

NORTHLAND 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 record payout for the 2007/08 season combined with a 2 percent increase in milksolids production resulted in an 86 percent increase in milksolids income compared with 2006/07.
- › A 27 percent increase in farm working expenses in 2007/08, followed by a further forecast increase of 14 percent in 2008/09 will be of concern to farmers who anticipate the payout coming off its current highs in future years.
- › The net cash income for the model farm was up 74 percent in 2007/08. It is forecast to reduce 11 percent in 2008/09 due to a forecast lower milksolids payout.
- › Higher than expected milksolids payouts will mean effective tax planning is likely to be important in 2008/09, especially for those farmers who did not plan ahead in 2007/08.
- › The widespread drought of 2007/08 had a minimal impact on Northland with only the most southern areas moderately affected.

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

Year ended 30 June	2004/05	2005/06	2006/07 ²	2007/08	2008/09 forecast
Effective area (ha)	108	108	121	121	121
Cows wintered (head)	242	250	278	275	275
Replacement heifers (head)	66	66	66	73	69
Cows milked 15th December (head)	233	237	268	268	268
Stocking rate (cows/ha)	2.2	2.2	2.2	2.2	2.2
Total milksolids (kg)	63 520	64 790	77 816	79 372	80 960
Milksolids per ha (kg/ha)	588	600	643	656	669
Milksolids per cow milked (kg/cow)	273	273	290	296	302
MS advance to end June (\$/kg)	3.95	3.60	3.65	6.62	5.41
MS deferred payment (\$)	0.50	0.64	0.50	0.81	1.00
Net cash income (\$)	312 328	311 489	359 583	626 895	555 914
Farm working expenses (\$)	136 839	127 735	200 464	255 522	292 195
Farm profit before tax(\$)	105 657	92 258	75 678	293 755	182 401
Farm surplus for reinvestment ¹	58 971	29 530	28 005	208 096	61 982

Notes

1 Farm surplus for reinvestment represents the cash available from the farming business, after meeting living costs, which is available for investment on 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*.

TABLE 2: NORTHLAND 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	588 476	2 196	7.41	517 365	1 930	6.39
Cattle	38 519	144	0.49	38 649	144	0.48
Other farm income	1 000	4	0.01	1 000	4	0.01
Less:						
Cattle purchases	1 100	4	0.01	1 100	4	0.01
Net cash income	626 895	2 339	7.90	555 914	2 074	6.87
Farm working expenses	255 522	953	3.22	292 195	1 090	3.61
Cash operating surplus	371 373	1 386	4.68	263 718	984	3.26
Interest	58 986	220	0.74	59 631	223	0.74
Rent and/or leases	0	0	0.00	0	0	0.00
Stock value adjustment	- 4 148	- 15	-0.05	0	0	0.00
Minus depreciation	14 484	54	0.18	21 686	81	0.27
Farm profit before tax	293 755	1 096	3.70	182 401	681	2.25
Taxation	49 290	184	0.62	87 104	325	1.08
Farm profit after tax	244 465	912	3.08	95 296	356	1.18
Add back depreciation	14 484	54	0.18	21 686	81	0.27
Reverse stock value adjustment	4 148	15	0.05	0	0	0.00
Off-farm income	15 000	56	0.19	12 000	45	0.15
Discretionary cash	278 096	1 038	3.50	128 982	481	1.59
Applied to:						
Net capital purchases	62 500	233	0.79	53 669	200	0.66
Development	12 500	47	0.16	12 000	45	0.15
Principal repayments	31 162	116	0.39	28 400	106	0.35
Drawings	55 000	205	0.69	55 000	205	0.68
New borrowings	0	0	0.00	0	0	0.00
Introduced funds	0	0	0.00	0	0	0.00
Cash surplus/deficit	116 935	436	1.47	- 20 087	- 75	-0.25
Farm surplus for reinvestment¹	208 096	776	2.62	61 982	231	0.77
Assets and Liabilities						
Farm, forest and building (opening)	1 751 380	6 535	22.07	1 926 518	7 189	23.80
Plant and machinery (opening)	96 559	360	1.22	144 575	539	1.79
Stock valuation (opening)	650 439	2 427	8.19	646 291	2 412	7.98
Dairy company shares	528 371	1 972	6.66	442 104	1 650	5.46
Other farm related investments	0	0	0.00	0	0	0.00
Total farm assets (opening)	3 026 749	11 294	38.1	3 159 488	11 789	39.03
Total liabilities (opening)	647 620	2 416	8.16	608 270	2 270	7.51
Total equity (assets-liabilities)	2 379 129	8 877	29.97	2 551 218	9 519	31.51

