

## Season numbers at a glance

KPI's	Budget	Updated forecast Budget/Actuals
Milk Production (kgMS/ha)	1,476	1,476
Milk Production (kgMS/cow)	477	487
Net Dairy Cash Income (\$/kgMS)	\$8.47	\$8.43
Total Farm Working Expenses (\$/kgMS)	\$5.59	\$6.06
Cash Operating Surplus/Deficit (\$/kgMS)	\$2.88	\$2.37
Gross Farm Revenue (\$/kgMS)	\$8.47	\$8.43
Operating Expenses (\$/kgMS)	\$5.96	\$6.44
Operating Profit (\$/ha)	\$3,711	\$2,949

\* These KPI's are based on cash book budget/actuals to the 31/12/2023 and estimated non-cash adjustments. The final financial performance based on financial statements may differ

### Key Points

- Rainfall and pasture growth season to date has been similar to previous years.
- Production to the end of December is on budget and slightly up on last season.
- Milk income is forecast to be down on budget due to lower forecast increase later in the season.
- Planted an additional 9 ha of barley, (for summer silage harvest), as part of planning for a summer dry period.
- Repairs and maintenance well up on budget.
- Animal health costs are up as the decision was made to trial digital monitoring boluses in 50 cows.

### Comments

Rainfall and pasture growth for the season to date is similar to previous years and the season is tracking well compared with the budget.

Production to date is 194,613 kgMS which is similar budget and slightly up on last season. This is from 636 cows milked at the peak, 14 down on budget.

Numbers were down as culling started early, in part due to the decision to carry fewer cows in anticipation of an early dry summer. In hindsight this approach was perhaps a bit conservative as the dry has not come early.

Supplements fed for the season to date is 378 kg DM/peak cow milked, which is as per budgeted. The herd peaked at 2.14 kg/cow/day from pasture, grain, molasses and baleage.

12 ha of fodder beet was planted in October. The original plan had been for 14-15 ha. The crop is growing well and yields are looking very good.

The decision was also made to plant 9 ha of summer feed barley as part of a drought mitigation plan. With forecasts for an El Nino dry summer the possibility of having difficulty sourcing supplement was high so this crop, (to be made in silage), will reduce this risk. This has of course increased cropping costs compared with budget.

There was a small surplus of pasture in the spring on the milking platform, with 20 ha harvested for baleage, which is similar to last season. The original budget was for no supplement harvested on the milking area.

Nitrogen applied to date is on budget with 70 kgN/ha average over the whole area. Product used is sulphate of ammonia and Urea in October. Two applications, (spring and early summer), of 35kgN/ha have been made.

The revised budget suggests milk income will be about \$20,000 lower than budget as a result of the lower advance milk price. Now that we are over half way through summer, and with milk production tracking slightly ahead at present, we might get back on track with the budget.

R & M costs are nearly double with additional spending on the sleepout at the main house, and track up grades that were not in the budget. Weather conditions were good earlier in the season so the opportunity was taken to get the tracks in to good order again. A barn was blown over earlier in the year and although the replacement is covered by insurance there is additional site preparation of \$20,000 that needs to be done before rebuilding can start.

Total farm working expenses are on track to be up about \$150,000, (\$0.47/kgMS), largely due to additional discretionary repairs and maintenance and under budgeting for wage increases.

### Current Situation

Current daily production is slightly up on last season and is on budget with the herd producing 1.65 kgMS/cow/day, from 631 cows, milking twice a day. Cow intakes are estimated at 17 kgDM/cow/day made up of 15 kg DM of pasture and 2.0 kgDM of grain. Cow body condition score is 4.5 which is similar to previous years. This was from independent assessment February 1st. They were assessed as being 4.8 BCS in September.

Pasture cover is 3,166 kg DM/ha and growth rates for the last week have averages 60 kgDM/ha/day. At current per cow daily intakes of pasture demand is 50 kgDM/ha/day on the effective area excluding crops. At current growth rates cover is increasing slightly still. The grazing rotation is 30 days, which is standard for this time of year.

