

2008 PASTORAL MONITORING EARLY RELEASE

TARANAKI 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

- › Taranaki experienced a drought in the 2007/08 season resulting in a 7 percent drop in production.
- › The high milksolids payout more than offset the impact of lower production with farm profit before tax increasing 245 percent compared with 2006/07.
- › Production for 2008/09 is expected to rebound to 2005/06 season's level, up 10 percent on 2007/08.
- › The lower milk payout and increased farm working expenses forecast for 2008/09 will lower farm profit before tax by 27 percent.
- › Although farm surplus for reinvestment for 2008/09 is expected to be significantly lower than 2007/08 it will still be considerably higher than seasons prior to 2007/08

TABLE 1: KEY PARAMETERS, FINANCIAL RESULTS AND FORECAST FOR THE TARANAKI DAIRY MODEL

Year ended 30 June	2006/07	2007/08	2008/09 forecast
Effective area (ha)	96	96	96
Cows wintered (head)	280	284	284
Replacement heifers (head)	69	69	69
Cows milked 15th December (head)	265	267	267
Stocking rate (cows/ha)	2.8	2.8	2.8
Total milksolids (kg)	87 900	81 900	90 000
Milksolids per ha (kg/ha)	916	853	938
Milksolids per cow milked (kg/cow)	332	307	337
Milksolids advance to end June (\$/kg)	3.65	6.62	5.41
Milksolids deferred payment (\$)	0.50	0.81	1.00
Net cash income (\$)	395 699	651 387	607 210
Farm working expenses (\$)	234 517	292 382	317 726
Farm profit before tax(\$)	78 652	271 042	198 787
Farm surplus for reinvestment ¹	27 525	199 056	96 941

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: TARANAKI 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	613 377	2 297	7.49	568 800	2 130	6.32
Cattle	41 910	157	0.51	41 910	157	0.47
Other farm income	500	2	0.01	500	2	0.01
Less:						
Cattle purchases	4 400	16	0.05	4 000	15	0.04
Net cash income	651 387	2 440	7.95	607 210	2 274	6.75
Farm working expenses	292 382	1 095	3.57	317 726	1 190	3.53
Cash operating surplus	359 005	1 345	4.38	289 484	1 084	3.22
Interest	61 963	232	0.76	61 142	229	0.68
Rent and/or leases	0	0	0.00	0	0	0.00
Stock value adjustment	0	0	0.00	0	0	0.00
Minus depreciation	26 000	97	0.32	29 555	111	0.33
Farm profit before tax	271 042	1 015	3.31	198 787	745	2.21
Taxation	38 986	146	0.48	71 401	267	0.79
Farm profit after tax	232 056	869	2.83	127 386	477	1.42
Add back depreciation	26 000	97	0.32	29 555	111	0.33
Reverse stock value adjustment	0	0	0.00	0	0	0.00
Off-farm income	17 000	64	0.21	17 000	64	0.19
Discretionary cash	275 056	1 030	3.36	173 941	651	1.93
Applied to:						
Net capital purchases	42 000	157	0.51	30 000	112	0.33
Development	30 000	112	0.37	20 000	75	0.22
Principal repayments	24 991	94	0.31	24 378	91	0.27
Drawings	59 000	221	0.72	60 000	225	0.67
New borrowings	0	0	0.00	0	0	0.00
Introduced funds	0	0	0.00	15 993	60	0.18
Cash surplus/deficit	119 065	446	1.45	55 556	208	0.62
Farm surplus for reinvestment¹	199 056	746	2.43	96 941	363	1.08
Assets and Liabilities						
Farm, forest & building (opening)	3 500 000	13 109	42.74	4 500 000	16 854	50.00
Plant and machinery (opening)	90 000	337	1.10	115 784	434	1.29
Stock valuation (opening)	666 703	2 497	8.14	666 703	2 497	7.41
Dairy company shares	617 211	2 312	7.54	506 313	1 896	5.63
Other farm related investments (opening)	0	0	0.00	0	0	0.00
Total farm assets (opening)	4 873 914	18 254	59.5	5 788 800	21 681	64.32
Total liabilities (opening)	727 707	2 725	8.89	672 716	2 520	7.47
Total equity (assets-liabilities)	4 146 207	15 529	50.63	5 116 084	19 161	56.85

