

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

KPI's	Budget	Actual
Milk Production (kgMS/ha)	774	743
Milk Production (kgMS/cow)	325	324
Net Dairy Cash Income (\$/kgMS)	\$6.76	\$6.40
Total Farm Working Expenses (\$/kgMS)	\$2.31	\$2.72
Cash Operating Surplus/Deficit (\$/kgMS)	\$4.46	\$3.68
Gross Farm Revenue (\$/kgMS)	\$6.71	\$6.55
Operating Expenses (\$/kgMS)	\$3.24	\$3.63
Operating Profit (\$/ha)	\$2,684	\$2,173

\* 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 2018-19 season was a lot more like a "normal" season compared with the previous 3 years. Winter was reasonably mild, with not too much rain and the spring and early summer had a good mix of rain and sunshine hours. More supplement was harvested than budgeted and despite a prolonged dry autumn, production for the season finished only 4% below budget.

The operating profit per hectare is estimated at \$2,173 which is 18% below budget, but is still well up on the DairyNZ estimate for the region of \$1,635 per ha.

Milk income was down on budget as the milk price received of \$6.12 was \$0.33 less than budgeted and milksolids produced was 5,243 kg MS down on budget.

Livestock income was down slightly largely because the budget hadn't fully taken into account the heavy culling done the previous year and had over-estimated the number of cows to be culled.

Total farm working expenses were \$339,069, (\$2.72 per kg MS). This is up \$40,000, (14%), with half this increase coming from R & M and vehicle repairs, and \$9,400 from increased fertiliser spending.

**Other points of interest**

The cows calved in very good condition, having been dry since late December 2017. Pasture cover at calving was very good as well and both contributed to a very good mating result for the 18-19 season. The empty rate for the season was 7%.

The prolonged dry period from mid- January did impact cow milking days in the latter part of the season. Culling was done in early February and the herd went to once-a-day milking on February 6th, much earlier than usual. A few cows were dried off in April but 250 cows did continue to milk through until early May.

Excellent pasture growth rates in May meant the farm started the winter with pasture cover above target at 2400 kg DM/ha. By planned start of calving 2019 the cows were body condition score 5.0 and the first calving heifers were 5.5+.

Some of the R & M increase related to changes required to vat size due to the upcoming full Organic accreditation status in spring 2019. As an organic farm, milk pick up is every second day so Fonterra replaced the vat with a larger vat in May, meaning additional cost to disconnect the old and reconnect the new vat, including some changes to the pipes. None of this was budgeted for.

Some unforeseen breakdowns of milk plant and vehicles added to R & M and vehicle costs.

Discretionary spending was carried out on upgrading milking cups and clusters so that they better fitted the jetter lines that had been upgraded a couple of years earlier.

Animal health spending was up \$6,500 on budget. This is one area that is really hard to budget for as there are new remedies becoming available all the time for organic farms. Also being organic, remedies need to be ordered in, so more supplies are stored on farm.

Soil tests done after the budget was prepared resulted in elemental sulphur prills being added to the fertiliser as well as a little more fertiliser being applied.

The farm became fully accredited as Organic 1st September 2019.

# Annual Cash Budget

Name: Taranaki Owner Organic System 1 Budget Period 1 / 6 / 2018 to 31 / 5 / 2019

Farm Details: 124757 kgMS 385 cows 168.0 ha 324 kgMS/cow 743 kgMS/ha 2.29 cows/ha

