



MilkLines

Season End

When we talk about the season ending okay, we might need to be careful. There could be a Crusader supporters in ear-shot. Sorry guys but have to say Hurrucanes topping the table is a brilliant outcome.

To get this issue back on track, “season end” relates to the 23-24 dairy production season. On the whole it wasn’t a bad season for most. Spring went well enough and cows got in-calf.

Late summer and autumn was hard work with increasingly dry conditions. That said most farms have come out the otherside with acceptable milk production and cows in good order.

This did come at a cost. Feed inventory has taken a hit and this will need to be replenished at some point.

The Fonterra milk price hit a scary low of \$5.60 forecast advance before getting back up to \$6.65 paid June 24. A \$1.05 for the average dairy farm is \$162,000 more in the bank right now – so it was looking pretty dodgy for a while.

Farm operating costs have been contained. In this issue we have the full operating budget detailed. According to our numbers the cash farm operating cost before wages of management was around \$6.00/kgMS.

Looking ahead \$8/kgMS might sound okay but in fact the average dairy farm is going to be \$110,000 worse off in twelve months time. That’s near 70 cents per kgMS. The spending restraint that was put in place for 23/24 will need to remain for 24/25. More later.

Spare a thought for the average hill country sheep and beef farm that is down \$300,000 in revenue and has a tough job finding savings to match. Tight times, low spending levels throughout the community will mean tough times for merchants as well. Let’s all hope that milk price heads north very soon!

INSIDE MILKLINES

- The Budget
- Winter without grass
- Farm Assistant Does What?

Global Dairy Trade

A strong GDT result to start 24-25 with the index up 1.7%.

But the exchange rate is up 1.6% so there is some negating of gains.

Still the spot market milk price looks like \$9/kgMS, & futures is on the up (\$8.61) so room for optimism.

Breaking news – fertiliser prices fall over 10%.

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Budget

Every June Milklines presents the BakerAg view of the average Lower North Island dairy farm budget.

This is for the season just finished and a forecast for Fonterra suppliers in 24/25.

BakerAg - Lower North Island Dairy Model		May-24 Revised 2023 - 2024			May-24 Budget 2024 - 2025			
Milk Production	Milksolids	155,000		Down 4.0% on budget	160,000		Tighter calving, Good BCS at calving	
Effective Milking Area	Hectares	160	969	per HA	160	1000	per HA	
Peak Milking Numbers		415	373	per Cow'	415	386	per Cow'	
Income	June 30 Balance Date							
Milk & Dividends	Advance	\$1,015,250	\$6.55	} \$8.00 in-season	\$1,064,000	\$6.65	} 83% of \$8.00	
	Co-operative Difference	11,319	\$0.07		10,850	\$0.07		} \$7.90 in-season
	Final Payment	216,315	\$1.38		182,900	\$1.18		}
	Dividends on 165,000	90,750	\$0.55	40c in Oct + 15c Apr	74,250	\$0.45	30c Oct, 15c April	
Livestock sales	Cull cows	62,775	\$675	Early cull and low schedule	65,100	\$700	(Early cull, empties gone ASAP)	
	Reared Bull Calves	11,250	\$450		11,250	\$450		
	Bobby Calves	6,750	\$25	\$8/head better than forecast.	6,075	\$23		
	10 bulls	16,000	\$1,600		16,000	\$1,600		
Livestock Purchases	Breeding bulls (10)	-23,000	\$2,300		-23,000	\$2,300		
Other		5,000			5,000			
Industry Levy	@ 6.0 cents / kg MS incl M.Bovis	-8,525			-8,800			
Net Income	Comments for 2023/24 Season	\$1,403,884	\$9.06		\$1,403,625	\$8.77		

Comments:

23-24 Milk production is down 6% on farm record but given the late dry this could have been worse. Our forecast for 24/25 is positive as we know six week in-calf rates are 2% better than last year (70%+ for many) and cows are in good condition from autumn silage and PKE.

