

2008 PASTORAL MONITORING EARLY RELEASE

This report contains the key results from the Ministry of Agriculture and Forestry's 2008 dairy monitoring programme. The full Pastoral Monitoring Report 2008 will be available in December 2008.

KEY POINTS

- > Drought affecting most parts of the region in summer/autumn 2008 led to a third consecutive year of lower than average production.
- > Farmers fed supplements to maintain milk production, which decreased by only 1 percent overall in 2007/08. However, production varied widely and individual properties varied from a 20 percent increase to a 20 percent decrease on the previous year.
- > The record payout resulted in a cash operating surplus of \$491 000, up 158 percent on 2006/07.
- > High feed costs, due to the drought, reduced potential farm profits with the feed cost on the model farm increasing 46 percent to \$383 per cow.
- Farm profit before tax in 2007/08 increased more than eight times to \$311 000, and much of the cash surplus is expected to be applied to reducing overdrafts accumulated in the two previous poor seasons.
- The cash operating surplus in 2008/09 is forecast to decline by 32 percent to \$335 000, due to the forecast reduction in milk payout. This is despite production being forecast to increase by 2.2 percent to near normal levels.
- > Expenditure is forecast to continue increasing in 2008/09 due primarily to higher fertiliser and fuel prices, and higher charges for grazing and silage.

TABLE 1: KEY PARAMETERS, FINANCIAL RESULTS AND FORECAST FOR THE LOWER NORTH ISLAND DAIRY MODEL FARM

Year ended 30 June	2006/07	2007/08	2008/09 forecast
Effective area (ha)	130	130	130
Cows wintered (head)	370	370	370
Replacement heifers (head)	85	85	85
Cows milked 15 December (head)	360	360	360
Stocking rate (cows/ha)	2.8	2.8	2.8
Total milksolids (kg)	114 400	113 500	116 000
Milksolids per ha (kg/ha)	880	873	892
Milksolids per cow milked (kg/cow)	318	315	322
Milksolids advance to 30 June (\$/kg)	3.65	6.62	5.41
Milksolids deferred payment (\$)	0.50	0.81	1.00
Net cash income (\$)	518 831	913 094	794 640
Farm working expenses (\$)	328 363	422 394	459 338
Farm profit before tax (\$)	35 968	310 850	159 740
Farm surplus for reinvestment ¹ (\$)	1 351	232 947	51 530

Note

1 Farm surplus for reinvestment is the cash available from the farm business, after meeting living costs, which is available for investment on the farm or for principal repayments. It is calculated as discretionary cash less off-farm income and drawings.



