

SOUTH ISLAND DEER

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

KEY POINTS

- › Over the season, the venison price tracked between 13 to 38 percent higher than 2006/07 schedule prices.
- › Farmer confidence in venison has lifted due to early announcements of higher spring contracts in 2008/09 and subsequent strength in the traditional frozen supply.
- › Velvet price in 2007/08 was down 21 percent on 2006/07.
- › The dry conditions throughout the South Island in 2007/08 particularly affected the time it took to get stock to killable weights. The lack of pasture cover and supplementary feeds during autumn 2008 will also have consequences in the 2008/09 season mainly in reproductive rates.
- › Net cash income increased by 24 percent to \$228 000 (\$80 per stock unit) in 2007/08. This was the second consecutive year of net cash income improvement and was due to higher and more sustained venison prices throughout the season.
- › The farm surplus for reinvestment increased to \$28 000, up 158 percent on 2006/07.
- › Equity increased 96 percent to \$4.5 million in the year to July 2008 due to the demand for land suitable for dairy conversion or dairy support.

TABLE 1: KEY PARAMETERS, FINANCIAL RESULTS AND FORECAST FOR THE SOUTH ISLAND DEER MODEL

Year ended 30 June	2004/05	2005/06	2006/07	2007/08	2008/09 forecast
Effective area (ha)	180	180	180	180	180
Opening deer stock units	2 832	2 860	2 752	2 848	2 748
Mixed age breeding hinds (head)	540	540	540	563	568
Rising 2-year hinds (head)	130	130	100	100	82
Rising 1-year hinds and stags (head)	560	552	564	538	514
Rising 2-year stags (head)	60	65	50	81	78
Rising 3-year plus stags (head)	105	95	104	119	109
Stocking rate (stock units/ha)	15.7	15.9	15.3	15.8	15.3
Fawning ¹ Farm average (%)	84	84	84	86	85
Velvet					
Average Price (\$/kg)	42	42	95	75	78
Farm average (kg/stag)	3.1	3.0	3.4	3.7	3.7
Carcass weights					
2-year-old stags (kg)	65	65	65	65	65
Yearling stags (kg)	55	56	55	55	55
Income					
Net cash income (\$)	143 681	142 508	183 216	227 602	234 245
Farm working expenses (\$)	95 901	78 230	92 254	109 172	116 902
Farm profit before tax (\$)	7 834	12 500	51 088	53 222	63 697
Farm surplus for reinvestment ² (\$)	- 31 278	- 15 104	10 952	28 258	26 881

Notes

¹ Fawning percentage is live calves available for sale as a percentage of hinds mated.

² 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.