Interestingly the in-season milk price (advance + final) is actually 10c/kgMS lower in the 24/25 season despite a 20c/kgMS higher Fonterra payout.

We remain optimistic for an improving cull cow schedule.

With some gains to offset the advance rate and reduced dividend, total farm income is looking much the same next season.

BakerAg - Lower North Island Dairy Mode		May-24			May-24		
		Revised			Budget		
		2023 - 2024			2024 - 2025		
Milk Production	Milksolids	155,000		Down 4.0% on budget	160,000		Tighter calving, Good BCS at calving
Net Income	Comments for 2023/24 Season	\$1,403,884	\$9.06		\$1,403,625	\$8.77	
Total Expenses	Total	\$935,383	\$6.03	Cash Working Expenses before WOM	\$993,848	\$6.21	Cash Working Expenses before WOM
Farm Operating Surplus		\$468,501	\$2,928		\$409,777	\$2,561	
Cost of Production	% of Net Income		67%			71%	
Drawings	or Wages of Management	100,000	\$ 0.65		100,000	\$ 0.63	
Debt servicing	Interest on \$19/kgMS	267,750	8.75%	Debt \$3,060,000 or \$18.90/kg	262,960	8.65%	Debt \$3,020,000 or \$18.87/kg
	O/D Interest	2,700	11.0%	Total Debt Servicing per kgMS	8,800	11.0%	Total Debt Servicing per kgMS
	Principal	40,000			20,000		Principal holiday for some
Taxation		64,058			48,565		
Capital	Plant replacement or compliance mitigation	20,000			20,000		
	Fonterra Capital Payment	82,500		Capital distribution \$0.50 / share			
Total Other	Drawings, Debt, Tax, Capital	412,008	\$2.66		460,325	\$2.88	
Cash Operating Result		\$56,493	\$0.36	Left in current account	-\$50,548	-\$0.32	
			\$7.64	Breakeven Milk Price		\$8.22	Breakeven Milk Price

Comments

With “below the line” costs reconciled we see an acceptable surplus for the 23/24 season. But this turns around by \$106,500 with a forecast of \$50,500 cash loss in 24/25. This is 32 cents per kgMS so we would need a \$8.22/kgMS in-season milk price to achieve breakeven for cash.

To note drawings remain at \$100,000 and the interest cost works out to be \$1.70/kgMS.

On the positive side, Fonterra’s milk price would seem conservative. At the time of writing the futures market offers an \$8.61 milk price and the spot market for milk powder suggests the new season will start with sales around \$9/kgMS.

On the cautionary side the processor has more information and insight into where milk prices might go. We know spending is still increasing and with a modest advance rate we forecast a deteriorating current account balance. The overdraft will peak out at \$1/kgMS – our average farm will need a \$160,000 facility to get fund spending right into 2025.

Farm Assistant

In the last of our series on team capability we look at the farm assistant role.

Responsibility	Early Career	Standard	Senior
Can allocate paddocks correctly into the grazing rotation	X	√	√
Can calculate available feed in a pasture or crop break.	X	?	√
Forage supplement is accurately fed	X	√	√
Can run cowshed unaided – milking and hygiene.	X	√	√
Can detect and treat mastitis and lame cows.	X	√	√
Competent with all animal health treatments	X	√	√
Can weigh and record heifer liveweight.	X	√	√
Can work unsupervised	?	√	√
Able to direct calf rearing tasks	X	√	√
Knows basic vehicle servicing.	?	√	√
Can do basic R&M – fencing, find fence shorts, fix water leaks	X	√	√
Can do heat detection unaided	X	?	√
Can reliably measure farm cover	X	?	√
Will manage farm operations for a week unsupported.	X	X	√
Delegate tasks to other farm staff in managers absence, fosters positive team culture.	X	?	√
Competent operator on all farm machinery, irrigators and farm effluent system.	X	?	√
AgITO Training, Equivalent or Higher	X	?	√
Hazardous substance trained – Certified Handler	X	?	√
Supports training and upskilling of staff	X	?	√
Collect and report farm information	X	?	√
Advocate of health & safety protocols	X	√	√
Remuneration Range – excl accommodation & perks	\$65k	\$65K- \$75k	\$80+k

How do you use this table?

