

Farm statistical survey 2017

Dairy Owner/Operator – Irrigated

2017 Farm statistical survey

Produced by [Alexanders](#) in association
with [Brown Glassford](#)

Background

- The survey data has been taken from the two Practices' clients' actual Financial Statements for the 2017 year. As in previous years, we have combined the survey so that all farm sector groups have a reasonably sound sample size.
- All financial data is GST exclusive.
- Most of the balance dates are 31/3/2017, 31/5/2017 or 30/6/2017.
- The averages referred to are per farm and as per that farm's actual Financial Statements for the 2017 year - the averages are not weighted averages which would produce slightly different data again – as a result of this there is some rounding of data.
- Benchmark. On the right hand side of each survey summary for each sector, we have shown the average figures for the top 10% based on the interest return on total farm capital employed. Figures in the right column are the average of those top farms for each statistic. We could have chosen other benchmarks or several benchmarks but the interest return on total farm capital employed means we can compare farmers with differing levels of debt, scale and production and also make a comparison between sectors. This approach also means we are looking at both the income and expense side of the equation, and the net farm profit, whereas some benchmarks and ratios look at specific areas and issues very well but many are only looking at one side of the equation. We readily acknowledge though that there could be other benchmark approaches equally meaningful.

Key statistics

	Overall Average 2013	Overall Average 2014	Overall Average 2015	Overall Average 2016	Overall Average 2017	Benchmark Group 2017	Your Figures
Average Cows Milked (ACM)	964	1,072	1,092	978	1,019	880	
Average Value of MS per Kg	\$6.26	\$7.68	\$5.63	\$3.85	\$5.80	\$5.87	
Milk Solids/ ACM (Kg)	433	437	443	448	444	464	
Milk Solids/ EGA (Kg)	1499	1545	1560	1557	1486	1609	
FWE per kg of MS	\$4.33	\$4.33	\$4.19	\$3.59	\$3.78	\$3.42	
Interest & Rent Paid per Kg MS	\$1.31	\$1.28	\$1.36	\$1.29	\$1.35	\$1.12	
Net Farm Profit (Loss)	\$409,001	\$910,833	\$169,247	(\$337,890)	\$365,146	\$683,505	
Total Term Debt	\$7,647,958	\$8,984,329	\$9,855,664	\$9,583,996	\$10,818,876	\$8,178,296	
Total Cost of Production per Kg MS	\$5.71	\$6.04	\$5.93	\$5.18	\$5.47	\$4.82	

Key features

1. ACM at 1,019 - 5 year average was 1,025.
2. MS production – 453,118 kg - 5 year average was 451,243 kg.
3. MS production per ACM - 444 kg - 5 year average was 441 kg.
4. EGA (ha) – 300 ha - 5 year average was 291 ha.
5. Average value of MS sales - \$5.80 per kg - 5 year average was \$5.84 per kg.
6. MS production per EGA - 1,486 per kg - 5 year average was 1,529 per kg.
7. GFI - \$2,856,235 - 5 year average was \$2,882,385.
8. FWE - \$1,718,323 - 5 year average was \$1,823,393.
9. FWE as percentage of GFI - 60.0% - 5 year average was 64.8%.
10. FWE per kg/ms - \$3.78 per kg - 5 year average was \$4.04 per kg.
11. Interest and rent paid - \$627,270 - 5 year average was \$610,616.
12. Interest and rent paid per kg/ms - \$1.35 per kg - 5 year average was \$1.32 per kg.
13. Interest and rent paid as percentage of GFI - 21.4% - 5 year average was 21.6%.
14. Net farm profit - \$365,146 - 5 year average was \$303,267.
15. Net farm profit per kg/ms - \$0.85 per kg - 5 year average was \$0.71 per kg.
16. Net capital plant purchases - \$131,730 - 5 year average was \$173,384.
17. Net capital plant purchases per kg/ms - \$0.29 per kg - 5 year average was \$0.38 per kg.
18. Personal drawings - \$90,475 - 5 year average was \$79,201.
19. Personal drawings per kg/ms - \$0.20 per kg - 5 year average was \$0.18 per kg.
20. Average term debt - \$10,818,876 - 5 year average was \$9,378,165.
21. Average term debt per kg/ms - \$23.87 per kg - 5 year average was \$20.78 per kg.
22. Average term debt as percentage of TFC employed - 52.7% - 5 year average was 50.2%.
23. Total cost of production: FWE + int + rent + V + plant depreciation ÷ MS total - \$5.47 per kg - 5 year average was \$5.67 per kg.
24. Estimated net equity/assets - \$9,410,944 - 5 year average was \$9,305,444.