TABLE 2: SOUTH ISLAND DEER MODEL BUDGET

	2007/08			2008/09 forecast		
	Whole farm (\$)	Per ha (\$)	Per deer stock unit (\$)	Whole farm (\$)	Per ha (\$)	Per deer stock unit (\$)
Revenue						
Deer sales	186 421	1 036	65.46	189 892	1 055	69.10
Velvet (per stag stock unit)	39 281	218	39.26	40 853	227	43.08
Other farm income	6 900	38	2.42	8 500	47	3.09
Less:						
Deer purchases	5 000	28	1.76	5 000	28	1.82
Net cash income	227 602	1 264	79.92	234 245	1 301	85.24
Farm working expenses	109 172	607	38.34	116 902	649	42.54
Cash operating surplus	118 430	658	41.59	117 342	652	42.70
Interest	41 021	228	14.40	41 423	230	15.07
Rent and/or leases	0	0	0.00	0	0	0.00
Stock value adjustment	- 13 282	- 74	-4.66	- 1 622	- 9	- 0.59
Minus depreciation	10 905	61	3.83	10 600	59	3.86
Farm profit before tax	53 222	296	18.69	63 697	354	23.18
Taxation	9 627	53	3.38	7 038	39	2.56
Farm profit after tax	43 595	242	15.31	56 659	315	20.62
Add back depreciation	10 905	61	3.83	10 600	59	3.86
Reverse stock value adjustment	13 282	74	4.66	1 622	9	0.59
Off-farm income	20 600	114	7.23	23 000	128	8.37
Discretionary cash	88 382	491	31.04	91 881	510	33.44
Applied to:						
Net capital purchases	1 500	8	0.53	600	3	0.22
Development	1 200	7	0.42	1 200	7	0.44
Principal repayments	0	0	0.00	0	0	0.00
Drawings	39 524	220	13.88	42 000	233	15.28
New borrowings	0	0	0.00	0	0	0.00
Introduced funds	0	0	0.00	0	0	0.00
Cash surplus/deficit	46 158	256	16.21	48 081	267	17.50
Farm surplus for reinvestment¹	28 258	157	9.92	26 881	149	9.78
Assets and Liabilities						
Farm, forest and building (opening)	2 250 000	12 500	790.11	4 500 000	25 000	1 637.55
Plant and machinery (opening)	107 036	595	37.59	97 631	542	35.53
Stock valuation (opening)	420 049	2 334	147.50	406 767	2 260	148.02
Other farm related investments (opening)	0	0	0.00	0	0	0.00
Total farm assets (opening)	2 777 085	15 428	975.20	5 004 398	27 802	1 821.11
Total liabilities (opening)	467 000	2 594	163.99	467 000	2 594	169.94
Total equity (assets-liabilities)	2 310 085	12 834	811.21	4 537 398	25 208	1 651.16

Note

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

TABLE 3: SOUTH ISLAND DEER MODEL EXPENDITURE

	2007/08			2008/09 forecast		
	Whole farm (\$)	Per ha (\$)	Per deer stock unit (\$)	Whole farm (\$)	Per ha (\$)	Per deer stock unit (\$)
Farm working expenses						
Permanent wages	0	0	0.00	0	0	0.00
Casual wages	3 417	19	1.20	3 400	19	1.24
ACC	68	0	0.02	81	0	0.03
Total labour expenses	3 485	19	1.22	3 481	19	1.27
Animal health	7 205	40	2.53	6 952	39	2.53
Breeding	570	3	0.20	1 924	11	0.70
Electricity	5 325	30	1.87	5 950	33	2.17
Feed (hay and silage)	11 191	62	3.93	12 478	69	4.54
Feed (feed crops)	3 780	21	1.33	3 900	22	1.42
Feed (grazing)	0	0	0.00	0	0	0.00
Feed (other)	5 488	30	1.93	4 251	24	1.55
Fertiliser	15 126	84	5.31	19 724	110	7.18
Lime	3 381	19	1.19	2 280	13	0.83
Freight (not elsewhere deducted)	1 902	11	0.67	2 402	13	0.87
Regrassing costs	2 715	15	0.95	2 700	15	0.98
Weed and pest control	3 018	17	1.06	2 800	16	1.02
Fuel	10 125	56	3.56	13 125	73	4.78
Vehicle costs (excluding fuel)	7 543	42	2.65	7 600	42	2.77
Repairs and maintenance	3 750	21	1.32	7 700	43	2.80
Total other working expenses	81 119	451	28.49	93 786	521	34.13
Communication costs (phone and mail)	2 094	12	0.74	2 100	12	0.76
Accountancy	2 379	13	0.84	2 400	13	0.87
Legal and consultancy	2 088	12	0.73	2 200	12	0.80
Other administration	1 018	6	0.36	1 000	6	0.36
Rates	4 591	26	1.61	4 700	26	1.71
Insurance	4 505	25	1.58	4 595	26	1.67
Water charges (irrigation)	0	0	0.00	0	0	0.00
Other expenditure ¹	7 893	44	2.77	2 640	15	0.96
Total overhead expenses	24 568	136	8.63	19 635	109	7.15
Total farm working expenses	109 172	607	38.34	116 902	649	42.54
Wages of management	58 771	327	20.64	75 000	417	27.29
Depreciation	10 905	61	3.83	10 600	59	3.86
Total farm operating expenses	178 848	994	62.80	202 502	1 125	71.11
Calculated Ratios						
Economic farm surplus (EFS ²)	94 243	524	33.09	105 120	584	38.25
Farm working expenses/NCI ³	48%			50%		
EFS/total farm assets	3.4%			2.1%		
EFS less interest and lease/equity	2.3%			1.4%		
Interest + rent + lease/NCI	18.0%			17.7%		
EFS/NCI	41.4%			44.9%		