Where there is a “√” the farm assistant can consistently deliver to this standard.

A “?” signals that person may not be able to deliver consistently to this standard but the employer could reasonably expect them to train towards responsibility. Once these areas of responsibility can be delivered on, then this can be the point towards a shift up in designation.

Where it is “X” the team member would not normally be expected to be proficient.

For those reading through this series over the last three issues may note there appears to be overlapping of a senior farm assistant, 2IC and farm manager. These designations can and are often overlapping.

Sometimes it is about the employee's willingness to take on extra responsibility, occasionally a farm owner will be reluctant to promote, or create a new role.

Being assigned the next level designation is unfortunately how prospective employees look to self-promote, "Yep, I can do that"! But do they meet the test of consistent delivery?

These tables might be used in a recruitment process where an employer might quiz referees to see if candidates can deliver, consistently on these tasks.

Winter Without Grass

A large number of lower North Island and South Island farmers are facing winter with low pasture covers and poor crop yields on the support land. As follows are a few ideas on how you might overcome the feed gap.

- Save some feed. Draft good condition score cows out and feed them accordingly.
- Make sure late calvers (September) are drafted out and fed appropriately.
- Often the dairy farm is still growing well going into June. Look to retain cows longer on the platform and give the support land more time to recover.
- A forage crop that is 2 t DM/HA below target would require the same amount of dry matter as PKE to fill the gap. If you have the means to feed it, this is a cost of around \$800/Ha which sounds expensive but would enable 2.5 more cows to run on each hectare. That's equivalent to a grazing cost of \$37/head/week.
- Alternatively, be prepared to use some PKE with the springers and early calvers. Especially if the cows come home earlier than planned. A great way to get some magnesium into them.
- Be ready with nitrogen to follow the cows as they calve. You might be at risk of low covers at calving, but it is the lack of grass in September that does the real damage.

Success in 2030

BakerAg holds an industry update for Rural Professionals each May in the Manawatu and Wairarapa. This year Stefan Bryant and Sarah Hawkins at respective events presented a paper "The Road Ahead - Drivers for Success in 2030". It is well worth summarising this paper and challenging readers to see if they agree.

The Road Ahead - Success in 2030, what does this look like?

- People – recruitment, retention, training, performance efficiency
- Technology – making sure "it" delivers.
- Infrastructure – shed, houses, herd housing & feed pads
- Environmental – playing the long game.
- Economics – profitable pathways.

Stating the obvious; people are key to a successful dairy farm. No matter what we will do with technology in the future. The next five years requires motivated, passionate people leading an engaged team.

For farm owners this requires a good recruitment process and a deliberate focus on retention. Keeping good people will be about remuneration but it will also be about other initiatives like time in cowsheds, flexible working hours and career improving training.

With an increasing number of non-NZ born people on farms we have a changing environment. With different cultures employed, farm owners are fast adapting to a different approach to life and work on farm. Seriously competent people are emerging from this more diverse pool. They are delivering to a very high standard, often engaged in discussion groups and industry initiatives. They are building careers and even tracking towards farm ownership.

A focussed approach building a good farm team does not mean “soft employment”. This will be a two-way street. We must improve on-farm efficiencies. The amount of milk produced per full time person must increase and expensive, depreciating assets need to be looked after.

It is interesting to note that technology will be important from a number of angles. A farm that adopts time saving and innovative technology will attract good inquisitive people. This same technology (well implemented) will improve efficiency, reduce animal health issues, support reproduction and reduce the environmental footprint.

Collars are turning into a game changer and when we get the next big lift in milk price we will shift from the current 17% adoption to over half of NZ dairy farms with “wearables”. However, to make this technology deliver (fly) we will need “pilots” not “hostesses. Which circles about on recruiting the right people and training.

