

2008 PASTORAL MONITORING EARLY RELEASE

CANTERBURY 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

- › Despite the dry weather, per cow milksolids production lifted 5 percent in 2007/08 due to increased supplementary feeding throughout the season.
- › Increased production coupled with the high payout, resulted in net cash income increasing by 88 percent for the 2007/08 year.
- › Farm working expenditure increased 30 percent due to feed, labour, fertiliser and energy cost increases.
- › Farm surplus for reinvestment increased dramatically to \$586 000, from the \$38 000 deficit in 2006/07.
- › Outlook for 2008/09 is a reduction in cash surplus to \$74 000 due to reduced payout and higher costs.
- › Interest in expanding dairying in Canterbury is high.

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

Year ended 30 June	2004/05	2005/06	2006/07	2007/08	2008/09 forecast
Effective area (ha)	195	195	203	210	210
Cows wintered (head)	637	647	700	720	733
Replacement heifers (head)	155	162	170	180	183
Cows milked 15th December (head)	613	621	682	691	705
Stocking rate (cows/ha)	3.1	3.2	3.4	3.3	3.4
Total milksolids (kg)	237 700	246 500	268 700	286 000	299 000
Milksolids per ha (kg/ha)	1 219	1 264	1 324	1 362	1 424
Milksolids per cow milked (kg/cow)	388	397	394	414	424
MS advance to end June (\$/kg)	3.95	3.60	3.62	6.60	5.38
MS deferred payment (\$)	0.45	0.64	0.50	0.81	1.02
Net cash income (\$)	1 127 000	1 130 400	1 187 065	2 234 002	2 018 510
Farm working expenses (\$)	660 600	697 436	805 529	1 051 058	1 142 719
Farm profit before tax(\$)	286 400	249 513	99 079	873 044	506 001
Farm surplus for reinvestment ¹	151 809	73 157	- 37 906	585 731	281 994

Note

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



TABLE 2: CANTERBURY 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	2 105 253	3 047	7.36	1 900 340	2 696	6.36
Cattle	124 349	180	0.43	113 950	162	0.38
Other farm income	11 000	16	0.04	11 000	16	0.04
Less:						
Cattle purchases	6 600	10	0.02	6 780	10	0.02
Net cash income	2 234 002	3 233	7.81	2 018 510	2 863	6.75
Farm working expenses	1 051 058	1 521	3.68	1 142 719	1 621	3.82
Cash operating surplus	1 182 945	1 712	4.14	875 791	1 242	2.93
Interest	283 620	410	0.99	330 770	469	1.11
Rent and/or leases	0	0	0.00	0	0	0.00
Stock value adjustment	30 179	44	0.11	21 721	31	0.07
Minus depreciation	56 460	82	0.20	60 741	86	0.20
Farm profit before tax	873 044	1 263	3.05	506 001	718	1.69
Taxation	238 593	345	0.83	183 027	260	0.61
Farm profit after tax	634 450	918	2.22	322 974	458	1.08
Add back depreciation	56 460	82	0.20	60 741	86	0.20
Reverse stock value adjustment	- 30 179	- 44	-0.11	- 21 721	- 31	-0.07
Off-farm income	0	0	0.00	0	0	0.00
Discretionary cash	660 731	956	2.31	361 994	513	1.21
Applied to:						
Net capital purchases	132 938	192	0.46	43 000	61	0.14
Development	120 000	174	0.42	135 000	191	0.45
Principal repayments	21 000	30	0.07	30 000	43	0.10
Drawings	75 000	109	0.26	80 000	113	0.27
New borrowings	0	0	0.00	0	0	0.00
Introduced funds	0	0	0.00	0	0	0.00
Cash surplus/deficit	311 793	451	1.09	73 994	105	0.25
Farm surplus for reinvestment¹	585 731	848	2.05	281 994	400	0.94
Assets and Liabilities						
Farm, forest and building (opening)	5 542 000	8 020	19.38	8 070 000	11 447	26.99
Plant and machinery (opening)	176 400	255	0.62	209 940	298	0.70
Stock valuation (opening)	1 701 672	2 463	5.95	1 731 851	2 457	5.79
Dairy company shares	1 824 527	2 640	6.38	1 593 020	2 260	5.33
Other farm related investments (opening)	0	0	0.00	0	0	0.00
Total farm assets (opening)	9 244 599	13 379	32.3	11 604 811	16 461	38.81
Total liabilities (opening)	3 260 000	4 718	11.40	3 410 000	4 837	11.40
Total equity (assets-liabilities)	5 984 599	8 661	20.93	8 194 811	11 624	27.41

