

**BoP Owner Low input
2019-20 Season numbers at a glance**

KPI's	Budget	Actual
Milk Production (kgMS/ha)	1,344	1,423
Milk Production (kgMS/cow)	373	406
Net Dairy Cash Income (\$/kgMS)	\$6.22	\$6.89
Total Farm Working Expenses (\$/kgMS)	\$2.38	\$2.67
Cash Operating Surplus/Deficit (\$/kgMS)	\$3.84	\$4.22
Gross Farm Revenue (\$/kgMS)	\$6.22	\$7.15
Operating Expenses (\$/kgMS)	\$2.91	\$3.17
Operating Profit (\$/ha)	\$4,452	\$5,676

* These KPI's are based on cash book actuals to the 31/5/2020 and estimated non-cash adjustments. The final financial performance based on financial statements may differ

Comments

The 2019-20 season saw pasture species, quality and growth rates for the farm finally returning to similar pre 2017 flood levels.

Production was up 6% on budget, (12,600 kg MS), despite a drier than usual summer and early autumn.

The operating profit estimated for the season is \$5,676 per ha which is nearly 30% up on budget. The main reason for the variance is the higher milk solids produced and a milk price received of \$6.88 which was \$1.11 higher than budget.

Farm working expenses for the season were \$2.67 per kg MS was 13% up on budget and operating expenses finished at \$3.17 per kg MS. Many of the cost categories were up on budget the largest variances were from higher wages, animal health, herd improvement and feed and winter grazing.

A good winter and spring saw the season get off to a great start. The milking platform was not impacted too much from the drier than average late summer and autumn as it is very low lying and has a relatively high water table.

The majority of culls went about 1 month earlier than usual from mid-March and an additional 30 t PKE was fed to the milking herd during the autumn. The herd was dried off on May 8th.

Nitrogen applied for the season was on budget at about 70 kg N per ha.

Target pasture cover of 2,500 kg DM per ha and cow body condition score of 4.9 was met by planned start of calving.

Other points of interest

As a result of a review of the herd genetic merit early in the season a line of 89 high BW weaners were purchased and an additional 50 R 2 heifers were purchased in the autumn. The extra stock on hand had an impact on animal health, feed and winter grazing costs.

Peak cow numbers were 16 less than budget as there were more empty cows in the spring than expected as no pregnancy testing had been done the previous summer. Pregnancy testing was done in early 2020 so this added to the animal health costs.

Breeding and herd testing costs were up as bulls were leased instead of purchased. More selective mating of A 2 cows to A 2 bulls was also done as part of a plan to move to a completely A 2 herd, plus the price of semen was \$3-4 per straw higher than the original budget which was done in April 2019.

Winter grazing costs were up as more R 2 heifers were grazed off and the grazing prices were higher than budgeted.

Dock are becoming a significant problem on the support blocks so a weed control programme for docks has been added to the farm plan - this costs about \$6,000 per year.

2019-20 was not a good year for vehicles with a \$12,000 repair bill for one tractor pushing vehicle costs over budget.

Annual Cash Budget

Name: **BoP Owner Low input** Budget Period **1 / 6 / 2019** to **31 / 5 / 2020**

Farm Details: **227620 kgMS** **560 cows** **160.0 ha** **406 kgMS/cow** **1423 kgMS/ha** **3.50 cows/ha**