TABLE 2: LOWER NORTH ISLAND DAIRY MODEL BUDGET

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Introduced funds 0 0 0.00 13 235 37 0.11 Cash surplus/deficit 164 231 456 1.45 2 083 6 0.02 Farm surplus for reinvestment ¹ 232 947 647 2.05 51 530 143 0.44 Assets and Liabilities 7 700 000 10 278 32.60 4 446 000 12 350 38.33 Plant and machinery (opening) 3 700 000 10 278 32.60 4 446 000 12 350 38.33 Plant and machinery (opening) 150 000 417 1.32 147 500 410 1.27 Stock valuation (opening) 865 435 2 404 7.62 865 435 2 404 7.46 Dairy company shares 797 825 2 216 7.03 654 475 1 818 5.64 Other farm nelated investments (opening) 5 513 260 15 315 48.6 6 113 410 16 982 52.70 Total liabilities (opening) 1 580 000 4 389 13.92 1 500 000 4 167 12.93	Drawings	62 000	172	0.55	64 000	178	0.55	
Cash surplus/deficit 164 231 456 1.45 2 083 6 0.02 Farm surplus for reinvestment ¹ 232 947 647 2.05 51 530 143 0.44 Assets and Liabilities	New borrowings	0	0	0.00	0	0	0.00	
Image: Constraint of the image: Constraint of th	Introduced funds	0	0	0.00	13 235	37	0.11	
Assets and Liabilities Image: Marcine Stand	Cash surplus/deficit	164 231	456	1.45	2 083	6	0.02	
Assets and Liabilities Image: Marcine Stand								
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Plant and machinery (opening) 150 000 417 1.32 147 500 410 1.27 Stock valuation (opening) 865 435 2 404 7.62 865 435 2 404 7.46 Dairy company shares 797 825 2 216 7.03 654 475 1 818 5.64 Other farm related investments (opening) 0 0 0.00 0 0 0.00 Total farm assets (opening) 5 513 260 15 315 48.6 6 113 410 16 982 52.70 Total liabilities (opening) 1 580 000 4 389 13.92 1 500 000 4 167 12.93	Assets and Liabilities							
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Dairy company shares 797 825 2 216 7.03 654 475 1 818 5.64 Other farm related investments (opening) 0 0 0.00 0 0 0.00 Total farm assets (opening) 5 513 260 15 315 48.6 6 113 410 16 982 52.70 Total liabilities (opening) 1 580 000 4 389 13.92 1 500 000 4 167 12.93	Plant and machinery (opening)	150 000	417	1.32	147 500	410	1.27	
Other farm related investments (opening) 0 0 0.00 0 0 0 0.00 Total farm assets (opening) 5 513 260 15 315 48.6 6 113 410 16 982 52.70 Total liabilities (opening) 1 580 000 4 389 13.92 1 500 000 4 167 12.93	Stock valuation (opening)	865 435	2 404	7.62	865 435	2 404	7.46	
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Total farm assets (opening)5 513 26015 31548.66 113 41016 98252.70Total liabilities (opening)1 580 0004 38913.921 500 0004 16712.93		0	0	0.00	0	0	0.00	
Total liabilities (opening) 1 580 000 4 389 13.92 1 500 000 4 167 12.93		5 513 260	15 315	48.6	6 113 410	16 982	52.70	
				13.92				
	Total equity (assets-liabilities)	3 933 260	10 926	34.65	4 613 410	12 815	39.77	

Note 1 Farm surplus for reinvestment is discretionary cash less off-farm income and drawings.