This time last year the area was quite dry so there is more pasture ahead of the cows compared with last year.

Young stock are all off the farm.

### **Looking forward**

There has been some rainfall in the latter half of January but it has not had much effect and as at February 7th the farm is looking a bit dry.

The plan is to continue on the current grazing rotation and just adjust the level of supplements fed to maintain pasture cover at a reasonable level and protect growth rates.

There is 406 kgDM/cow of supplement on hand available to be fed out between now and the end of the season (May 31st). In addition there is another 160 kg DM /cow of fodder beet that can be fed this autumn. This equates to about 4.5 kgDM/cow/day from the 25th January to the end of May.

The herd will move to once a day milking at the beginning of May and will be dried off in batches of 125 cows over a week towards the end of May. A small number of "at risk" cows will be dried off earlier if necessary.

Nitrogen use is likely to be slightly up on the budgeted 75-90 kgN/ha as one more application of 35 kgN/ha is planned for March/April. This will be a total of 105 kgN/ha for the season.

### **Calving and reproduction**

- The calving pattern for the 23-24 season was 69% after 3 weeks, 89% after 6 weeks and 99% after 9 weeks. This is similar to the previous seasons.
- Submission rates for the first 3 weeks were 90% which is up on last season, (87%).
- There were 14 bulls leased for the herd and 9 bulls leased to run with the yearlings as per budget.
- More replacement heifer calves were born than budgeted so 183 heifer calves were reared, 18 up on budget. The plan had been to sell 20 but as yet there are no buyers. This has added to the cost of grazing.
- Somatic cell counts are currently sitting at 80,000-90,000 which is normal for this time of year. The farm target is under 100,000 when not in the shoulders of the production curve.

### **Other points of interest**

- Fixed interest rates on significant loans come to an end in April which means interest rates will likely double. While this has been budgeted for, it will make a big dent in the cash flow.
- Negotiations with the bank for rebated interest rates will be centred on the fact the farm has undertaken borrowings in the last 10 years to complete all environmental compliance work and should get some recognition for this as per the banks "green loan" lending policies

# Annual Cash Budget and updated forecast *December 2023*

<b>Name:</b>	South Otago Owner (EP) System 4-5			<b>Budget Period</b>	1 / 6 / 2023	to	31 / 5 / 2024
<b>Farm Details:</b>							
<b>Budget</b>	310,000 kgMS	650 Cows	210.0 ha	477 kgMS/cow	1476 kgMS/ha	3.10 cows/ha	
<b>Farm Details:</b>							
<b>Budget/Actual</b>	310,000 kgMS	636 cows	210.0 ha	487 kgMS/cow	1476 kgMS/ha	3.03 cows/ha	
<b>Variance (Actual less Budget)</b>	kgMS	-14 cows	ha	10 kgMS/cow	kgMS/ha	-0.07 cows/ha	
<b>Income</b>				<b>Budget</b>	<b>Budget/Actual</b>	<b>Variance</b>	
Net Milk Sales				\$2,512,000	\$2,491,547	-\$20,453	
Net Dairy livestock sales (calves + culls + other - purchases)				\$96,900	\$106,060	\$9,160	
Other dairy cash income				\$17,200	\$16,800	-\$400	
<b>Net Dairy Cash Income</b>				<b>\$2,626,100</b>	<b>\$2,614,407</b>	<b>-\$11,693</b>	
<b>Expenses</b>				<b>Budget</b>	<b>Budget/Actual</b>	<b>Variance</b>	
Wages				\$377,600	\$450,283	\$72,683	
Animal health				\$66,500	\$91,554	\$25,054	
Breeding and herd improvement				\$68,400	\$66,952	-\$1,448	
Farm dairy				\$12,700	\$19,356	\$6,656	
Electricity (farm dairy, water supply)				\$23,400	\$21,663	-\$1,737	
Supplements made (incl. Contractors)							
Supplements purchased				\$453,400	\$399,152	-\$54,248	
Calf rearing				\$9,000	\$9,250	\$250	
Young and dry stock grazing				\$173,600	\$180,447	\$6,847	
Winter cow grazing				\$127,800	\$130,000	\$2,200	
Run-off lease							
Fertiliser (incl. N)				\$129,800	\$138,010	\$8,210	
Irrigation							
Regrassing and cropping				\$31,500	\$40,719	\$9,219	
Weed and pest				\$15,000	\$8,302	-\$6,698	
Vehicles and fuel				\$28,700	\$31,732	\$3,032	
R&M (land, buildings, plant, machinery)				\$89,600	\$165,363	\$75,763	
Freight and general farm expenses				\$10,400	\$13,994	\$3,594	
Administration e.g. accountant, consultant, phone				\$30,800	\$33,169	\$2,369	
Insurance				\$36,900	\$36,900		
ACC							
Rates				\$46,700	\$43,224	-\$3,476	
Other expenses							
<b>Total Farm Working Expenses</b>				<b>\$1,731,800</b>	<b>\$1,880,070</b>	<b>\$148,270</b>	
<b>Cash Operating Surplus / Deficit</b>				<b>\$894,300</b>	<b>734,337</b>	<b>-\$159,963</b>	
<b>Non Cash Adjustments</b>				<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
Value of change in livestock numbers							
Labour adjustment							
Less Feed inventory Adjustment							
Owned support block adjustment							
Depreciation				\$115,000	115,000		
<b>Dairy Gross Farm Revenue</b>				<b>\$2,626,100</b>	<b>\$2,614,407</b>	<b>-\$11,693</b>	
<b>Dairy Operating Expenses</b>				<b>\$1,846,800</b>	<b>\$1,995,070</b>	<b>\$148,270</b>	
<b>Dairy Operating Profit</b>				<b>\$779,300</b>	<b>\$619,337</b>	<b>-\$159,963</b>	
<b>Dairy Operating Profit/ha</b>				<b>\$3,711</b>	<b>\$2,949</b>	<b>-\$762</b>	