Areas the 10% group differ to the overall average group

1. Slightly lower scale - 139 less ACM (880 ACM).
2. Less MS production by 40,519 kg per 8.9%.
3. Slightly higher per ACM and per EGA production.
4. Slightly higher MS payout (could be some winter contracts).
5. Much lower FWE per kg/ms - lower by 36 cents per kg, or 9.5%.
6. Slightly higher value per head re surplus stock sales.
7. Lower term debt by \$2,640,000 (24%) and lower interest and rent by \$150,000 (24%).
8. Over the last 5 years, this difference has been evident for similar reasons - a function of slightly better management, maybe slightly better properties and maybe a slightly more optimal scale (800 - 900 ACM).

Average value of milk solids receipt was almost the same at

\$5.80

Cost of production per kg/ms

\$5.47 **\$4.82**

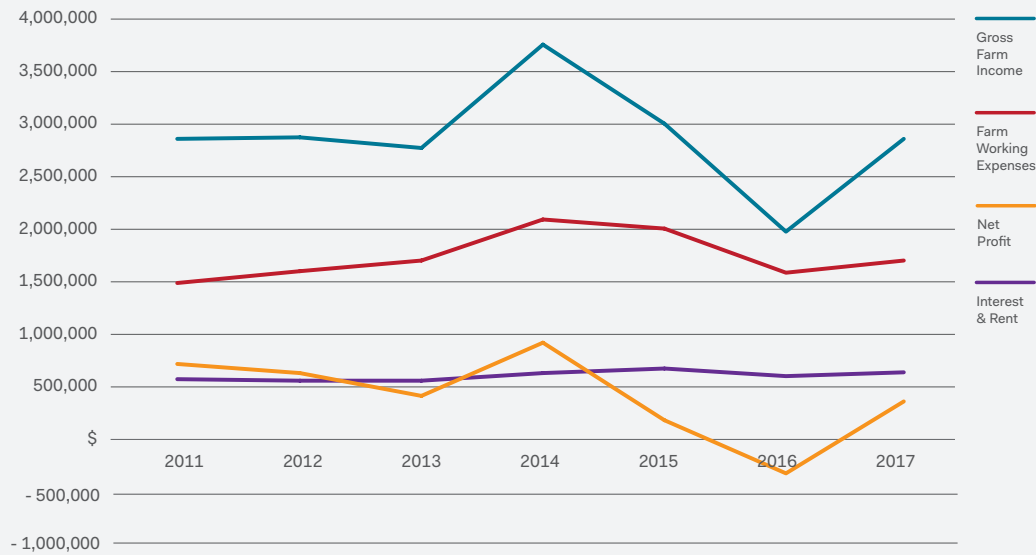
overall

top 10%

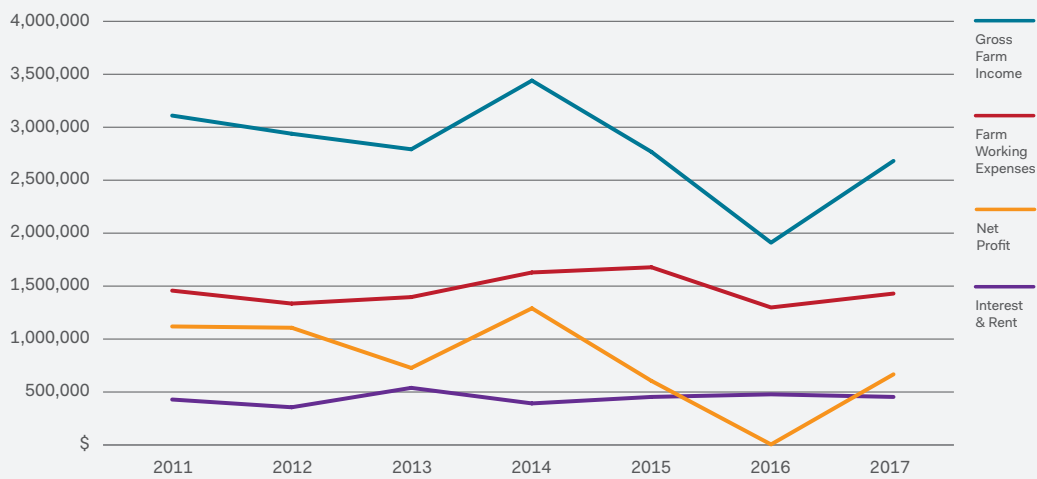
Survey

	Overall Average 2013	Overall Average 2014	Overall Average 2015	Overall Average 2016	Overall Average 2017	Benchmark Group 2017	Your Figures
Effective Grazing Area (Ha) (EGA)	275	297	306	276	300	257	
Average Cows Milked (ACM)	964	1,072	1,092	978	1,019	880	
ACM/EGA	3.5	3.5	3.5	3.5	3.4	3.5	
Milk Revenue	\$2,595,434	\$3,574,839	\$2,773,556	\$1,718,698	\$2,617,946	\$2,430,106	
Milk Solids Production (Kg)	415,891	466,490	484,243	436,474	453,118	412,599	
Average Value of Milk Solid Sales/Kg	\$6.26	\$7.68	\$5.63	\$3.85	\$5.80	\$5.87	
Milk Solid Revenue/ACM	\$2,707	\$3,358	\$2,487	\$1,727	\$2,576	\$2,729	
Milk Solid Revenue/EGA	\$9,341	\$11,849	\$8,726	\$5,978	\$8,688	\$9,461	
Milk Solids/ACM (Kg)	433	437	443	448	444	464	
Milk Solids/EGA (Kg)	1,499	1,545	1,560	1,557	1,486	1,609	
Milk Solids as a % of GFI	92.9%	94.2%	91.4%	87.7%	91.5%	91.0%	
Gross Farm Income (GFI)	\$2,786,843	\$3,776,554	\$3,019,471	\$1,972,820	\$2,856,235	\$2,677,499	
Farm Working Expenses (FWE)	\$1,702,592	\$2,098,981	\$2,004,222	\$1,592,845	\$1,718,323	\$1,424,153	
FWE as a % of GFI	60.3%	54.1%	68.0%	81.6%	60.0%	52.8%	
FWE/ACM	\$1,769	\$1,935	\$1,845	\$1,609	\$1,682	\$1,591	
FWE/Kg of Milk Solids	\$4.33	\$4.33	\$4.19	\$3.59	\$3.78	\$3.42	