TABLE 3: LOWER NORTH ISLAND DAIRY MODEL EXPENDITURE

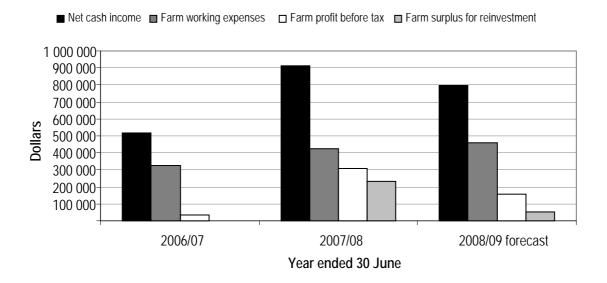
	2007/08			2008/09 forecast			
			Per kg of	Whole		Per kg of	
	Whole farm	Per cow	milksolids	farm	Per cow	milksolids	
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
Farm working expenses							
Permanent wages	35 000	97	0.31	38 000	106	0.33	
Casual wages	5 000	14	0.04	7 000	19	0.06	
ACC	1 053	3	0.01	952	3	0.01	
Total labour expenses	41 053	114	0.36	45 952	128	0.40	
Animal health	19 800	55	0.17	21 500	60	0.19	
Breeding	11 880	33	0.10	13 000	36	0.11	
Dairy shed expenses	7 500	21	0.07	8 000	22	0.07	
Electricity	13 400	37	0.12	15 200	42	0.13	
Feed (hay and silage)	67 200	187	0.59	65 000	181	0.56	
Feed (feed crops)	5 200	14	0.05	6 000	17	0.05	
Feed (grazing)	40 510	113	0.36	49 940	139	0.43	
Feed (other)	25 000	69	0.22	19 600	54	0.17	
Fertiliser	65 300	181	0.58	78 300	218	0.68	
Lime	2 250	6	0.02	2 250	6	0.02	
Freight (not elsewhere deducted)	6 000	17	0.05	7 000	19	0.06	
Regrassing costs	8 000	22	0.07	8 000	22	0.07	
Weed and pest control	4 300	12	0.04	5 000	14	0.04	
Fuel	13 500	38	0.12	15 000	42	0.13	
Vehicle costs (excluding fuel)	13 000	36	0.11	13 500	38	0.12	
Repairs and maintenance	36 500	101	0.32	36 500	101	0.31	
Total other working expenses	339 340	943	2.99	363 790	1 011	3.14	
Communication costs (phone & mail)	3 600	10	0.03	4 000	11	0.03	
Accountancy	4 700	13	0.04	5 000	14	0.04	
Legal and consultancy	5 000	14	0.04	5 500	15	0.05	
Other administration	2 600	7	0.02	2 750	8	0.02	
Water charges (irrigation)	0	0	0.00	0	0	0.00	
Rates	12 000	33	0.11	13 000	36	0.11	
Insurance	5 000	14	0.04	5 500	15	0.05	
Other expenditure ¹	9 101	25	0.08	13 846	38	0.12	
Total overhead expenses	42 001	117	0.37	49 596	138	0.43	
Total farm working expenses	422 394	1 173	3.72	459 338	1 276	3.96	
Wages of management	85 000	236	0.75	85 000	236	0.73	
Depreciation	35 000	97	0.31	34 563	96	0.30	
Total farm operating expenses	542 394	1 507	4.78	578 900	1 608	4.99	
Calculated Ratios	J42 J74	1 307	4.70	576 700	1 000	4.77	
Economic farm surplus (EFS ²)	370 700	1 030	3.27	215 740	599	1.86	
Farm working expenses/NCI ³		1 0 3 0	3.27	215 740	099	1.00	
EFS/total farm assets	46%			58%			
EFS less interest and lease/equity	6.7% 5.7%			3.5% 1.6%			
Interest + rent + lease/NCI							
EFS/NCI	15.9% 40.6%			17.7% 27.1%			
Notes	40.070			27.170			

Notes

1 Includes Dairy NZ levy and employers ACC.

2 EFS (or earnings before tax) is calculated as follows: net cash income plus change in livestock values less farm working expenses less depreciation less wages of management (WOM). WOM is calculated as follows: \$38 000 allowance for labour input plus 1 percent of opening total farm working assets to a maximum of \$85 000.

3 Net cash income.



INFORMATION ABOUT THE MODEL

This model represents approximately 1080 seasonal supply dairy farms in the bottom half of the North Island, including the regions of Manawatu, Horowhenua, Wairarapa and Southern Hawkes Bay. The dairy farms supply the Fonterra Co-operative Dairy Company.

Generally, they are well-developed farms, have good soil fertility levels, and a modest level of wellmaintained buildings, plant and equipment. On average, the farms are 130 effective hectares in size, milking 360 cows. They have an additional runoff of 15 hectares.

Most of the lower North Island has reliable summer rainfall, however many farms in the Manawatu and East Coast are by New Zealand standards, somewhat drought prone. Approximately 300 farms, mainly in South Wairarapa, Hawkes Bay and Manawatu, have irrigation.

The model budget is prepared for an owner-operator farm, with labour employed, and represents an estimated 70 to 80 percent of dairy farms – the other 20 to 30 percent fitting into the sharemilking or partnership categories.

The model is created from information drawn from 28 dairy farms and a wide cross section of agribusiness representatives. The aim of the model is to typify an average dairy farm for the Lower North Island. Budget figures are averaged from the contributing properties and adjusted to represent a real dairy farm. Income figures include off-farm income, new borrowing, and other cash income.

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