Income		\$ Total	\$/kgMS	\$/cow	\$/ha
Net Milk Income	Share of milk cheque received 100%				
Milk Solids advance	kgMS x \$ /kgMS	\$1,566,966	\$6.88	\$2,798	\$9,794
Milk Solids retrospective	kgMS x \$ /kgMS		\$0.00	\$0	\$0
Milk Solids dividend	shares x \$ /share		\$0.00	\$0	\$0
DairyNZ levy	enter as negative number		\$0.00	\$0	\$0
Net Dairy livestock sales (calves + culls + other - purchases)		-\$14,019	-\$0.06	-\$25	-\$88
Other dairy income e.g. farm cottage rent, trading rebates, small amounts of contracting		\$15,614	\$0.07	\$28	\$98
Net Dairy Cash Income		\$1,568,561	\$6.89	\$2,801	\$9,804
Expenses		\$ Total	\$/kgMS	\$/cow	\$/ha
Wages		\$142,127	\$0.62	\$254	\$888
Animal health		\$36,022	\$0.16	\$64	\$225
Breeding and herd improvement		\$31,731	\$0.14	\$57	\$198
Farm dairy		\$14,626	\$0.06	\$26	\$91
Electricity (farm dairy, water supply)		\$15,414	\$0.07	\$28	\$96
Supplements made (incl. Contractors)		\$15,651	\$0.07	\$28	\$98
Supplements purchased		\$33,907	\$0.15	\$61	\$212
Calf rearing		\$2,000	\$0.01	\$4	\$13
Young and dry stock grazing		\$4,997	\$0.02	\$9	\$31
Winter cow grazing		\$39,556	\$0.17	\$71	\$247
Run-off lease		\$4,000	\$0.02	\$7	\$25
Fertiliser (incl. N)		\$62,174	\$0.27	\$111	\$389
Irrigation			\$0.00	\$0	\$0
Regrassing and cropping		\$4,562	\$0.02	\$8	\$29
Weed and pest		\$8,527	\$0.04	\$15	\$53
Vehicles and fuel		\$32,618	\$0.14	\$58	\$204
R&M (land, buildings, plant, machinery)		\$46,239	\$0.20	\$83	\$289
Freight and general farm expenses		\$4,422	\$0.02	\$8	\$28
Administration e.g. accountant, consultant, phone		\$18,226	\$0.08	\$33	\$114
Insurance		\$4,414	\$0.02	\$8	\$28
ACC		\$388	\$0.00	\$1	\$2
Rates		\$85,626	\$0.38	\$153	\$535
Total Farm Working Expenses		\$607,227	\$2.67	\$1,084	\$3,795
Cash Surplus / Deficit		\$961,334	\$4.22	\$1,717	\$6,008
Non Cash adjustments					
Value of change in livestock numbers		\$60,000	\$0.26	\$107	\$375
Labour adjustment		\$58,000	\$0.25	\$104	\$363
Less Feed inventory Adjustment		\$15,000	\$0.07	\$27	\$94
Owned support block adjustment		\$35,250	\$0.15	\$63	\$220
Depreciation		\$35,000	\$0.15	\$63	\$219
Dairy Gross Farm Revenue		\$1,628,561	\$7.15	\$2,908	\$10,179
Dairy Operating Expenses		\$720,477	\$3.17	\$1,287	\$4,503
Dairy Operating Profit		\$908,084	\$3.99	\$1,622	\$5,676

Annual Cash Budget

Name: BoP Owner Low input		Budget Period 1 / 6 / 2019 to 31 / 5 / 2020				
Farm Details:						
Budget	215,000 kgMS	576 Cows	160.0 ha	373 kgMS/cow	1344 kgMS/ha	3.60 cows/ha
Farm Details: Actual						
	227,620 kgMS	560 cows	160.0 ha	406 kgMS/cow	1423 kgMS/ha	3.50 cows/ha
Variance (Actual less Budget)						
	12,620 kgMS	-16 cows	ha	33 kgMS/cow	79 kgMS/ha	-0.10 cows/ha
Income		Budget		Actual		Variance
Net Milk Sales		\$1,240,305		\$1,566,966		\$326,661
Net Dairy livestock sales (calves + culls + other - purchases)		\$80,200		-\$14,019		-\$94,219
Other dairy cash income		\$16,740		\$15,614		-\$1,126
Net Dairy Cash Income		\$1,337,245		\$1,568,561		\$231,316
Expenses		Budget		Actual		Variance
Wages		\$114,000		\$142,127		\$28,127
Animal health		\$27,000		\$36,022		\$9,022
Breeding and herd improvement		\$20,400		\$31,731		\$11,331
Farm dairy		\$10,070		\$14,626		\$4,556
Electricity (farm dairy, water supply)		\$17,600		\$15,414		-\$2,186
Supplements made (incl. Contractors)		\$20,000		\$15,651		-\$4,349
Supplements purchased		\$24,300		\$33,907		\$9,607
Calf rearing		\$2,000		\$2,000		
Young and dry stock grazing		\$6,000		\$4,997		-\$1,003
Winter cow grazing		\$24,770		\$39,556		\$14,786
Run-off lease		\$5,000		\$4,000		-\$1,000
Fertiliser (incl. N)		\$61,890		\$62,174		\$284
Irrigation						
Regrassing and cropping		\$10,330		\$4,562		-\$5,768
Weed and pest		\$1,730		\$8,527		\$6,797
Vehicles and fuel		\$28,050		\$32,618		\$4,568
R&M (land, buildings, plant, machinery)		\$41,330		\$46,239		\$4,909
Freight and general farm expenses		\$5,150		\$4,422		-\$728
Administration e.g. accountant, consultant, phone		\$17,700		\$18,226		\$526
Insurance		\$5,050		\$4,414		-\$636
ACC		\$6,680		\$388		-\$6,292
Rates		\$62,630		\$85,626		\$22,996
Other farm working expenses (not included in any of the above)						
Total Farm Working Expenses		\$511,680		\$607,227		\$95,547
Cash Operating Surplus / Deficit		\$825,565		961,334		\$135,769
Non Cash Adjustments		Budget		Actual		Variance
Value of change in livestock numbers				60,000		60,000
Labour adjustment		\$58,000		58,000		
Less Feed inventory Adjustment				15,000		15,000
Owned support block adjustment		\$35,250		35,250		
Depreciation		\$20,000		35,000		15,000
Dairy Gross Farm Revenue		\$1,337,245		\$1,628,561		\$291,316
Dairy Operating Expenses		\$624,930		\$720,477		\$95,547
Dairy Operating Profit		\$712,315		\$908,084		\$195,769
Dairy Operating Profit/ha		\$4,452		\$5,676		\$1,224

