

**Taranakai Organic System 1  
2020-21 Season numbers at a glance**

KPI's	Budget	Actual
Milk Production (kgMS/ha)	774	792
Milk Production (kgMS/cow)	325	326
Net Dairy Cash Income (\$/kgMS)	\$8.81	\$9.52
Total Farm Working Expenses (\$/kgMS)	\$2.78	\$2.65
Cash Operating Surplus/Deficit (\$/kgMS)	\$6.03	\$6.87
Gross Farm Revenue (\$/kgMS)	\$8.75	\$9.19
Operating Expenses (\$/kgMS)	\$3.63	\$3.52
Operating Profit (\$/ha)	\$3,965	\$4,493

\* These KPI's are based on cash book actuals to the 31/5/2021 and estimated non-cash adjustments. The final financial performance based on financial statements may differ

**Comments**

The 2020-21 season was the first full season since becoming fully certified as Organic and will be remembered as one where both the payout and the pasture harvested were above expectations.

Operating profit for the season is estimated to be \$4,493 per ha which is up 12% on the budget of \$3,965. This 46% higher than the DairyNZ estimated profit for Taranaki Owners for the 2020-21 season of \$3,084, and is the highest profit for the farm since 2013-14. It is a very pleasing result and an endorsement of the business philosophy to make the most of a self-contained farm system by sustainably and ethically producing quality high value specialty milk.

The cash operating surplus was \$124,000 more than budget, a combination of income being \$127,000 above budget while maintaining cash costs close to budget, (just under budget by \$8,181 total).

Despite a much slower calving rate than the previous year, milk production was 3,122 kgMS up on budget for the season. This is direct a result of a 10% increase in pasture harvested for the year, (total for the year was 12.3t DM/ha, which is the highest for the farm over the past 6 years).

The milk price received to the end of June was \$9.08 per kg MS, which is \$0.73 up on budget. This was the main contributor to the increase in cash operating surplus.

Farm working expenses for the year were \$2.65/kgMS, slightly less than the \$2.78 budgeted. The main variation in expenses were a 30% decrease in fertiliser costs as a result of a change in fertiliser policy following a review of the farm fertiliser programme. This was offset by a 26% increase repairs and maintenance costs as more discretionary work was done with the better than expected cashflow.

Debt repayment has continued to be a key focus, particularly with this good financial performance

**Other points of interest**

The calving rate was 50% after 3 weeks, 62% after 6 weeks and 90% after 9 weeks from a 11 week mating period and no intervention. This slower calving rate was due to a poor mating in the 2019 spring – the first season of DIY so was due to human error. Unfortunately operator error was not fully corrected until after the 2020 mating so the 6 week in calf rate was only 59%.

The slower calving rate plus good pasture growth resulted in an early spring surplus. Instead of making silage, the decision was made to trial remaining on a 24 day round. This is in keeping with regenerative pasture management principles and meant higher residuals were left. This resulted in higher pasture covers in October and with the benefit of hindsight this decision was a good one given November was very wet with rainfall 236% up on average, and growth rates were lower than average. By late December pasture covers were back to normal.

106 t of hay was made which was similar to what was in the budget, however an additional is also 4.68 ha of deferred grazing was trialled on a multi species pasture, (sown autumn 2020). This worked very well fed as a crop which the herd found palatable. The pasture regrowth was excellent so this pasture management strategy will be used again in the coming season if pasture surpluses allow.

The herd went on to once a day milking on December 12th, (the first day of the school holidays), which is similar to last season. This was for lifestyle reasons and to benefit the cows.

Pregnancy testing via milk sampling was done late January. The empty rate for the season was 10%.

40 culls were sent off the farm in mid-February as planned. They had been booked in since December, so even though the feed supply at the time was adequate the decision was made to send them as planned as space in the works was getting limited.

Late summer and autumn pasture growth was excellent and 311 cows were finally dried off on May 25th. Days in milk for the farm was 249 which is 23 days more than the previous season.

Pasture cover at the end of the season (May 31st) was well above target at 2,608 kg DM/ha and cow body condition score was 5.0.