Note

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

TABLE 3: TARANAKI 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	33 000	124	0.40	35 000	131	0.39
Casual wages	3 000	11	0.04	3 000	11	0.03
ACC	891	3	0.01	878	3	0.01
Total labour expenses	36 891	138	0.45	38 878	146	0.43
Animal health	19 000	71	0.23	20 025	75	0.22
Breeding	10 500	39	0.13	10 680	40	0.12
Dairy shed expenses	6 000	22	0.07	6 141	23	0.07
Electricity	10 146	38	0.12	10 680	40	0.12
Feed (hay and silage)	25 800	97	0.32	23 720	89	0.26
Feed (feed crops)	2 400	9	0.03	2 700	10	0.03
Feed (grazing)	26 496	99	0.32	30 330	114	0.34
Feed (other)	30 400	114	0.37	20 200	76	0.22
Fertiliser	43 312	162	0.53	62 462	234	0.69
Lime	650	2	0.01	3 000	11	0.03
Freight (not elsewhere deducted)	2 300	9	0.03	2 500	9	0.03
Regrassing costs	3 000	11	0.04	3 200	12	0.04
Weed and pest control	2 100	8	0.03	2 500	9	0.03
Fuel	6 000	22	0.07	7 000	26	0.08
Vehicle costs (excluding fuel)	10 000	37	0.12	10 000	37	0.11
Repairs and maintenance	27 000	101	0.33	29 000	109	0.32
Total other working expenses	225 104	843	2.75	244 138	914	2.71
Communication costs (phone & mail)	3 000	11	0.04	3 000	11	0.03
Accountancy	3 900	15	0.05	4 500	17	0.05
Legal and consultancy	2 000	7	0.02	2 200	8	0.02
Other administration	850	3	0.01	850	3	0.01
Water charges (irrigation)	0	0	0.00	0	0	0.00
Rates	7 800	29	0.10	8 100	30	0.09
Insurance	5 500	21	0.07	6 000	22	0.07
Other expenditure ¹	7 337	27	0.09	10 060	38	0.11
Total overhead expenses	30 387	114	0.37	34 710	130	0.39
Total farm working expenses	292 382	1 095	3.57	317 726	1 190	3.53
Wages of management	85 000	318	1.04	85 000	318	0.94
Depreciation	26 000	97	0.32	29 555	111	0.33
Total farm operating expenses	403 382	1 511	4.93	432 281	1 619	4.80
Calculated Ratios						
Economic farm surplus (EFS ²)	248 005	929	3.03	174 929	655	1.94
Farm working expenses/NCI ³	45%			52%		
EFS/total farm assets	5.1%			3.0%		
EFS less interest and lease/equity	4.5%			2.2%		
Interest + rent + lease/NCI	9.5%			10.1%		
EFS/NCI	38.1%			28.8%		

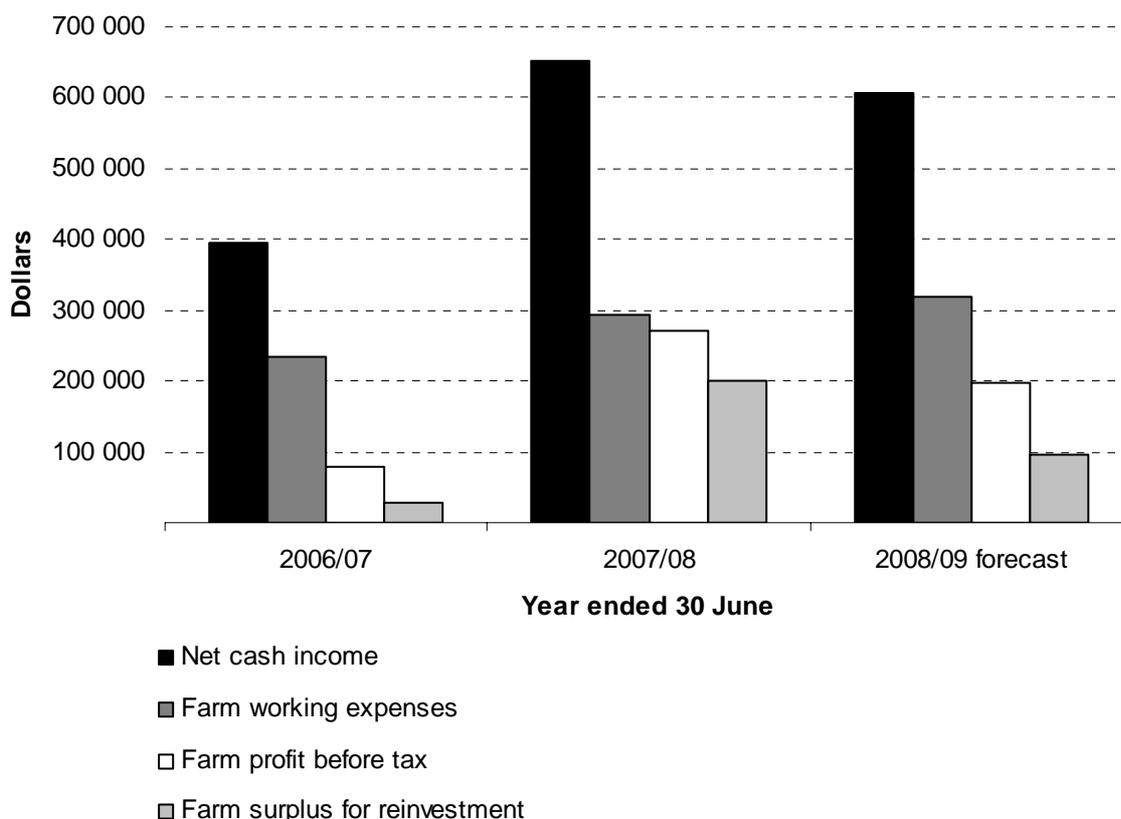
Notes

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.

FIGURE 1: TARANAKI DAIRY MODEL FARM PROFITABILITY TRENDS



INFORMATION ABOUT THE MODEL

The Taranaki dairy model represents approximately 1800 dairy farms in the Taranaki region. The model is based on an owner-operated business with a predominantly cross-bred herd. It does not own a run-off but grazes replacement stock off and buys in 8 to 12 percent of feed used.

The model is created from information drawn from 26 dairy farms and a wide cross section of agribusiness representatives. The aim of the model is to typify an average dairy farm for Taranaki. 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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