As part of the attraction to a farm, the team want good facilities. We have an incumbent liability across much of the NZ dairy industry with tired infrastructure. How many cowsheds and staff houses have closing in on their use-by date.

It will be vital for a successful business to build into the business plan upgrades and refurbishment of core assets. Otherwise, we will quite literally run our farms into the ground.

A change in central government might appear to have put environmental management on hold. This delay is temporary. Leadership in this space will be driven by the market through our milk processors. Our produce will increasingly be scrutinised for its greenhouse gas emissions and impact on our land and water resources.

We also have regional councils that remain focussed on looking after natural assets. The wider community will expect improvement as 30% of New Zealand’s freshwater is not regarded as swimmable. It doesn’t end here as nitrate and phosphate loss to groundwater will be mandated to levels much lower than what most NZ dairy farms currently operate at.

A successful dairy farm in 2030 will have made smart changes in its policies and operation to reduce its environmental footprint. We will need to mitigate emissions without losing profitability and this will require strong leadership to demonstrate how.

With everything mentioned above we could lose sight of farm economics. Our grass based (regenerative) core has been the basis for profitably producing animal proteins. As we build towards a more sustainable, successful future we must continue to monitor and challenge financial performance.

We know that high cost (per unit of production) systems are prone to significant financial pressure in a market of fluctuating commodity prices. To stay viable while we make some big changes, we will need a template of low operating cost per kgMS and manageable debt.

In 2030 NZ dairy farming will have moved on from where it is now. There will be some that have to be pushed to make changes, and there will be those that lead change. To lead, discover and implement solutions will be the core to success.

Advertisement

Milklines has been asked to advertise this **Masterton land for lease**:

Our Masterton Rural Tenant is handing in part of his lease on Akura Road as from 30 June 2024 - we describe this as Akura 1. This is 25.4079 ha flat land up for lease from 1/7/24. This is classed as both Rural & Industrial Land, but is all in pasture. It has been used for beef fattening, but could suit dairy grazing as well (Editor – applicants are reminded to verify how this might apply to the national freshwater policy on land intensification). The land has been well fertilised, and the current tenant will provide a record of this. It is flat and fenced. There is a water source on the northern end of the block.

Please contact : Carol Wald | Office Manager, P&K Trusts, ph +64 6 370 2952 Email : office@pktrusts.nz

NZ Work Experience wanted

Hi, my name is Tom Dreyer. I'm from a South Africa farm and looking for work on a larger scale NZ dairy farm. The bigger the better. The reason I say this is because I would like to work for an operation that milks with the idea of still expanding and has a scope for growth. I would like to gain knowledge on how to grow one's dairy and what aspect of a dairy to focus on to achieve that. There are also more dynamics paired with a bigger dairy where I'll definitely learn a thing or two.

Timing – 1 October 24 – End of January 25

Location - I have no preference when it comes to location.

Skills - The biggest reason why I would like to go to New Zealand and work on a dairy farm is to learn about pastures. Management of pastures is number 1, and secondly, it would be general management of a pasture-based dairy with the goal of pushing production.

Please email my sponsor for more information: james.smallwood@crv4all.co.nz

Dairy System Monitoring

DSM is our Farmax based monitoring and benchmarking tool with over 60 farms receiving monthly reports on performance. This enables farmers to set up a plan for the season with physical plans (stock & feeding) with their financial budget. Then each month they get feedback on progress, what's changing and what needs to change to stay on track.

A unique feature of this tool is that it is "named". Members see each other's numbers which enables benchmarking like with like. Learning where your business is strong and weak empowers the decision-making process.

Anyone interested in joining this group might find the best opportunity to learn about how it works will be to come along to our year end presentation. This presents physical and financial performance for the year with insights into the Road Ahead.

To come along please contact cindy@bakerag.co.nz and she will confirm a seat for you. There will be a small cost for a meal and drinks at each venue.

Masterton Thursday July 4th, Masterton Club, 98 Chapel Street, 11am start.

