

Farm Consultant's report – ANNUAL REPORT TO OROMAHOE 18R2B2B2 TRUST OCTOBER 2015

GENERAL

As stated in previous reports, it has been another good year for the Trust's farms. Reasonable weather conditions, great prices for beef and acceptable prices for lambs. This is the second year in a row that returns have enabled the Trust to apply adequate fertiliser, carry out significant repairs and maintenance and complete some capital improvements. The current year has started well but there is the threat of a strong El Nino weather pattern and, therefore, the risk of a drought. Management is being conservative in stocking policy at this time and ensuring that there is an escape route should a drought eventuate.

COMPARATIVE PERFORMANCE BETWEEN YEARS

Major Indicators – 2014/15 Bold

Year	2010/11	2011/12	2012/13	2013/14	2014/15	5 Yr Ave.
Sundry Income	30,112	34,872	53,599	46,535	46,029	42,229
Cattle Sales	1,405,831	1,654,288	1,013,716	1,872,654	1,902,227	1,569,743
Sheep Sales	230,954	301,785	156,513	299,101	224,528	242,576
Wool Sales	30,628	54,551	23,518	44,255	39,048	38,400
Total Cash Income	1,697,525	2,045,496	1,247,346	2,262,545	2,211,832	1,892,949
Cattle Purchases	969,071	694,261	756,422	841,317	1,037,834	859,781
Sheep Purchases	87,740	25,560	26,195	26,600	39,435	41,106
Gross Farm Income	640,714	1,325,675	464,729	1,394,628	1,134,563	992,062
Cash Operating Expenses	691,737	777,686	834,162	802,244	882,142	797,594
Interest	47,815	42,410	27,453	29,334	23,127	34,028
Total Cash Expenses	739,552	820,096	861,615	831,578	905,269	831,622
Operating Cash Profit	-98,838	505,579	-396,886	563,050	229,294	160,440

Points to Note:

- Interest cost is trending downwards due to less use of overdraft facilities and repayment of \$50,000 debt.
- Cash expenses are trending up, accounted for mainly by fertiliser and repairs and maintenance.
- Cattle sales are again above average, as are cattle purchases. A result of higher beef prices and consequent higher cost of replacement cattle. Trading margins, however, were very good.

A detailed table of key performance indicators is attached at the end of this report.

LABOUR- COST AND UTILISATION.

Labour is biggest cost for the Trust. Capital investment in the stock yards and techno systems is designed to improve the output per labour unit in the day to day operation of the farm. Improved efficiency in recording and measuring stock performance will lead to more effective management decisions. Staff have to be employed, good wages have to be paid to attract good staff. It is expected that the new systems will improve pasture production and conversion to saleable product providing a very acceptable return on investment and obtain a better return on every dollar spent on wages.

I believe the farm has a good, skilled team at present. Settled capable staff make a huge contribution to the success of the farm and it is noticeable that the working environment is friendly and cooperative.

ENVIRONMENTAL ISSUES

The Trust home farm continues to be a leader in environmental issues. Its history of riparian fencing and planting, pest control and willingness to be involved in environmental projects has resulted in the home farm being involved in two new projects over the last 12 months.

1. GREENHOUSE GAS MITIGATION OPTIONS FOR MĀORI PASTORAL FARMERS

To improve understanding of what NZ pastoral farmers need to do to stay profitable, in a future where environmental impacts will be more heavily regulated, will require better information on mitigation technologies and options to improve farm performance.

Oromahoe farm is one of four focus farms throughout New Zealand and will receive:

- A benchmark of the farm's GHG emissions relative to other Māori farms.
- Intensive analysis by consultants and scientists as to a range of management options and farm systems that could be run to both improve profitability while reducing GHG emissions and nitrate leaching- involving an analysis of major aspects of the farming system; Biophysical, Production, Financial, Socio-cultural (ownership) priorities, Strategic platforms, Management systems.
- A farm map will be produced which will show subdivision, soil types, topography of the farm together with suggested strategies for ongoing sustainable operation.

2. LANDCARE RESEARCH- MAPPING PROJECT:

The Trust has also been approached by Landcare Research to be part of a trial of laser based mapping to provide more accurate identification of soil types, slope, land use capability and land use classification. There is no cost to the Trust for this and will only involve some on site soil measurements in terms of activity on the land. There will be free access for the Trust to any data, maps etc. that are derived from this project.

It is worth noting that last year a similar map was produced for the Trust, as part of being a focus farm for the Waitangi Catchment Group, using conventional methodology. This gives us an example of how rapidly technology is developing and how critical it is for operators to keep abreast of innovations that can improve performance.

CONCLUSION

A very satisfying year in all aspects!!!

Malcolm McCallum

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Oromahoe Farms: KPIs Five Year Moving Averages						
Five Years to	to 10/11	to 11/12	to 12/13	to 13/14	to 14/15	2014/15
Oromahoe SU / Hectare	10.38	10.36	10.37	10.47	10.71	11.90
Waimatenui SU/Hectare	8.60	9.30	9.38	10.20	10.60	9.80
Cattle						
Oromahoe Lwt Kgs/Ha	541	536	533	528	521	524
Waimatenui Lwt Kgs/Ha	559	604	610	663	668	530
Sheep						
Oromahoe Lwt Kgs/Ha	134	137	142	152	155	154
Waimatenui Lwt Kgs/Ha	93	75	54	43	48	54
Total Lwt Kgs/hectare						
Oromahoe	675	673	674	680	676	784
Waimatenui	652	679	664	706	716	588
Production						
Oromahoe Kgs Lwt Gain/Ha/Yr	294	337	368	368	394	325
Waimatenui Kgs Lwt Gain/Ha/Yr	394	408	408	386	366	293
Oro Ave.Trading Margin Kgs/Hd	293	301	292	297	272	241
Wai Ave.Trading Margin Kgs/Hd	280	294	277	260	286	271
Oro Trading Margin \$/Head	566	600	607	629	701	843
Wai Trading Margin \$/Head	486	520	519	499	636	837
Liveweight Production						
Oro Lwt Production Kgs/ha	266	308	335	368	407	393
Waim. Lwt Production Kgs/ha	399	414	396	387	372	314
Pasture Production						
Oromahoe Kgs Dry Matter/hectare	7,963	8,512	8,812	8,956	9,134	8,486
Waimatenui Kgs Dry Matter/hectare	9,612	9,878	10,136	9,993	9,210	5,910
Cost of Pasture Production						
Oromahoe cents/KgDM	8.5	8.4	8.7	8.9	9.4	11.6
Waimatenui cents/KgDM	7.2	7.3	7.0	7.3	8.2	12.2
Cost per Kg Output						
Oromahoe \$/Kg Output	2.60	2.46	2.41	2.34	2.13	2.46
Waimatenui \$/Kg Output	1.77	1.77	1.91	2.00	2.07	2.30
Operating Costs						
Oromahoe Operating \$/Ha	667	707	759	794	849	964
Waimatenui Operating \$/Ha	678	707	700	726	715	719
Gross Margin						
Oromahoe Gross Margin \$/Ha	768	893	853	994	1069	1315
Waimatenui Gross Margin \$/Ha	773	839	785	886	853	624