25 less replacement calves were reared as fewer AB calves were born as a result of the slower calving rate. This prompted a review of the farms' replacement rate policy and the decision going forward is to keep it at 18-19% rather than the 22-25% previously.

The fertiliser policy has now moved away from organic chicken manure to using biosea organic fertiliser. One application of OSflo organic chicken manure was made in the spring and the first application of Biosea organic fertiliser started in December. Detectable changes are already evident in the soil structure and plant root development.

Soil aeration was carried out in the autumn particularly in low lying areas in the paddocks and paddocks that had suffered the most during the very wet winter and springs of 2016-17 and 2017-18. So far the results have been spectacular with no ponding in these areas despite recent deluges which would not have been the case prior to aeration.

# Annual Cash Budget

Name: Taranaki Owner Organic System 1 Budget Period 1 / 6 / 2020 to 31 / 5 / 2021

Farm Details: 133122 kgMS 408 cows 168.0 ha 326 kgMS/cow 792 kgMS/ha 2.43 cows/ha

Income		\$ Total	\$/kgMS	\$/cow	\$/ha
<b>Net Milk Income</b>	Share of milk cheque received 100%				
Milk Solids advance	kgMS x \$ /kgMS	\$968,820	\$7.28	\$2,375	\$5,767
Milk Solids retrospective	kgMS x \$ /kgMS	\$240,492	\$1.81	\$589	\$1,432
Milk Solids dividend	shares x \$ /share	\$6,863	\$0.05	\$17	\$41
DairyNZ levy	enter as negative number	-\$7,987	-\$0.06	-\$20	-\$48
Net Dairy livestock sales (calves + culls + other - purchases)		\$57,921	\$0.44	\$142	\$345
Other dairy income e.g. farm cottage rent, trading rebates, small amounts of contracting		\$900	\$0.01	\$2	\$5
<b>Net Dairy Cash Income</b>		<b>\$1,267,009</b>	<b>\$9.52</b>	<b>\$3,105</b>	<b>\$7,542</b>
Expenses		\$ Total	\$/kgMS	\$/cow	\$/ha
Wages		\$63,063	\$0.47	\$155	\$375
Animal health		\$25,639	\$0.19	\$63	\$153
Breeding and herd improvement		\$26,869	\$0.20	\$66	\$160
Farm dairy		\$3,554	\$0.03	\$9	\$21
Electricity (farm dairy, water supply)		\$12,719	\$0.10	\$31	\$76
Supplements made (incl. Contractors)		\$8,801	\$0.07	\$22	\$52
Supplements purchased			\$0.00	\$0	\$0
Calf rearing		\$2,526	\$0.02	\$6	\$15
Young and dry stock grazing			\$0.00	\$0	\$0
Winter cow grazing			\$0.00	\$0	\$0
Run-off lease			\$0.00	\$0	\$0
Fertiliser (incl. N)		\$38,093	\$0.29	\$93	\$227
Irrigation			\$0.00	\$0	\$0
Regrassing and cropping		\$6,540	\$0.05	\$16	\$39
Weed and pest			\$0.00	\$0	\$0
Vehicles and fuel		\$25,732	\$0.19	\$63	\$153
R&M (land, buildings, plant, machinery)		\$63,729	\$0.48	\$156	\$379
Freight and general farm expenses		\$2,415	\$0.02	\$6	\$14
Administration e.g. accountant, consultant, phone		\$39,120	\$0.29	\$96	\$233
Insurance		\$16,898	\$0.13	\$41	\$101
ACC			\$0.00	\$0	\$0
Rates		\$17,371	\$0.13	\$43	\$103
<b>Total Farm Working Expenses</b>		<b>\$353,069</b>	<b>\$2.65</b>	<b>\$865</b>	<b>\$2,102</b>
<b>Cash Surplus / Deficit</b>		<b>\$913,940</b>	<b>\$6.87</b>	<b>\$2,240</b>	<b>\$5,440</b>
Non Cash adjustments					
Value of change in livestock numbers		-\$44,130	-\$0.33	-\$108	-\$263
Labour adjustment		\$85,000	\$0.64	\$208	\$506
Less Feed inventory Adjustment			\$0.00	\$0	\$0
Owned support block adjustment			\$0.00	\$0	\$0
Depreciation		\$30,000	\$0.23	\$74	\$179
<b>Dairy Gross Farm Revenue</b>		<b>\$1,222,879</b>	<b>\$9.19</b>	<b>\$2,997</b>	<b>\$7,279</b>
<b>Dairy Operating Expenses</b>		<b>\$468,069</b>	<b>\$3.52</b>	<b>\$1,147</b>	<b>\$2,786</b>
<b>Dairy Operating Profit</b>		<b>\$754,810</b>	<b>\$5.67</b>	<b>\$1,850</b>	<b>\$4,493</b>