Commentary re variance

	Actual to Budget Variance	
Milksolids	12,620	Production was well up despite a drier than usual summer and early autumn. Pasture species, quality and growth rates are finally returning to similar pre 2017 flood levels.
Cows	-16	Peak numbers were down as had more empties than expected in the spring, (result of no PD the previous autumn).
Hectares	0	
Net Milk Income	326661	Milk price received of \$6.88 was well above the budgeted \$5.77. The higher milk price and the 12,620 increase in milksolids production has resulted in a significant increase in milk income.
Net Dairy livestock sales (calves + culls + other - purchases)	-94219	Bought a line of high BW 89 weaners in late spring to increase the average genetic merit of heifers entering the herd in 2021-22, plus purchased an additional 50 R 2 in calf heifers this autumn as have increased the culling pressure on MA cows. Neither of these purchases had been budgeted for. The value of the increase in number of livestock on hand is \$60,000 which offsets some of these purchases.
Other dairy income	-1126	

Net Dairy Cash Income

231316

Expenses

Wages	28127	Employed additional relief staff as owners were working off farm developing Kiwifruit orchard. Owners unpaid labour is reduced so total labour cost to the business is slightly under budget. Staff have also received pay rises to reflect increased experience, responsibility and performance.
Animal health	9022	Part of the increase is due to an additional \$3,000 spent on pregnancy testing and \$3,000 on teat seal at the end of the season, so there is an element of forward purchasing.
Breeding and herd improvement	11331	Leased bulls instead of purchasing them so \$7,800 added to breeding. Did more selective mating - A2 cows to A2 bulls as plan to move to a completely A2 herd. Straw prices increased and were \$3-4 higher overall compared with budget.
Farm dairy	4556	Replace the jetter washing equipment which added over \$3,000 to dairy costs - this won't need doing now for 3-4 years at least.
Electricity (farm dairy, water supply)	-2186	
Supplements made (incl. Contractors)	-4349	Budget had been based on the previous year which had a lot of supplement made.
Supplements purchased	9607	Fed an additional 30 t more PKE than budgeted due to the drier summer/autumn.
Calf rearing	0	
Young and dry stock grazing	-1003	
Winter cow grazing	14786	Had more R 2 heifers away at grazing than budgeted plus the price was higher than the budget.
Run-off lease	-1000	

Fertiliser (incl. N)	284	
Irrigation	0	
Regrassing and cropping	-5768	Budget was too high - had not removed the flood effect from the previous year. There was very little damage during the winter/spring so pasture renovation was low for the 2020 autumn. Plus it was too dry for quite some time so conditions weren't suited for regrassing. Only renovated 5 ha on the support block that had deteriorated due to the drought.
Weed and pest	6797	Docks are becoming a significant problem on the support blocks so a weed control programme for docks has been added to the farm plan - this costs about \$6,000 per year.
Vehicles and fuel	4568	Had a \$12000 repair bill for little towing tractor which was not budgeted for.
R&M (land, buildings, plant, machinery)	4909	Undertook more renovations on housing that was not budgeted for.
Freight and general farm expenses	-728	
Administration e.g. accountant, consultant, phone	526	
Insurance	-636	
ACC	-6292	
Rates	22996	Under budgeted as had not taken into account the regions increase to rates to cover repairs and improvements to flood control in the area after the 2017 floods.

Total Farm Working Expenses	95547	
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Non Cash adjustments

Value of change in livestock numbers	60000	Finished the season with 68 more R 1 heifers, 23 more R 2 heifers and 12 fewer MA cows compared with opening stock numbers. Values used are the IRD NAMV for 2020
Labour adjustment	0	Owners worked off farm more, (developing kiwifruit block), so paid for more work done on farm.
Less Feed inventory Adjustment	15000	Finished the season with about 100 t DM more on hand than at the start of this season. Some of it is a large stack of silage from the 18-19 season.
Owned support block adjustment	0	
Depreciation	15000	Had not allowed for impact of capital expenditure at the end of the previous season. 2018-19 Depreciation claimed was \$39,000.