Income		\$ Total	\$/kgMS	\$/cow	\$/ha
<b>Net Milk Income</b>	Share of milk cheque received 100%				
Milk Solids advance	kgMS x \$ /kgMS	\$762,995	\$6.12	\$1,982	\$4,542
Milk Solids retrospective	kgMS x \$ /kgMS		\$0.00	\$0	\$0
Milk Solids dividend	shares x \$ /share		\$0.00	\$0	\$0
DairyNZ levy	<small>enter as negative number</small>		\$0.00	\$0	\$0
Net Dairy livestock sales (calves + culls + other - purchases)		\$35,168	\$0.28	\$91	\$209
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>\$798,163</b>	<b>\$6.40</b>	<b>\$2,073</b>	<b>\$4,751</b>
Expenses		\$ Total	\$/kgMS	\$/cow	\$/ha
Wages		\$61,276	\$0.49	\$159	\$365
Animal health		\$27,387	\$0.22	\$71	\$163
Breeding and herd improvement		\$17,266	\$0.14	\$45	\$103
Farm dairy		\$2,924	\$0.02	\$8	\$17
Electricity (farm dairy, water supply)		\$16,413	\$0.13	\$43	\$98
Supplements made (incl. Contractors)		\$6,487	\$0.05	\$17	\$39
Supplements purchased			\$0.00	\$0	\$0
Calf rearing		\$1,988	\$0.02	\$5	\$12
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)		\$69,385	\$0.56	\$180	\$413
Irrigation			\$0.00	\$0	\$0
Regrassing and cropping		\$2,638	\$0.02	\$7	\$16
Weed and pest			\$0.00	\$0	\$0
Vehicles and fuel		\$29,990	\$0.24	\$78	\$179
R&M (land, buildings, plant, machinery)		\$45,402	\$0.36	\$118	\$270
Freight and general farm expenses		\$3,821	\$0.03	\$10	\$23
Administration e.g. accountant, consultant, phone		\$21,301	\$0.17	\$55	\$127
Insurance		\$14,394	\$0.12	\$37	\$86
ACC		\$1,500	\$0.01	\$4	\$9
Rates		\$16,897	\$0.14	\$44	\$101
<b>Total Farm Working Expenses</b>		<b>\$339,069</b>	<b>\$2.72</b>	<b>\$881</b>	<b>\$2,018</b>
<b>Cash Surplus / Deficit</b>		<b>\$459,094</b>	<b>\$3.68</b>	<b>\$1,192</b>	<b>\$2,733</b>
Non Cash adjustments					
Value of change in livestock numbers		\$19,278	\$0.15	\$50	\$115
Labour adjustment		\$83,350	\$0.67	\$216	\$496
Less Feed inventory Adjustment			\$0.00	\$0	\$0
Owned support block adjustment			\$0.00	\$0	\$0
Depreciation		\$30,000	\$0.24	\$78	\$179
<b>Dairy Gross Farm Revenue</b>		<b>\$817,441</b>	<b>\$6.55</b>	<b>\$2,123</b>	<b>\$4,866</b>
<b>Dairy Operating Expenses</b>		<b>\$452,419</b>	<b>\$3.63</b>	<b>\$1,175</b>	<b>\$2,693</b>
<b>Dairy Operating Profit</b>		<b>\$365,022</b>	<b>\$2.93</b>	<b>\$948</b>	<b>\$2,173</b>

# Annual Cash Budget

<b>Name:</b>	Taranaki Organic Sys 1			<b>Budget Period</b>	1 / 6 / 2018	to	31 / 5 / 2019
<b>Farm Details:</b>							
<b>Budget</b>	130,000 kgMS	400 Cows	168.0 ha	325 kgMS/cow	774 kgMS/ha	2.38 cows/ha	
<b>Farm Details: Actual</b>							
	124,757 kgMS	385 cows	168.0 ha	324 kgMS/cow	743 kgMS/ha	2.29 cows/ha	
<b>Variance (Actual less Budget)</b>	-5,243 kgMS	-15 cows	ha	-1 kgMS/cow	-31 kgMS/ha	-0.09 cows/ha	
<b>Income</b>				<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
Net Milk Sales				\$839,200	\$762,995	-\$76,205	
Net Dairy livestock sales (calves + culls + other - purchases)				\$40,000	\$35,168	-\$4,832	
Other dairy cash income							
<b>Net Dairy Cash Income</b>				<b>\$879,200</b>	<b>\$798,163</b>	<b>-\$81,037</b>	
<b>Expenses</b>				<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
Wages				\$55,000	\$61,276	\$6,276	
Animal health				\$20,800	\$27,387	\$6,587	
Breeding and herd improvement				\$20,000	\$17,266	-\$2,734	
Farm dairy				\$4,500	\$2,924	-\$1,576	
Electricity (farm dairy, water supply)				\$14,000	\$16,413	\$2,413	
Supplements made (incl. Contractors)				\$6,000	\$6,487	\$487	
Supplements purchased							
Calf rearing				\$4,000	\$1,988	-\$2,012	
Young and dry stock grazing							
Winter cow grazing							
Run-off lease							
Fertiliser (incl. N)				\$60,000	\$69,385	\$9,385	
Irrigation							
Regrassing and cropping				\$3,000	\$2,638	-\$362	
Weed and pest				\$100		-\$100	
Vehicles and fuel				\$24,000	\$29,990	\$5,990	
R&M (land, buildings, plant, machinery)				\$31,000	\$45,402	\$14,402	
Freight and general farm expenses				\$4,000	\$3,821	-\$179	
Administration e.g. accountant, consultant, phone				\$20,000	\$21,301	\$1,301	
Insurance				\$15,500	\$14,394	-\$1,106	
ACC				\$1,500	\$1,500		
Rates				\$16,500	\$16,897	\$397	
<b>Total Farm Working Expenses</b>				<b>\$299,900</b>	<b>\$339,069</b>	<b>\$39,169</b>	
<b>Cash Operating Surplus / Deficit</b>				<b>\$579,300</b>	<b>459,094</b>	<b>-\$120,206</b>	
<b>Non Cash Adjustments</b>				<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
Value of change in livestock numbers				-\$7,000	19,278	26,278	
Labour adjustment				\$83,350	83,350		
Less Feed inventory Adjustment							
Owned support block adjustment							
Depreciation				\$38,000	30,000	-8,000	
<b>Dairy Gross Farm Revenue</b>				<b>\$872,200</b>	<b>\$817,441</b>	<b>-\$54,759</b>	
<b>Dairy Operating Expenses</b>				<b>\$421,250</b>	<b>\$452,419</b>	<b>\$31,169</b>	
<b>Dairy Operating Profit</b>				<b>\$450,950</b>	<b>\$365,022</b>	<b>-\$85,928</b>	
<b>Dairy Operating Profit/ha</b>				<b>\$2,684</b>	<b>\$2,173</b>	<b>-\$511</b>	

