

## ANNUAL REPORT TO OROMAHOE 18R2B2B2 TRUST – OCTOBER 2014

Possibly another year to remember for the Trust's farming operations, particularly for the home farm. While much of Northland was affected by drought conditions, including the Waimatenui farm, the weather around Oromahoe provided for a very good grass growing season with rain arriving just in time on a number of occasions during the summer and autumn.

In addition good prices and the ability of management to trade well in terms of numbers and price laid the foundation for a very satisfactory year. It must be remembered, however, that some stock were carried over from the previous year which contributed to the performance.

### VOLATILITY

In the last few years Sheep and Beef farming has been notable for volatility as a result of fluctuating prices, exchange rate movements and variable climate.

The table below provides an indication of the pattern of cash movements over the last five years and a 5 year average. This provides some background to the financial result for 2013/14.

#### Volatility- a Function of Climate and Prices - Dollars

Year	2009/10 *	2010/11	2011/12	2012/13	2013/14	Average 5 yrs
Sundry Income	29,176	30,112	34,872	53,599	46,535	38,859
Cattle Sales	823,232	1,405,831	1,654,288	1,013,716	1,872,654	1,353,944
Sheep Sales	155,503	230,954	301,785	156,513	299,101	228,771
Wool Sales	5,322	30,628	54,551	23,518	44,255	31,655
Total Cash Income	1,013,233	1,697,525	2,045,496	1,247,346	2,262,545	1,653,229
Cattle Purchases	111,104	969,071	694,261	756,422	841,317	674,435
Sheep Purchases	4,000	87,740	25,560	26,195	26,600	34,019
Gross Farm Income	898,129	640,714	1,325,675	464,729	1,394,628	944,775
Cash Operating Expenses	708,228	691,737	777,686	834,162	802,244	762,811
Interest	27,262	47,815	42,410	27,453	29,334	34,855
Total Cash Expenses	735,490	739,552	820,096	861,615	831,578	797,666
Operating Cash Profit	162,639	-98,838	505,579	-396,886	563,050	147,109

#### POINTS TO NOTE:

- 2009/10 was the year of the major drought and the impacts were carried into the next year with costs of restocking.
- 2013/14 recorded the highest gross income over the last 8 years
- Operating costs have been relatively stable over time – fertiliser being the main change in expenditure
- Operating cash profit is balanced to some extent by value of stock on hand at year end as mentioned in the Financial report.

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

## **ENVIRONMENTAL ISSUES**

The waterway fencing programme has continued with some assistance from the NRC Environmental Fund, with a further programme approved for the 2014/15 year. The Trust continues to play a significant role in the Waitangi Catchment group and features as “case farm” in a booklet produced by the group. Some booklets will be available at the AGM.

In addition the Trust farm has been used as a case study and has had a full land use capability plan provided including soil types, wetland areas and areas requiring some environmental action. This is document for the archives and will be of use for many years to come.

## **FERTILISER**

The change in the fertiliser regime, started in October 2013, appears to be having some benefits in terms of healthier pasture growth, in particular clover is strong. While it is early days and will take a few years to bring all soils up to optimum balanced levels of nutrients- the results to date are very encouraging.

## **TECHNOLOGY**

New technology is appearing all the time and the farms will endeavour to take advantage of this as appropriate. At this time, with compulsory electronic identification of cattle, identifying and recording liveweight gains is the focus of management. This will be enabled with new electronic tag reading and weighing systems to give accuracy to measurements.

In addition the use of web based mapping and recording system to more accurately measure activities such as fertiliser application, paddock areas and break feeding, and spraying records.

These systems all increase the efficiency of growing pasture and forage and turning this into saleable product.

## **SUMMARY**

The 2013/14 year was very satisfactory with good prices and climatic conditions enhanced by the use of summer crops to maintain liveweight gain over dry periods, especially for lambs. The current year has started well and we can look forward to another good year, weather permitting.

<b>Oromahoe Farms: KPIs Five Year Moving Averages</b>						
<b>Five Years to</b>	<b>to 08/09</b>	<b>to 09/10</b>	<b>to 10/11</b>	<b>to 11/12</b>	<b>to 12/13</b>	<b>to 13/14</b>
<b>Oromahoe SU / Hectare</b>	11.06	10.94	10.38	10.36	10.37	10.47
<b>Waimatenui SU/Hectare</b>	9.17	8.43	8.60	9.30	9.38	10.20
<b>Cattle</b>						
Oromahoe Lwt Kgs/Ha	575	575	541	536	533	528
Waimatenui Lwt Kgs/Ha	597	549	559	604	610	663
<b>Sheep</b>						
Oromahoe Lwt Kgs/Ha	144	137	134	137	142	152
Waimatenui Lwt Kgs/Ha	188	125	93	75	54	43
<b>Total Lwt Kgs/hectare</b>						
Oromahoe	719	711	675	673	674	680
Waimatenui	785	674	653	680	664	706
Oromahoe Kgs Lwt Gain/Ha/Yr	292	273	294	337	368	368
Waimatenui Kgs Lwt Gain/Ha/Yr	324	338	394	408	408	386
Oro Ave.Trading Margin Kgs/Hd	271	290	293	301	292	297
Wai Ave.Trading Margin Kgs/Hd	324	290	280	294	277	260
Oro Trading Margin \$/Head	508	507	566	600	607	629
Wai Trading Margin \$/Head	528	451	486	520	519	499
<b>Liveweight Production</b>						
Oro Lwt Production Kgs/ha	205	244	266	308	335	368
Waim. Lwt Production Kgs/ha	264	343	399	414	396	387
<b>Pasture Production</b>						
Oromahoe Kgs Dry Matter/hectare	7,859	7,910	7,963	8,512	8,812	8,956
Waimatenui Kgs Dry Matter/hectare	8,917	9,150	9,612	9,878	10,136	9,993
<b>Cost of Pasture Production</b>						
Oromahoe cents/KgDM	8.0	8.3	8.5	8.4	8.7	8.9
Waimatenui cents/KgDM	6.9	7.1	7.2	7.3	7.0	7.3
<b>Cost per Kg Output</b>						
Oromahoe \$/Kg Output	0	2.76	2.60	2.46	2.41	2.34
Waimatenui \$/Kg Output	0	1.94	1.77	1.77	1.91	2.00
<b>Operating Costs</b>						
Oromahoe Operating \$/Ha	621	649	667	707	759	794
Waimatenui Operating \$/Ha	612	649	681	710	702	729
<b>Gross Margin</b>						
Oromahoe Gross Margin \$/Ha	757	785	768	893	853	994
Waimatenui Gross Margin \$/Ha	759	735	773	839	785	886