Note

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

TABLE 3: CANTERBURY DAIRY MODEL EXPENDITURE

	2007/08			2008/09 forecast		
	Whole farm (\$)	Per cow (\$)	Per kg of milk solids (\$)	Whole farm (\$)	Per cow (\$)	Per kg of milk solids (\$)
Farm working expenses						
Permanent wages	174 460	252	0.61	179 400	254	0.60
Casual wages	0	0	0.00	0	0	0.00
ACC	3 425	5	0.01	4 152	6	0.01
Total labour expenses	177 885	257	0.62	183 552	260	0.61
Animal health	54 340	79	0.19	53 820	76	0.18
Breeding	28 600	41	0.10	23 920	34	0.08
Dairy shed expenses	14 300	21	0.05	11 960	17	0.04
Electricity	74 360	108	0.26	80 730	115	0.27
Feed (hay and silage)	128 700	186	0.45	119 600	170	0.40
Feed (feed crops)	0	0	0.00	0	0	0.00
Feed (grazing)	125 840	182	0.44	140 530	199	0.47
Feed (other)	91 520	132	0.32	101 660	144	0.34
Fertiliser	115 000	166	0.40	191 300	271	0.64
Lime	2 860	4	0.01	4 186	6	0.01
Freight (not elsewhere deducted)	11 440	17	0.04	8 970	13	0.03
Regrassing costs	14 300	21	0.05	14 950	21	0.05
Weed and pest control	5 720	8	0.02	5 980	8	0.02
Fuel	20 020	29	0.07	26 910	38	0.09
Vehicle costs (excluding fuel)	22 880	33	0.08	24 518	35	0.08
Repairs and maintenance	94 380	137	0.33	74 750	106	0.25
Total other working expenses	804 260	1 164	2.81	883 784	1 254	2.96
Communication costs (phone and mail)	5 720	8	0.02	5 382	8	0.02
Accountancy	3 432	5	0.01	3 887	6	0.01
Legal and consultancy	2 860	4	0.01	2 691	4	0.01
Other administration	8 580	12	0.03	8 970	13	0.03
Water charges (irrigation)	8 580	12	0.03	9 269	13	0.03
Rates	12 870	19	0.05	13 156	19	0.04
Insurance	11 440	17	0.04	11 960	17	0.04
Other expenditure ¹	15 431	22	0.05	20 068	28	0.07
Total overhead expenses	68 913	100	0.24	75 383	107	0.25
Total farm working expenses	1 051 058	1 521	3.68	1 142 719	1 621	3.82
Wages of management	85 000	123	0.30	85 000	121	0.28
Depreciation	56 460	82	0.20	60 741	86	0.20
Total farm operating expenses	1 192 518	1 726	4.17	1 288 460	1 828	4.31
Calculated Ratios						
Economic farm surplus (EFS ²)	1 071 664	1 551	3.75	751 771	1 066	2.51
Farm working expenses/NCI ³	47%			57%		
EFS/total farm assets	11.6%			6.5%		
EFS less interest and lease/equity	13.2%			5.1%		
Interest + rent + lease/NCI	12.7%			16.4%		
EFS/NCI	48.0%			37.2%		

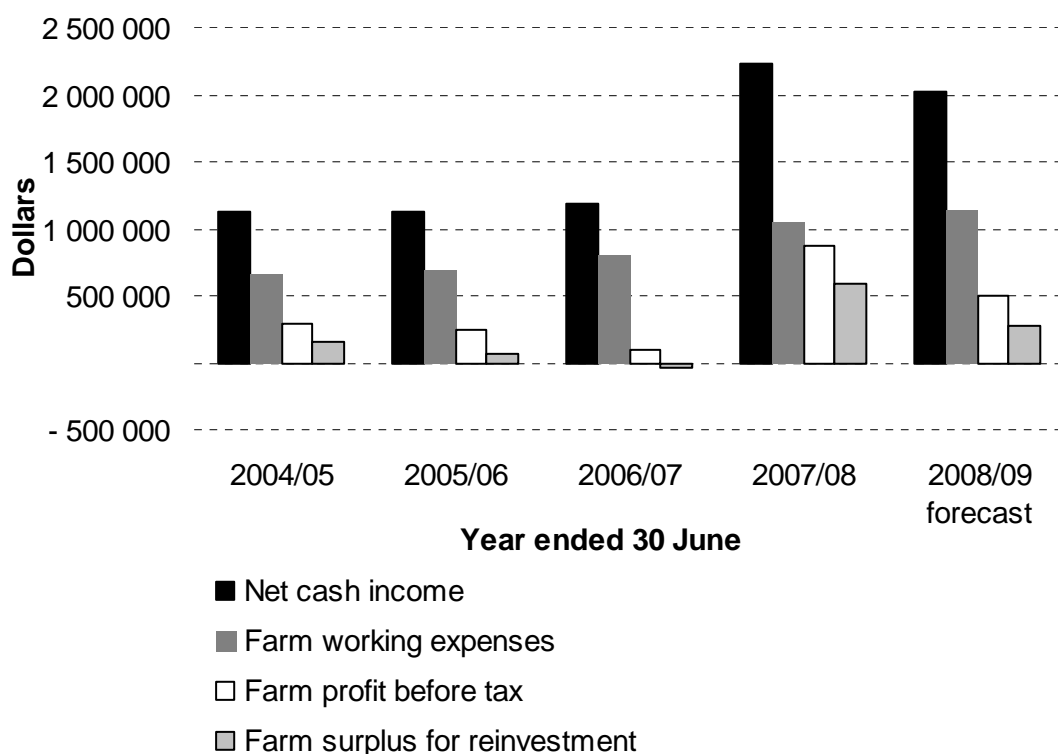
Notes

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: CANTERBURY DAIRY MODEL FARM PROFITABILITY TRENDS



INFORMATION ABOUT THE MODEL

The model represents approximately 770 dairy farms throughout Canterbury and North Otago. It represents a farm that has a mix of spray and border irrigation, and does not own a run-off. All off-farm winter grazing costs are included as feed costs.

The model is created from information drawn from 30 dairy farms and a wide cross section of agribusiness representatives. The aim of the model is to typify an average dairy farm for Canterbury. 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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