# Annual Cash Budget

Name: Taranaki Organic Sys 1		Budget Period 1 / 6 / 2020 to 31 / 5 / 2021				
Farm Details:						
Budget	130,000 kgMS	400 Cows	168.0 ha	325 kgMS/cow	774 kgMS/ha	2.38 cows/ha
Farm Details: Actual						
	133,122 kgMS	408 cows	168.0 ha	326 kgMS/cow	792 kgMS/ha	2.43 cows/ha
Variance (Actual less Budget)						
	3,122 kgMS	8 cows	ha	1 kgMS/cow	19 kgMS/ha	0.05 cows/ha
Income		Budget	Actual	Variance		
Net Milk Sales		\$1,085,800	\$1,208,188	\$122,388		
Net Dairy livestock sales (calves + culls + other - purchases)		\$59,000	\$57,921	-\$1,079		
Other dairy cash income			\$900	\$900		
<b>Net Dairy Cash Income</b>		<b>\$1,144,800</b>	<b>\$1,267,009</b>	<b>\$122,209</b>		
Expenses		Budget	Actual	Variance		
Wages		\$66,300	\$63,063	-\$3,237		
Animal health		\$30,000	\$25,639	-\$4,361		
Breeding and herd improvement		\$28,700	\$26,869	-\$1,831		
Farm dairy		\$4,000	\$3,554	-\$446		
Electricity (farm dairy, water supply)		\$15,100	\$12,719	-\$2,381		
Supplements made (incl. Contractors)		\$8,500	\$8,801	\$301		
Supplements purchased						
Calf rearing		\$4,000	\$2,526	-\$1,474		
Young and dry stock grazing						
Winter cow grazing						
Run-off lease						
Fertiliser (incl. N)		\$60,000	\$38,093	-\$21,907		
Irrigation						
Regrassing and cropping		\$10,000	\$6,540	-\$3,460		
Weed and pest		\$2,120		-\$2,120		
Vehicles and fuel		\$26,000	\$25,732	-\$268		
R&M (land, buildings, plant, machinery)		\$41,430	\$63,729	\$22,299		
Freight and general farm expenses		\$3,000	\$2,415	-\$585		
Administration e.g. accountant, consultant, phone		\$29,000	\$39,120	\$10,120		
Insurance		\$18,400	\$16,898	-\$1,502		
ACC						
Rates		\$14,700	\$17,371	\$2,671		
<b>Total Farm Working Expenses</b>		<b>\$361,250</b>	<b>\$353,069</b>	<b>-\$8,181</b>		
<b>Cash Operating Surplus / Deficit</b>		<b>\$783,550</b>	<b>913,940</b>	<b>\$130,390</b>		
Non Cash Adjustments		Budget	Actual	Variance		
Value of change in livestock numbers		-\$7,500	-44,130	-36,630		
Labour adjustment		\$85,000	85,000			
Less Feed inventory Adjustment						
Owned support block adjustment						
Depreciation		\$25,000	30,000	5,000		
<b>Dairy Gross Farm Revenue</b>		<b>\$1,137,300</b>	<b>\$1,222,879</b>	<b>\$85,579</b>		
<b>Dairy Operating Expenses</b>		<b>\$471,250</b>	<b>\$468,069</b>	<b>-\$3,181</b>		
<b>Dairy Operating Profit</b>		<b>\$666,050</b>	<b>\$754,810</b>	<b>\$88,760</b>		
<b>Dairy Operating Profit/ha</b>		<b>\$3,965</b>	<b>\$4,493</b>	<b>\$528</b>		