## Commentary re variance

	Actual to Budget Variance	
Milksolids	-5,243	Prolonged dry weather in the late summer and autumn eroded the gains made earlier in the season.
Cows	-15	Peak cow numbers were down due to some late empties and some early enthusiastic culling!
Hectares	0	
<b>Net Milk Income</b>	<b>-76205</b>	Milk income was down due to less milk solids and a lower milk price received. Actual milk price received for the financial year was \$6.12 whereas the budget had been for \$6.45 per kg MS.
Net Dairy livestock sales (calves + culls + other - purchases)	-4832	The budget hadn't fully taken into account the heavy culling done the previous year and had over-estimated the number of cows to be culled. This meant cull cow numbers of 66 were 41 down on budget, however the price received was well up, (\$504 per head compared with the budget of \$355). This helped to offset the reduced numbers sold. Prices received for bobby calves was \$22 compared with the budget of \$10 per head and 29 bull calves were sold for \$46 per head so bobby/bull calf income was up.
Other dairy income	0	

<b>Net Dairy Cash Income</b>	<b>-81037</b>
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Expenses		
Wages	6276	Staff are on an hourly rate and not salaries, and they worked more hours than the previous year which the budget was based on. Use of the relief milker was more than budgeted as well.
Animal health	6587	This is one area that is really hard to budget for as there are new remedies becoming available all the time for organic farms. Being organic remedies need to be ordered in, so more supplies are stored on farm.
Breeding and herd improvement	-2734	Hadn't included the Sire proving scheme rebate of \$6,417 in the budget. Did spend more on milk sample pregnancy testing which was not in the original budget.
Farm dairy	-1576	
Electricity (farm dairy, water supply)	2413	
Supplements made (incl. Contractors)	487	
Supplements purchased	0	
Calf rearing	-2012	Good weather during the spring meant much less meal was used.
Young and dry stock grazing	0	
Winter cow grazing	0	
Run-off lease	0	

Fertiliser (incl. N)	9385	The budget had been prepared before soil tests were done. Elemental Sulphur Prills were added to the fertiliser, as a result of the tests and there was an increase in the amount of spring fertiliser applied.
Irrigation	0	
Regrassing and cropping	-362	
Weed and pest	-100	
Vehicles and fuel	5990	
R&M (land, buildings, plant, machinery)	14402	Decided to replace all milking cups/cluster bowls as the jetter line was replaced a couple of years ago and the inline washing had not been satisfactory since then. Also the vat wash pump died so was replaced. As an organic farm, milk pick up is every second day so Fonterra replaced the vat with a larger vat in May, meaning additional cost to disconnect the old and reconnect the new vat, including some changes to the pipes. None of this was budgeted for.
Freight and general farm expenses	-179	
Administration e.g. accountant, consultant, phone	1301	
Insurance	-1106	
ACC	0	
Rates	397	

<b>Total Farm Working Expenses</b>	<b>39169</b>	
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### Non Cash adjustments

Value of change in livestock numbers	26278	Finished the season with 18 more MA cows and R 2 heifers and 13 R 1 bulls more than budgeted. Made the decision to move away from using bulls from external sources so swap bull calves with the second organic farm. Also had 20 less R 1 heifers as plan to reduce stocking rate due to the increase in extreme weather events and variation in pasture growth.
Labour adjustment	0	
Less Feed inventory Adjustment	0	
Owned support block adjustment	0	
Depreciation	-8000	