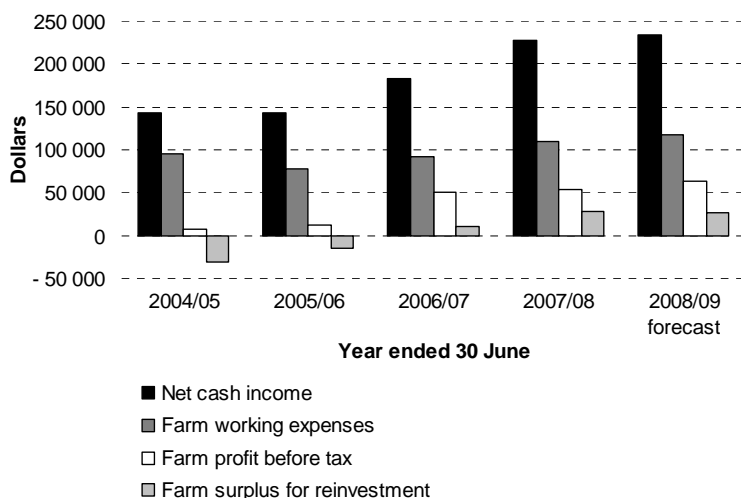
Notes

1 Includes 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: \$31 000 allowance for labour input plus 1% of opening total farm assets to a maximum of \$75 000.

3 Net cash income.

FIGURE 1: SOUTH ISLAND DEER MODEL FARM PROFITABILITY TRENDS



INFORMATION ABOUT THE MODEL

Deer farms are commonly of two main types – deer units within a mixed livestock system, and stand-alone deer farms. The majority of deer in New Zealand are farmed on deer units and they are generally smaller than stand-alone deer farms. The deer farm models in MAF’s Pastoral Monitoring Reports are based on stand-alone deer farms and therefore represent an important but minority group within the deer sector (estimated at 27 percent of deer farmers (Deer Industry New Zealand 2007)). Comparing the sector using a stand-alone deer farm is important for tracking the deer sector’s progress and to better understand developments occurring in this sector.

The South Island deer model represents a family-run stand-alone deer farm in Southland and South Otago. The model is based on running predominantly red hinds in the breeding herd, with hybrids used as terminal sires. The hind herd is characterised by a blending of red deer from the United Kingdom and Eastern Europe. Progeny from the breeding hinds which are not required as replacements in the breeding or velvet herds are sold for slaughter between 10 and 18 months of age, with final culling of replacements at 20 months.

The model is created from information drawn from 20 deer farms and a wide cross section of agribusiness representatives. The aim of the model is to typify an average stand-alone deer farm for the southern South Island. Budget figures are averaged from the contributing properties and adjusted to represent a real deer farm. Income figures include off-farm income, new borrowing, and other cash income.

For more information on the model contact: Trish.Burborough@maf.govt.nz

Published by:

MAF Policy
 Ministry of Agriculture and Forestry
 Pastoral House
 25 The Terrace
 PO Box 2526
 Wellington 6140
 New Zealand
 Tel: 64 4 894 0100
 Fax: 64 4 894 0720
 Web: www.maf.govt.nz

© Crown copyright – Ministry of Agriculture and Forestry 2008

The information in this report by the Ministry of Agriculture and Forestry is based on the best information available to the Ministry at the time it was drawn up and all due care was exercised in its preparation. As it is not possible to foresee all uses of this information or to predict all future developments and trends, any subsequent action that relies on the accuracy of the information in this report is the sole commercial decision of the user and is taken at his/her own risk. Accordingly, the Ministry of Agriculture and Forestry disclaims any liability whatsoever for any losses or damages arising out of the use of this information, or in respect of any actions taken.