## Commentary re variance

	Actual to Budget Variance	
Milksolids	3,122	Despite a much slower calving rate than previous years milk production was 3,122 kgMS up on budget. This is direct a result of a 10% increase in pasture harvested for the year, (total for the year was 12.3t DM/ha).
Cows	8	Minimal losses so peak cows actually up slightly on budget.
Hectares	0	
<b>Net Milk Income</b>	<b>122388</b>	In addition to the increase in milk production, the milk price received to the end of June was \$9.08 /kgMS, which is \$0.73 up on budget.
Net Dairy livestock sales (calves + culls + other - purchases)	-1079	
Other dairy income	900	Calf rearing allowance from LIC for unwanted contract calves.
<b>Net Dairy Cash Income</b>	<b>122209</b>	
<b>Expenses</b>		
Wages	-3237	Had unexpected staff changes early in the season. The new staff member is more junior, and, as they are part of the apprentice scheme, a subsidy is received so net wages paid are lower. During the change over contract relief staff were used which initially increased labour costs.
Animal health	-4361	The season has gone really well with very favourable weather conditions for most of the year so cows have been well fed and not stressed. Fewer calves were reared so that has also contributed to lower costs.
Breeding and herd improvement	-1831	
Farm dairy	-446	
Electricity (farm dairy, water supply)	-2381	Farm water is gravity fed form a local wter scheme so there the water rates for scheme are included as part of the farm power costs. Rates for the scheme were lower as members received a one off rebate to reflect years of lower than expected R & M costs.
Supplements made (incl. Contractors)	301	Grew more grass but still only made the same amount of supplement as the extra was managed as deferred grazing.
Supplements purchased	0	
Calf rearing	-1474	The budget had included calf meal but none was used this season. Costs do include forward purchasing of calf bedding for 21-22, but as this is now bought directly from the timber company, is a better product than from the farm trading store and is cheaper, calf bedding costs were still lower than budget.
Young and dry stock grazing	0	

Winter cow grazing	0	
Run-off lease	0	
Fertiliser (incl. N)	-21907	Budget was a bit of an unknown as the fertiliser regime was being reviewed with a consultant. Organic Osflo was applied in the spring but the autumn application was Biosea Organic fertiliser. The annual cost ongoing for two applications will be about \$20,000.
Irrigation	0	
Regrassing and cropping	-3460	Had budgeted to regrass 30% of the farm with multi species pasture but ended up only doing 18% of the farm.
Weed and pest	-2120	Had enough organic spray left over from the previous season so didn't need to replace it this year.
Vehicles and fuel	-268	Had a good year for vehicles - no surprise breakdowns or repairs.
R&M (land, buildings, plant, machinery)	22299	The effluent pump blew up which cost \$11,000 to fix, plus with better cash flow carried out more discretionary R & M including water trough replacements for \$5,000, \$2500 for workers house, and \$11000 for decking on the owners dwelling but.....the planned cowshed painting still isn't quite finished!
Freight and general farm expenses	-585	
Administration e.g. accountant, consultant, phone	10120	Consultancy costs relating to the review of the fertiliser, soils and pasture species review were higher than budgeted. Unbudgeted recruitment costs relating to staff changes have also contributed to the increase in administration costs.
Insurance	-1502	
ACC	0	
Rates	2671	

<b>Total Farm Working Expenses</b>	<b>-8181</b>	
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### Non Cash adjustments

Value of change in livestock numbers	-36630	Finished the season with 25 less R 1 heifers, 8 less R 2 heifers and 9 less MA cows than budgeted. Less heifer calves were reared as a result of the low conception rate from the 2019 mating. This prompted a review of the replacement rate and going forward it will remain at about this level of 18-19 %.
Labour adjustment	0	
Less Feed inventory Adjustment	0	
Owned support block adjustment	0	
Depreciation	5000	Depreciation is due to the unbudgeted purchase of a fertiliser spreader that is suitable for spreading the Biosea organic fertiliser.