Palmerston North Thursday July 4th, The Chalet (Centennial Lagoon) 5pm start.

Hawera Friday July 5th, Tairoa Lodge, 3 Puawai Street, 11am start.

Gore Monday 22nd July, Croydon Lodge, 5pm start.

You Need to Laugh it's just a game, yeah right!

A fellow is walking past Countdown sees a supermarket bag with a scrunched-up Crusaders jersey in it.

He leans down, picks it up and thinks great I'll keep that. A Countdown supermarket bag is worth 50c.

Room for one more ...

I lost my fishing buddy to a tragic accident a couple of weeks ago.

He got his finger caught in a wedding ring.



SITUATION REPORT		May - Jun 2024			
PASTURE GROWTH (Pasture growth figures include the use of nitrogen)					
		May-24		May-23	Forecast Jun
Manawatu	Irrigated	30		35	20
	Non-irrigated	30		33	20
Tararua		28		32	18
Wairarapa	Irrigated	30		38	18
	Non-irrigated	22		35	18
Canterbury		25		25	12
Otago		15		22	8
Tasman		28		18	15
Southland		19		18-30	8
PASTURE COVER (End of month)					
		May-24		May-23	Forecast Jun
Manawatu	Irrigated	2190		2300	2200
	Non-irrigated	2190		2250	2200
Tararua		2150		2200	2200
Wairarapa	Irrigated	2200		2150	2200
	Non-irrigated	1900-2000		2150	2150
Canterbury		2080		2100	2200
Otago		2000		2000	2200
Tasman		2100		2000	2200
Southland		2050-2250		2200-2400	2200
DAILY MILK PRODUCTION (MS / cow) Derived from DSM data, typically representing upper quartile performance					
		May-24		May-23	Forecast Jun
Manawatu	Irrigated	1.25		1.30	Winter milk 1.70
	Non-irrigated	1.15		1.10	N/A
Tararua		1.10		1.05	N/A
Wairarapa	Irrigated	1.30		1.20	Winter milk 1.70
	Non-irrigated	1.00		1.10	N/A
Canterbury		1.40		1.10	N/A
Otago		1.20		1.10	N/A
Tasman		1.10		1.00	N/A
Southland		1.20		1.25	N/A

SITUATION REPORT		May - Jun 2024				
LIVESTOCK		Now		Last Month		Last Year
Lower North Island						
Cull Cow	170-220kg CWT	750-1000		650-850		650-800
In-calf R2 recorded heifers	Immediate delivery	1400-1650		1400-1650		1350-1600
Recorded R1 Heifer	2023 born, capital stock	650-850		600-800		650-850
South Island						
Cull Cow	200-240kg CWT	675-1100		550-850		600-1050
MA Dairy Cows recorded	Immediate delivery	1500-1900		1550-1875		1750-2100
In-calf R2 recorded heifers (J, FX)	Immediate delivery	1550-1800		1500-1800		1550-1850
Recorded R1 Heifer	2023 born, capital stock	700-850		650-850		600-850
FERTILISER						
Prices as at 5 June 2024						
N-Protect	\$/Ha applied	87.68		91.68		98.68
Urea @ 80 kg/Ha	\$/Ha applied	83.76		87.76		94.76
Ammo 36 @ 100 kg/Ha	\$/Ha applied	91.75		95.75		113.00
Exchange Rate (USD)						
		0.618		0.593		0.608
Fonterra Unit Price						
Fonterra Fixed Milk Price (Net)	Co-op Group Shares	\$2.98		\$2.47		\$3.03
	Next applic. 10-11 Jun 2024	\$8.15	May '24	\$8.41	Apr '24	\$8.38
Milk Price Futures (Sept 2024)	NZX Global Dairy Futures	\$7.85		\$7.84		\$8.28
Milk Price Futures (Sept 2025)	NZX Global Dairy Futures	\$8.50		\$8.30		\$8.20
Milk Price Futures (Sept 2026)	NZX Global Dairy Futures	\$8.35		\$8.40		
INTERNATIONAL COMMODITIES						
Whole Milk Powder	USD/MT FAS	3,478		3,269		3,173
Crude Oil WTI (Nymex) Price	USD per Barrel	74.22		79.00		71.74
Please note we include the international commodities for readers as a guide. These commodities are connected to the US milk supply and the short to medium term milksolids price.						