Wages/ACM	\$247	\$272	\$291	\$300	\$288	\$280	
Animal Health/ACM	\$101	\$106	\$96	\$85	\$95	\$87	
Livestock Improvement/ACM	\$52	\$55	\$54	\$48	\$51	\$45	
Stockfood/ACM	\$575	\$670	\$615	\$497	\$470	\$509	
Fertiliser/ACM	\$239	\$235	\$219	\$188	\$194	\$188	
R & M/ACM	\$120	\$149	\$138	\$102	\$118	\$84	
Vehicle Expenses & Fuel/ACM	\$72	\$75	\$62	\$58	\$66	\$50	
Dairy Shed Expenses/ACM	\$19	\$21	\$17	\$18	\$23	\$19	
Interest & Rent Paid	\$549,498	\$624,795	\$660,916	\$590,603	\$627,270	\$477,255	
Interest & Rent Paid as a % of GFI	19.4%	15.7%	22.0%	29.4%	21.4%	17.1%	
Interest & Rent Paid/Kg MS	\$1.31	\$1.28	\$1.36	\$1.29	\$1.35	\$1.12	
Cost of Prodn/Kg MS (excl Interest & Rent)	\$4.41	\$4.76	\$4.59	\$3.89	\$4.12	\$3.80	
Net Farm Profit	\$409,001	\$910,833	\$169,247	(\$337,890)	\$365,146	\$683,505	
Net Farm Profit as a % of GFI	17.7%	26.2%	6.3%	(17.9%)	13.3%	25.6%	
Net Plant Purchases	\$203,174	\$219,788	\$187,996	\$124,232	\$131,730	\$75,214	
Personal Drawings/Family (excl Allowances)	\$76,573	\$87,358	\$68,617	\$72,980	\$90,475	\$78,475	
Est Total Farm Capital (TFC)	\$16,092,159	\$19,738,243	\$19,625,817	\$17,732,007	\$20,229,820	\$15,974,545	
Est TFC/Kg Milk Solids	\$40.18	\$43.87	\$42.02	\$41.72	\$45.84	\$39.18	
Est TFC/Ha	\$58,347	\$66,045	\$63,367	\$63,200	\$64,108	\$62,056	
Est Interest on TFC	5.5%	7.3%	3.5%	3.5%	4.1%	6.3%	
Total Term Debt	\$7,647,958	\$8,984,329	\$9,855,664	\$9,583,996	\$10,818,876	\$8,178,296	
Term Debt as % TFC	44.6%	42.0%	46.7%	52.3%	52.7%	51.8%	
GFI to Plant Ownership Ratio	5.4	6.2	4.7	3.1	4.4	5.1	
Earnings Before Interest, Rent & Tax (EBIT)	\$956,369	\$1,535,072	\$827,483	\$250,345	\$991,272	\$1,117,373	
EBIT/ACM	\$1,021	\$1,494	\$710	\$241	\$976	\$1,235	
EBIT/EGA	\$3,527	\$5,294	\$2,526	\$827	\$3,262	\$4,268	
EBIT/Kg Milk Solids	\$2.37	\$3.41	\$1.59	\$0.53	\$2.19	\$2.67	
Net Profit/Kg Milk Solids	\$1.07	\$2.14	\$0.25	(\$0.75)	\$0.85	\$1.65	
Total Cost of Production/Kg MS	\$5.71	\$6.04	\$5.93	\$5.18	\$5.47	\$4.82	
MS Margin over and above MS Payout /Kg MS	\$0.56	\$1.65	\$0.71	(\$1.33)	\$0.33	\$1.05	
"Misery Index"	80%	70%	80%	111%	81%	68%	