## Commentary re variance

	Actual to Budget Variance	
Milksolids	0	
Cows	-14	Numbers were down as culling started early, in part due to the decision to carry fewer cows in anticipation of an early dry summer. In hindsight this approach was perhaps a bit conservative as the dry has not come early.
Hectares	0	
Net Milk Income	-20453	Milk income is forecast to be down on budget due to lower forecast increase later in the season.
Net Dairy livestock sales (calves + culls + other - purchases)	9160	
Other dairy income	-400	
<b>Net Dairy Cash Income</b>	<b>-11693</b>	

## Expenses

Wages	72683	Had not budgeted enough for pay rises for all the staff, plus staff opted to have some holidays paid out.
Animal health	25054	Have made the decision to trial digital monitoring boluses in 50 cows with the view to using them on the whole herd next season. They have been in place for 3 months and so far the monitoring has been as expected.
Breeding and herd improvement	-1448	
Farm dairy	6656	Have had some issues in the shed.
Electricity (farm dairy, water supply)	-1737	
Supplements made (incl. Contractors)	0	
Supplements purchased	-54248	Was able to contract the grain for less than the \$580/t that was in the original budget.
Calf rearing	250	
Young and dry stock grazing	6847	18 more weaners at grazing.
Winter cow grazing	2200	

Run-off lease	0	
Fertiliser (incl. N)	8210	Used more nitrogen than budgeted.
Irrigation	0	
Regrassing and cropping	9219	Planted 9 ha of summer barley as part of drought mitigation plan.
Weed and pest	-6698	
Vehicles and fuel	3032	
R&M (land, buildings, plant, machinery)	75763	Upgraded tracks, sleepout at the main house and had additional site preparation work for storm demolished barn.
Freight and general farm expenses	3594	
Administration e.g. accountant, consultant, phone	2369	
Insurance	0	
ACC	0	
Rates	-3476	
Other Expenses	0	

<b>Total Farm Working Expenses</b>	<b>148270</b>
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### Non Cash adjustments

Value of change in livestock numbers	0
Labour adjustment	0
Less Feed inventory Adjustment	0
Owned support block adjustment	0
Depreciation	0