FEED MARKET										Utilised	
Lower North Island		Now	Last Month	kgDM OR	MJME	Utilisation	Cents / MJME	Cents / kgDM			
				kgDM/day							
Palm Kernel <small>Spot price this month, incl. delivery</small>	\$/tonne	424	spot \$ 421	920	11.3	85%	4.8	54			
DDG (Corn) <small>contract price incl. delivery</small>	\$/tonne	660	660	920	12.5	95%	6.0	75			
Molasses (feed grade) <small>Contract, incl. delivery</small>	\$/tonne	518	518	750	12.0	95%	6.1	73			
Maize - In the pit	c/kg DM	38	38	350	11.4	85%	3.9	45			
Baleage	\$/round	85	85	250	10.5	85%	3.8	40			
Straw	\$/round	70	70	200	8.0	80%	5.5	44			
Hay Large Round	\$/round	90	90	240	9.5	80%	4.9	47			
Calf grazing <small>to be confirmed for 24/25</small>	\$/hd/week	9.00	9.00	4	11.0	80%	3.7	32			
Yearling grazing	\$/hd/week	13.00	13.00	7	11.0	80%	3.0	27			
Winter cow (Average quality)	\$/hd/week	34.00	34.00	12	9.5	80%	5.3	40			
Winter cow (Good quality)	\$/hd/week	38.00	38.00	14	11.0	80%	4.4	39			
Winter Incalf R2yr	\$/hd/week	32.00	32.00	12	11.0	80%	4.3	38			
South Island											
Barley <small>contract price incl. delivery</small>	\$/tonne	508	508	860	12.5	95%	5.0	62			
Palm Kernel <small>contract price, incl. delivery</small>	\$/tonne	384	410	920	11.3	85%	4.3	49			
Soya Bran Hulls <small>contract incl. delivery</small>	\$/tonne	478	473	910	12.0	95%	4.6	55			
DDG (Corn) <small>contract price incl. delivery</small>	\$/tonne	662	659	920	12.5	95%	6.1	76			
Molasses (feed grade) <small>Contract, incl. delivery</small>	\$/tonne	500	500	750	12.0	95%	5.8	70			
Maize - In the pit	c/kg DM	36	36	330	11.4	85%	3.7	42			
Baleage	\$/med. square	75	75	250	10.5	85%	3.4	35			
Straw	\$/med. square	50	50	220	8.0	80%	3.6	28			
Calf grazing <small>to be confirmed for 24/25</small>	\$/hd/week	9.50	9.50	4	11.0	80%	3.9	34			
Yearling grazing	\$/hd/week	15.50	15.50	7	11.0	80%	3.6	32			
Winter cow grazing Canterbury	\$/hd/week	36.00	36.00	14	11.0	80%	4.2	37			
Winter cow grazing Southland	\$/hd/week	36.00	36.00	14	11.0	80%	4.2	37			
Winter Incalf R2yr	\$/hd/week	32.00	32.00	12	11.0	80%	4.3	38			
Thank you to our contributors for monthly feed and livestock prices: Agrifeeds, J Swap, Carrfields (LNI) and PGG Wrightson (SI).											
All prices are exclusive of GST and provide a guide on the current market. Where an average delivery cost is included \$55/tonne is used for NI, \$35/tonne for SI.											
Prices are indicative only. Winter grazing market drivers are changing, and are influenced by region, demand, contract and pasture quality.											
Utilisation and MJME figures are from DairyNZ Facts and Figures publication.											
Dairy System Monitoring provides a guide on upper quartile performance and is a service provided by BakerAg and Macfarlane Rural Business.											