

## ANNUAL REPORT TO OROMAHOE 18R2B2B2 TRUST – OCTOBER 2017

### General

Interesting is probably the best way to describe the 2016/17 year. The sale of the Waimatenui farm brought a number of challenges from a farm management perspective, including uncertainty, how to deal with a late summer dry spell and transferring stock back to the home farm. It was an extraordinary year which makes analysis difficult. It did, however, produce a satisfactory result.

### Effect of Farm Sale on the Oromahoe Trust Cash Flow

The average trading profit from the Waimatenui farm over 12 years to 2016 was \$19,511 per year. The expected interest payment from the sale proceeds on term deposit is \$55,800 before tax.

### Comparative Financial Performance Between Years

The sale of the Waimatenui farm altered the usual pattern of operations, with respect to live stock purchasing, with a short drought over the summer creating concern about taking livestock back to the home farm. **Table 1** provides five years of financial indicators for the home farm excluding data, as far as possible, from Waimatenui. While there are likely to be some residual Waimatenui impacts in the current year, these figures will form a basis for comparison for future reference.

**Table 1. Major Financial Indicators**

Year	2012/13	2013/14	2014/15	2015/16	2016/17
Sundry Income	50,951	45,000	36,029	42,413	46,685
Cattle Sales	870,944	1,423,744	1,539,128	1,565,090	1,319,800
Sheep Sales	138,388	247,971	186,499	170,190	212,785
Wool Sales	20,000	40,255	39,084	26,625	27,828
<b>Total Cash Income</b>	<b>1,080,283</b>	<b>1,756,970</b>	<b>1,800,740</b>	<b>1,804,318</b>	<b>1,607,098</b>
Cattle Purchases	591,501	667,007	798,144	787,879	1,023,738
Sheep Purchases	0	6,800	21,495	0	25,000
<b>Gross Farm Income</b>	<b>488,782</b>	<b>1,083,163</b>	<b>981,101</b>	<b>1,016,439</b>	<b>558,360</b>
Cash Operating Expenses	660,578	636,618	703,375	715,998	770,486
Interest	20,589	22,001	18,138	18,208	8,287
<b>Total Cash Expenses</b>	<b>681,167</b>	<b>658,619</b>	<b>721,513</b>	<b>734,206</b>	<b>778,773</b>
<b>Operating Cash Profit</b>	<b>-192,385</b>	<b>424,544</b>	<b>259,588</b>	<b>282,233</b>	<b>-220,413</b>
Livestock Revaluation	204665	-51,470	-20,236	-323,303	205,981
<b>Adjusted</b>	<b>12,280</b>	<b>373,074</b>	<b>239,352</b>	<b>-41,070</b>	<b>-14,432</b>

### Notes:

1. Sundry income includes interest on term deposits and this figure will increase in the next year.
2. Cattle purchases show a significant jump due to the heavier cattle transferred from the Waimatenui farm and priced accordingly. This is likely to influence cattle sales value in the current year.
3. Cash operating expenses have increased from 2014/5 due to increased fertiliser expenditure and increased repairs and maintenance, mostly related to the establishment of the techno systems.

4. Operating cash profit as a negative in 2014/15 and 2016/17 is offset by livestock revaluation on increased stock numbers, while the 2015/16 cash profit is reduced due to reduced stock numbers, and hence lower valuations.
5. The adjusted figure excludes depreciation costs.

### Comparative Physical Performance Between Years

Table 2 provides a summary of the home farm productive performance, again there will be some impacts from the farm sale in the last year and in the current year. An example of this is the closing liveweight at the end of 2016/17 of 531,708 kilograms or 714 Kgs liveweight per hectare, increased due to the number and weight of heavy cattle transferred from the farm sale. Again these figures will provide a baseline for future comparisons.

**Table 2.**

Major Production Indicators	750Ha	750Ha	750Ha	750Ha	750Ha
Opening Stock/year	2012/13	2013/14	2014/15	2015/16	2016/17
Standard Stock Units	7,491	6,732	5,717	5,562	6,762
<b>Standard SU/Hectare</b>	10.0	9.0	7.6	7.4	9.0
Weight Based Stock Units	7,759	8,568	8,992	9,305	6,819
Weight Based SU/Hectare	10.3	11.4	12.0	12.4	9.1
Total Liveweight	504,327	556,917	584,493	604,838	443,213
Liveweight Kgs/Hectare	672	743	779	806	595
Cattle Head/Hectare	1.17	1.25	1.07	1.06	1.04
<b>Production</b>					
<b>Cattle Sold No.</b>	616	965	817	811	746
Average Carcass Weight	336	333	323	335	323
Average Value/Head	1409	1475	1805	1931	1728
Average \$/Kg	4.19	4.43	5.59	5.76	5.35
Average Trading Margin Kgs	223	278	241	335	323
Average Trading margin \$	554	683	843	961	663
<b>Cattle Purchased No.</b>	<b>690</b>	<b>841</b>	<b>830</b>	<b>812</b>	<b>907</b>
Average Liveweight	398	338	356	323	359
Average Value/Head	855	793	962	970	1065
Average \$/Kg	2.15	2.35	2.70	3.00	2.97
<b>Lambs Sold No.</b>	<b>1236</b>	<b>2390</b>	<b>1672</b>	<b>1940</b>	<b>1959</b>
Average Carcass Weight	18.01	18.08	19.21	19.55	20.7
Average Value/Head	69	101	100	97.26	112.28
Average \$/Kg	3.8	5.6	5.2	5.0	5.4
<b>Live Weight Gain Kgs /Year</b>	<b>281,469</b>	<b>381,397</b>	<b>293,440</b>	<b>278,953</b>	<b>240,942</b>
Live Weight gain Kgs/Ha/yr.	375	509	391	372	321
<b>Cost Of Production</b>					
Farm Operating Expenditure	681,167	658,619	721,513	734,206	778,773
Estimated Kgs DM Utilised	7,309,290	7,853,170	6,364,600	6,126,730	6,466,620
Pasture Utilised per Hectare	9,746	10,471	8,486	8,169	8,622
Cost of Pasture cents/Kg DM	9.3	8.39	11.36	10.85	11.91
Cost \$/ Kg Output	2.42	1.73	2.46	2.38	3.2

### Notes:

1. Liveweight per hectare mentioned in opening statement.
2. Pasture utilised per hectare is estimated from meat and fibre output
3. Cost of pasture increased from 2014/15 due to increased fertiliser costs and increased repairs and maintenance costs.

## **Environmental Issues**

The greenhouse gas and modelling project finished in May this year with a final seminar held on farm. This has been a very useful exercise and has provided the Trust with options to move to a carbon neutral operation. This has been timely with various political parties looking to bring pastoral farming into the emissions Trading Scheme or similar cost system.

## **Projects**

1. **AgInform** – a modelling programme developed for Maori landholders to assist with forward planning and utilisation of assets. This is being done in conjunction with AgResearch and is in progress.
2. **FarmIQ** – a comprehensive farm management software programme has been adopted by the farm which covers all essential data recording types and links with other software, (eg accounting software). It is cloud based and as long as the cloud does not fail there will be an ongoing record of all farm activities: mapping, stock, environment, health and safety, hazards, spray diaries and so on. It is user friendly and has been in operation for four weeks at time of writing, so still in a learning phase.

## **Summary**

The Oromahoe Trust, I believe, is in a very sound position at this time and with continued good management and governance can look forward to being a firm base for its beneficiaries.

Malcolm McCallum  
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17<sup>th</sup> September, 2017