

2008 PASTORAL MONITORING EARLY RELEASE

WAIKATO/BAY OF PLENTY DAIRY

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

- > The 2007/08 season saw the worst drought on record, which significantly affected most parts of the region.
- > Overall milksolids production dropped 12 percent compared to 2006/07.
- > Despite the drought and resulting increased expenditure, farm profit before tax lifted by around 400 percent due to the record payout.
- > Farms are not in a good physical position entering the 2008/09 season, with pasture covers and cow condition well below optimum level. Currently the model is budgeting on an 8 percent increase in production in 2008/09.
- > The record payout and prospect of a good payout in 2008/09 has buoyed farmers' morale, despite the carryover effects of the drought.

TABLE 1: KEY PARAMETERS, FINANCIAL RESULTS AND FORECAST FOR THE WAIKATO/BAY OF PLENTY DAIRY MODEL

Year ended 30 June	2004/05	2005/06	2006/07	2007/08	2008/09 forecast
Effective area (ha)	102	103	106	106	106
Cows wintered (head)	290	295	304	304	304
Replacement heifers (head)	52	53	55	55	55
Cows milked 15th December (head)	285	292	300	300	300
Stocking rate (cows/ha)	2.8	2.8	2.8	2.8	2.8
Total milksolids (kg)	89 000	95 000	101 000	88 900	96 000
Milksolids per ha (kg/ha)	873	922	953	839	906
Milksolids per cow milked (kg/cow)	331	325	337	296	320
MS advance to end June (\$/kg)	3.95	3.60	3.65	6.62	5.41
MS deferred payment (\$)	0.30	0.64	0.50	0.81	1.00
Net cash income (\$)	420 205	428 378	453 056	702 271	632 070
Farm working expenses (\$)	235 879	263 096	278 909	332 969	354 171
Farm profit before tax(\$)	105 918	75 633	45 906	231 426	132 390
Farm surplus for reinvestment ¹	24 310	13 685	2 905	140 862	41 708

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.

2 Due to a revision of model parameters the data for the 2006/07 year will not match that published in the *Pastoral Monitoring Report 2007*. Some previous years' data has also been revised.

TABLE 2: WAIKATO/BAY OF PLENTY DAIRY MODEL BUDGET

	2007/08			2008/09 forecast		
	Whole farm (\$)	Per cow (\$)	Per kg of milksolids (\$)	Whole farm (\$)	Per cow (\$)	Per kg of milksolids (\$)
Revenue						
Milksolids	670 328	2 234	7.54	608 260	2 028	6.34
Cattle	36 159	121	0.41	27 774	93	0.29
Other farm income	0	0	0.00	0	0	0.00
Less:						
Cattle purchases	4 216	14	0.05	3 964	13	0.04
Net cash income	702 271	2 341	7.90	632 070	2 107	6.58
Farm working expenses	332 969	1 110	3.75	354 171	1 181	3.69
Cash operating surplus	369 302	1 231	4.15	277 899	926	2.89
Interest	104 980	350	1.18	110 895	370	1.16
Rent and/or leases	0	0	0.00	0	0	0.00
Stock value adjustment	0	0	0.00	3 111	10	0.03
Minus depreciation	32 896	110	0.37	37 725	126	0.39
Farm profit before tax	231 426	771	2.60	132 390	441	1.38
Taxation	58 460	195	0.66	57 796	193	0.60
Farm profit after tax	172 966	577	1.95	74 594	249	0.78
Add back depreciation	32 896	110	0.37	37 725	126	0.39
Reverse stock value adjustment	0	0	0.00	- 3 111	- 10	-0.03
Off-farm income	22 500	75	0.25	14 500	48	0.15
Discretionary cash	228 362	761	2.57	123 708	412	1.29
Applied to:						
Net capital purchases	53 500	178	0.60	2 500	8	0.03
Development	10 000	33	0.11	2 500	8	0.03
Principal repayments	34 760	116	0.39	33 411	111	0.35
Drawings	65 000	217	0.73	67 500	225	0.70
New borrowings	0	0	0.00	0	0	0.00
Introduced funds	0	0	0.00	42 612	142	0.44
Cash surplus/deficit	65 102	217	0.73	60 409	201	0.63
Farm surplus for reinvestment¹	140 862	470	1.58	41 708	139	0.43
Assets and Liabilities						
Farm, forest and building (opening)	4 000 000	13 333	44.99	4 500 000	15 000	46.88
Plant and machinery (opening)	126 621	422	1.42	161 128	537	1.68
Stock valuation (opening)	694 759	2 316	7.82	694 759	2 316	7.24
Dairy company shares	685 790	2 286	7.71	562 570	1 875	5.86
Other farm related investments (opening)	0	0	0.00	0	0	0.00
Total farm assets (opening)	5 507 170	18 357	61.9	5 918 457	19 728	61.65
Total liabilities (opening)	1 090 000	3 633	12.26	1 095 000	3 650	11.41
Total equity (assets-liabilities)	4 417 170	14 724	49.69	4 823 457	16 078	50.24

