



Milk Loss Claims Fixed and Variable costs

Expense definitions for the *Mycoplasma bovis* (*M. bovis*) Response

The Ministry for Primary Industries has developed a Milk Tool to assess the compensation value of milk production loss. The Tool uses fixed and variable costs to calculate the value of milk production losses for farm owners and sharemilkers. This document explains the difference between them.

Administration	
Fixed	Accountancy Bank charges Legal expenses Office expenses Subscriptions Telecommunications
Variable	MPI will seek more information if a claimant deems Consultancy Services as necessary support caused by the disruption of <i>M. bovis</i> .

ACC	Fixed expenses
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Animal Health	
Fixed	If stock is retained on the property in relation to those stock.
Variable	If the expense relates to stock that were culled as result of <i>M. bovis</i> . It can remain variable if all the stock were culled.

Breeding	
Fixed	If replacement stock are retained.
Variable	The expense will vary according to the volume of stock on the property If the expense is based on a per-animal, stock and replacements.

Calf Rearing	
Typically 20-25% of milking herd size is reared for annual herd replacement. The cost for feed and related expenses will vary (if not carried out by the stock owner).	
Fixed	If calves are reared through to weaning prior to disruption of <i>M. bovis</i> .

Variable	If no calves are reared due to the disruption of <i>M. bovis</i> .
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Cropping	
This expense is based on providing stock with feed in the future. For example, crops are planted in the spring for the summer feed.	

Fixed	If the timing of the cull occurred after a crop was planted, then the farmer would be committed to the cost.
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Variable	If a cull occurred before the crop would have normally been planted.
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Electricity	
Fixed	The owner's house and monthly charges on the farm.
Variable	The dairy shed charges, effluent and water pumping.

Fertiliser	
To maintain soil fertility a proportion of fertiliser is used (Phosphate, Potassium and Sulphur). To boost pasture production a proportion of <u>strategic</u> fertiliser is used (Nitrogen, Sulphur).	

Fixed	If annual maintenance fertiliser for milk supply is interrupted less than four months.
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Variable	If fertiliser for milk supply is interrupted for a longer period of time If the use of fertiliser is strategic.
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Freight	
Fixed	<p>If it is related to stock movements on/off the farm to support blocks and grazing.</p> <p>If stock are moved off at the end of the season and returned at the beginning of the next.</p> <p>If a cull event occurred after livestock were moved and freight occurred.</p> <p>If a freight cost was incurred after the livestock owned, but not impacted by a cull event.</p>
Variable	If cull event for an <i>M. bovis</i> event occurred before that livestock class incurred a freight cost.
Grades	Fixed expenses

Grazing	
Fixed	<p>If the cull is within the milking season and restocking would have little impact on grazing expense.</p> <p>If replacement stock are grazing and unaffected by an <i>M. bovis</i> related cull.</p>
Variable	If replacement livestock are culled as a result of an <i>M. bovis</i> infection.

Insurance	Fixed expenses
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Leases	
Fixed	Leases will have an agreement that obligates the lessee to pay the lease.

Levies	
Variable	Dairy Insight
Rates	Fixed

Re-grassing	
Fixed	If expenditure is for renewing pastures that would normally be re-grassed for cropping purposes.
Variable	If expenditure is for renewing pastures that would normally be used for grazing the dairy herd.

Repairs and Maintenance (R&M)	
Fixed	<p>R&M on a dwelling maintenance</p> <p>Drain cleaning</p> <p>Farm building, yards and fences</p>
Variable	<p>Costs associated with operational plant & equipment.</p> <p>Effluent disposal care needed as a result of <i>M. bovis</i>.</p>

Staff wages	
<p>Wages in the operational expenses (OPEX) will normally be those of the employed non-owner. The Owner's involvement will have an impact on whether the farm is able to be operated without employing more staff.</p>	
Fixed	<p>Where staff are normally employed.</p> <p>Where an essential minimum amount of staff are required to complete the farm duties.</p>
Variable	For all casual and any full-time staff that would be made redundant following a cull event.

Supplements	
<p>Supplements are required to support the stocking level in times when there is insufficient pasture or to provide more feed to enhance production.</p>	
Fixed	If the supplement expense is to set up the farm for end-of-season wintering and start of the next season.
Variable	If the supplement expense is to support and enhance production through the season.

Vehicles	
Fixed	If the fuel or maintenance of the vehicle is to maintain the farm with no animals on it.
Variable	If the running fuel and maintenance for the vehicles (bikes and tractors) required when the farm is operational.

Weed and pest control	
Fixed	If weeds are partly controlled by stock grazing.