Average GFI, FWE, Interest + Rent & Net Profit 2011-2017



Benchmark GFI, FWE, Interest + Rent & Net Profit 2011-2017



Interest/Rent paid per kg/ms

\$1.35

overall

\$1.12

top 10%

Farm working expenses per kg/ms

\$3.78

overall

\$3.42

top 10%

Glossary

SU	Stock Units (or Ewe Equivalents).
GFI	Gross Farm Income.
FWE	Farm Working Expenses.
Personal Drawings (excluding allowances)	Personal Drawings but excluding: <ul style="list-style-type: none">Life AssurancePersonal InsurancesSuperannuationTaxationPersonal Insurance, Electricity & Car AllowancesSchool FeesHealth & Sickness InsurancePersonal ACC Levies.
Net Plant Purchases	Gross Capital Plant Purchases less Capital Plant Sales/Trade-ins.
TFC	Estimated Total Farm Capital Employed in the farming operation in the form of Land, Stock & All Plant (+ Dairy Shares where relevant).
EGA	Effective Grazing or Milking Area (in hectares).
ACM	Average Cows Milked (usually taken at or around early to mid January each year).
MS (kg)	Milk Solids (kg) .
EBIT	Gross Earnings before interest and tax = Gross Farm Income less all expenses except Interest and/or Rent and Income Tax.
Net Farm Profit	True Net Farm Profit (calculated after allowing for and adjusting for any livestock number and class number changes and being reflected at the current year's Herd Scheme Values and after deducting FWE, interest, rent and depreciation).
GFI to Plant Ownership	The relationship of the Gross Farm Income to the book value of plant at year's end. The lower the number the more the exercise has excess plant or insufficient GFI or a combination of the two.
Total Term Debt	Includes all external debt and family debt. Some family debt may involve a low to nil interest cost.
Interest Earned on Total Farm Capital Employed (TFC)	The net farm profit plus added back interest and/or rent paid less a wages of management figure for one or both spouses as is appropriate, divided by the estimated value of the total assets employed re land, buildings, stock and plant. Where land is rented from external parties its value in general is not included in the TFC.
Farm Sector Groups	It is fair comment that some farms could fit either in whole or in part into several different farm sector groups but this would generally only apply to about 5% of the total. The comment applies to several downlands and several hill country farms.
'Misery Index'	The sum of the FWE to GFI ratio and the interest and/or rent paid to GFI ratio. Where the sum is above 80% unless the scale is significant it almost invariably means trouble because it could well mean that more than one key benchmark is being broken at any one point in time.
BG	Benchmark Group.



Pita Alexander

pita@alexanders.net.nz
021 465 426

Paul Alexander

paul@alexanders.net.nz
021 364 933

Alister Stevenson

alister@alexanders.net.nz
021 843 820

Colin Gray

colin@alexanders.net.nz
021 222 4445

Karen Prue

karen@alexanders.net.nz
027 535 3191

03 365 8400
admin@alexanders.net.nz

PO Box 27093
Christchurch, 8640

alexanders.net.nz