Note

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

TABLE 3: WAIKATO/BAY OF PLENTY DAIRY MODEL EXPENDITURE

	2007/08			2008/09 forecast		
	Whole farm (\$)	Per cow (\$)	Per kg of milksolids (\$)	Whole farm (\$)	Per cow (\$)	Per kg of milksolids (\$)
Farm working expenses						
Permanent wages	45 000	150	0.51	47 500	158	0.49
Casual wages	3 000	10	0.03	4 000	13	0.04
ACC	1 107	4	0.01	1 142	4	0.01
Total labour expenses	49 107	164	0.55	52 642	175	0.55
Animal health	20 916	70	0.24	24 000	80	0.25
Breeding	11 754	39	0.13	12 459	42	0.13
Dairy shed expenses	6 462	22	0.07	6 513	22	0.07
Electricity	11 403	38	0.13	11 907	40	0.12
Feed (hay and silage)	39 750	133	0.45	31 250	104	0.33
Feed (feed crops)	0	0	0.00	0	0	0.00
Feed (grazing)	29 385	98	0.33	31 876	106	0.33
Feed (other)	28 330	94	0.32	24 200	81	0.25
Fertiliser	43 695	146	0.49	58 507	195	0.61
Lime	1 197	4	0.01	1 143	4	0.01
Freight (not elsewhere deducted)	2 661	9	0.03	2 679	9	0.03
Regrassing costs	4 635	15	0.05	4 119	14	0.04
Weed and pest control	2 826	9	0.03	2 859	10	0.03
Fuel	9 649	32	0.11	11 095	37	0.12
Vehicle costs (excluding fuel)	10 077	34	0.11	9 543	32	0.10
Repairs and maintenance	26 961	90	0.30	27 600	92	0.29
Total other working expenses	249 701	832	2.81	259 750	866	2.71
Communication costs (phone and mail)	2 778	9	0.03	2 832	9	0.03
Accountancy	3 801	13	0.04	3 582	12	0.04
Legal and consultancy	3 249	11	0.04	2 880	10	0.03
Other administration	3 225	11	0.04	3 471	12	0.04
Water charges (irrigation)	0	0	0.00	0	0	0.00
Rates	10 086	34	0.11	10 332	34	0.11
Insurance	5 355	18	0.06	5 516	18	0.06
Other expenditure ¹	5 667	19	0.06	13 166	44	0.14
Total overhead expenses	34 161	114	0.38	41 778	139	0.44
Total farm working expenses	332 969	1 110	3.75	354 171	1 181	3.69
Wages of management	85 000	283	0.96	85 000	283	0.89
Depreciation	32 896	110	0.37	37 725	126	0.39
Total farm operating expenses	450 865	1 503	5.07	476 896	1 590	4.97
Calculated Ratios						
Economic farm surplus (EFS ²)	251 406	838	2.83	158 285	528	1.65
Farm working expenses/NCI ³	47%			56%		
EFS/total farm assets	4.6%			2.7%		
EFS less interest and lease/equity	3.3%			1.0%		
Interest + rent + lease/NCI	14.9%			17.5%		
EFS/NCI	35.8%			25.0%		