Note

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

TABLE 3: NORTHLAND 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	0	0	0.00	0	0	0.00
Casual wages	15 000	56	0.19	20 000	75	0.25
ACC	270	1	0.00	357	1	0.00
Total labour expenses	15 270	57	0.19	20 357	76	0.25
Animal health	16 500	62	0.21	20 000	75	0.25
Breeding	9 112	34	0.11	9 500	35	0.12
Dairy shed expenses	7 504	28	0.09	7 800	29	0.10
Electricity	11 256	42	0.14	13 507	50	0.17
Feed (hay and silage)	10 800	40	0.14	13 400	50	0.17
Feed (feed crops)	6 000	22	0.08	7 000	26	0.09
Feed (grazing)	14 820	55	0.19	18 460	69	0.23
Feed (other)	15 275	57	0.19	16 580	62	0.20
Fertiliser	41 000	153	0.52	57 280	214	0.71
Lime	3 950	15	0.05	4 300	16	0.05
Freight (not elsewhere deducted)	2 144	8	0.03	2 400	9	0.03
Regrassing costs	4 824	18	0.06	3 800	14	0.05
Weed and pest control	4 288	16	0.05	4 200	16	0.05
Fuel	12 864	48	0.16	15 437	58	0.19
Vehicle costs (excluding fuel)	13 400	50	0.17	12 000	45	0.15
Repairs and maintenance	35 000	131	0.44	30 000	112	0.37
Total other working expenses	208 737	779	2.63	235 664	879	2.91
Communication costs (phone & mail)	2 948	11	0.04	2 950	11	0.04
Accountancy	3 886	15	0.05	4 300	16	0.05
Legal and consultancy	2 680	10	0.03	2 680	10	0.03
Other administration	2 144	8	0.03	1 400	5	0.02
Water charges (irrigation)	0	0	0.00	0	0	0.00
Rates	5 896	22	0.07	6 190	23	0.08
Insurance	5 896	22	0.07	6 000	22	0.07
Other expenditure ¹	8 065	30	0.10	12 654	47	0.16
Total overhead expenses	31 515	118	0.40	36 174	135	0.45
Total farm working expenses	255 522	953	3.22	292 195	1 090	3.61
Wages of management	68 267	255	0.86	69 595	260	0.86
Depreciation	14 484	54	0.18	21 686	81	0.27
Total farm operating expenses	338 273	1 262	4.26	383 477	1 431	4.74
Calculated Ratios						
Economic farm surplus (EFS ²)	284 473	1 061	3.58	172 437	643	2.13
Farm working expenses/NCI ³	41%			53%		
EFS/total farm assets	9.4%			5.5%		
EFS less interest and lease/equity	9.5%			4.4%		
Interest + rent + lease/NCI	9.4%			10.7%		
EFS/NCI	45.4%			31.0%		

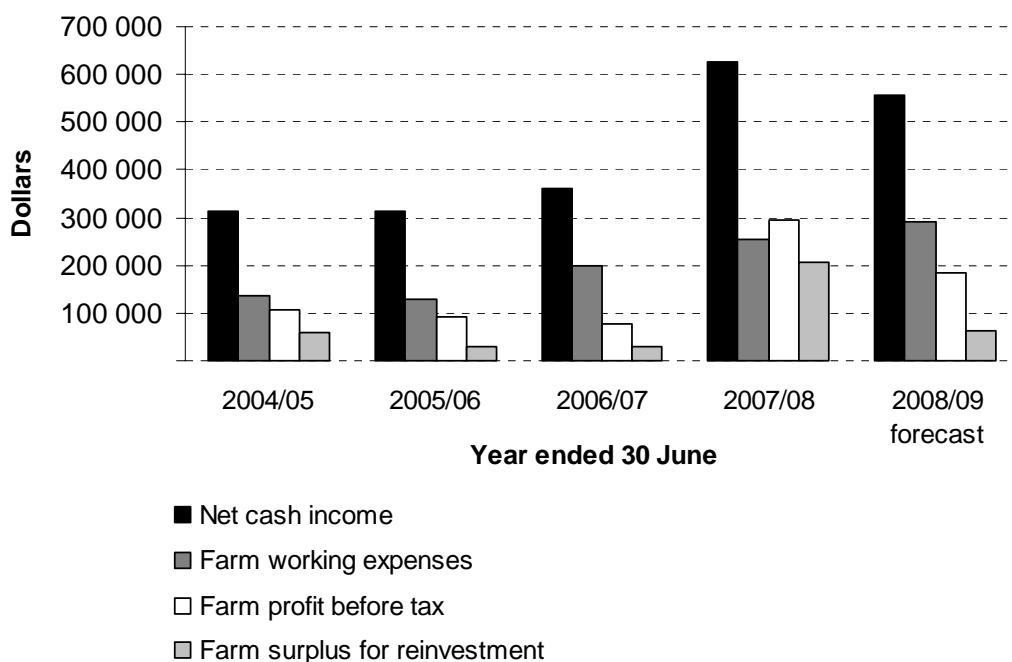
Notes

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: NORTHLAND DAIRY MODEL FARM PROFITABILITY TRENDS



INFORMATION ABOUT THE MODEL

The Northland model represents about 1200 spring calving dairy herds north of Auckland city.

The model is created from information drawn from 25 dairy farms and a wide cross section of agribusiness representatives. The aim of the model is to typify an average dairy farm for Northland. 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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