planted in the spring however after much research the decision was made to sow 30% of the farm with multi species pasture, which was not in the budget. This is significantly more than the 4-8 ha of crop that was originally planned.
Weed and pest	52	
Vehicles and fuel	-10799	Had a good year for vehicles - no surprise breakdowns or repairs.
R&M (land, buildings, plant, machinery)	-13414	Budget had included the repainting of the cowshed which was deferred due to Covid-19.
Freight and general farm expenses	2520	
Administration e.g. accountant, consultant, phone	7422	Consultancy costs were up as a specialist biological soil scientist was been employed as part of a fertiliser policy and pasture species review.
Insurance	1461	
ACC	-255	
Rates	-2375	

Total Farm Working Expenses	1870	
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Non Cash adjustments

Value of change in livestock numbers	30300	Finished the season with 1 more MA cows and R 2 heifers, 12 more R 1 heifer than at the start of the season. This is 16 more MA cows and R 2 heifers, 5 more R 1 heifers and 1 more R 1 bull than budgeted, hence the large variation in the value of change in livestock numbers.
Labour adjustment	0	
Less Feed inventory Adjustment	0	
Owned support block adjustment	0	
Depreciation	0	