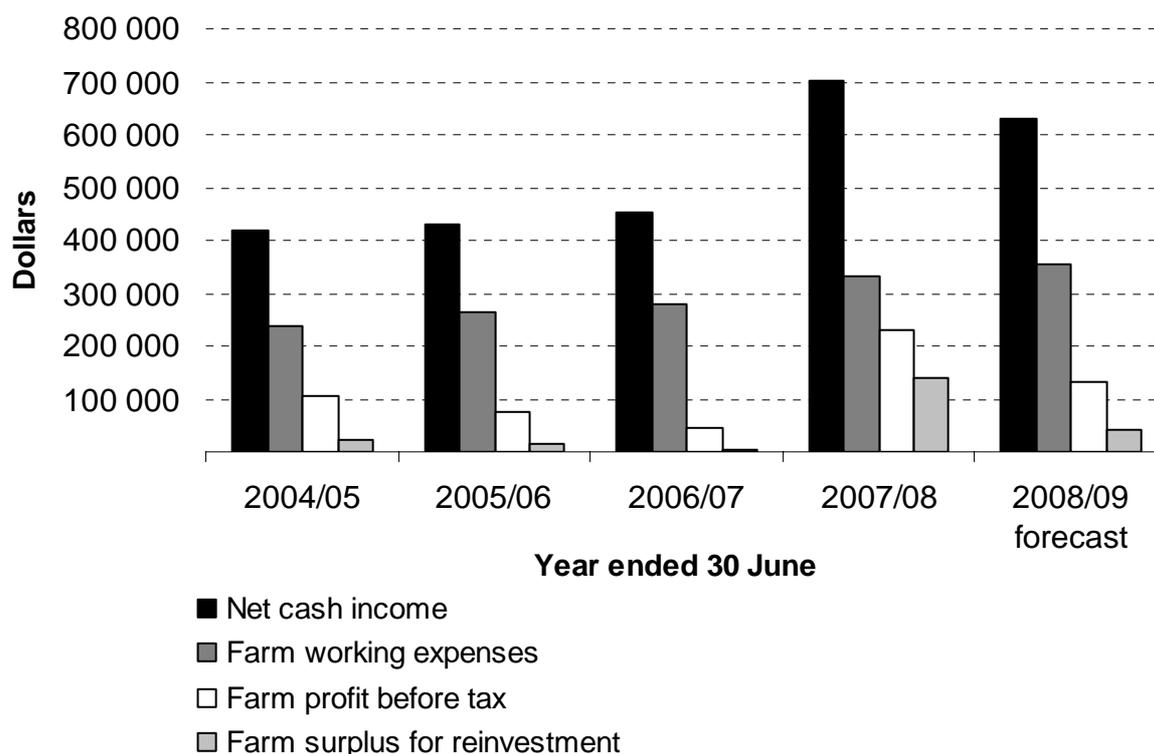
Notes

1 Includes Dairy NZ levy and employers ACC

2 EFS (or earnings before interest and 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% of opening total farm assets to a maximum of \$85 000.

3 Net cash income

FIGURE 1: WAIKATO/BAY OF PLENTY DAIRY MODEL FARM PROFITABILITY TRENDS



INFORMATION ABOUT THE MODEL

The Waikato/Bay of Plenty dairy model represents about 5140 dairy farms in the Waikato and Bay of Plenty regions. The model is a seasonal supply farm based on an average property of 106 hectares, milking 300 cows, and producing around 100 000 kilograms of milksolids in a normal season. Heifers are grazed off the farm for 12 months.

The model is created from information drawn from 50 dairy farms and a wide cross section of agribusiness representatives. The aim of the model is to typify an average dairy farm for the Waikato/Bay of Plenty region. 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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Published by:

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