

Farm statistical survey 2016

50/50 Sharemilker – Irrigated

2016 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 2016 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 31/3/2016, 31/5/2016 or 30/6/2016.
- The averages referred to are per farm and as per that farm's actual Financial Statements for the 2016 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 2012	Overall Average 2013	Overall Average 2014	Overall Average 2015	Overall Average 2016	Benchmark Group 2016	Your Figures
Average Cows Milked (ACM)	794	801	796	927	973	777	
Average Value of MS per Kg	\$3.39	\$3.20	\$3.82	\$2.93	\$1.84	\$1.99	
Milk Solid Revenue/ACM	\$1,425	\$1,327	\$1,578	\$1,248	\$817	\$927	
Milk Solid Revenue/EGA	\$4,995	\$4,600	\$5,595	\$4,605	\$2,848	\$3,276	
FWE per kg of MS	\$2.36	\$2.58	\$2.81	\$2.57	\$2.22	\$2.24	
Interest & Rent Paid per Kg MS	\$0.26	\$0.25	\$0.20	\$0.26	\$0.31	\$0.29	
Net Farm Profit	\$344,933	\$199,106	\$310,164	\$147,377	(\$126,330)	\$21,551	
Total Term Debt	\$1,068,928	\$1,345,194	\$1,156,181	\$1,329,115	\$1,676,774	\$1,789,825	
Total Cost of Production/ Kg MS	\$2.70	\$2.90	\$3.06	\$2.93	\$2.72	\$2.72	

Key features

1. ACM up by 46 head – or 5%.
2. MS production – 428,952 kg – increase of 33,989 kgs or 8.6%.
3. MS production per ACM + per EGA – both similar to previous years.
4. FWE as % of GFI 95.8% – 5 year average was 75.6%.
5. FWE per kg/ms \$2.22 kg – 5 year average was \$2.51 per kg/ms (lower by 12%).
6. Interest + rent paid as % of GFI is 12.5% – 5 year average was 7.8%.
7. Interest + rent paid per kg/ms is 31 cents – 5 year average was 25.6 cents per kg/ms.
8. Total debt has increased by 57% from 2012 to 2016 (or by \$607,000) with production up 95,622 kgs or 29%.
9. Net farm loss \$126,330 – 5 year average was a net profit of \$175,050.
10. Net capital plant purchases \$54,081 – 5 year average was \$73,005.
11. Overall cost of production per kg/ms (FWE + interest + rent + vehicle and plant depreciation) \$2.72 – 5 year average has been \$2.86 per kg/ms.
12. Total term debt \$1,676,774 – increase of \$347,659 compared with previous year.
13. The Benchmark Group (top 10% based on interest earned on TFC employed) were:
 - Lower ACM by 196 head or 20% - slightly higher stocking rate
 - Lower total MS production by 64,131 kgs or 15%
 - Slightly higher MS per ACM
 - Higher MS per EGA - higher by 110 kgs or 7%
 - Lower net capital plant purchases by 22%
 - Higher term debt by \$113,051
 - Higher net profit by \$147,881 – due to lower interest + rent and higher production per ACM and per EGA

Total cost of production per kilogram of milk solid was the same for both groups

\$2.72

Average value of milk solids receipt

\$1.84

overall

\$1.99

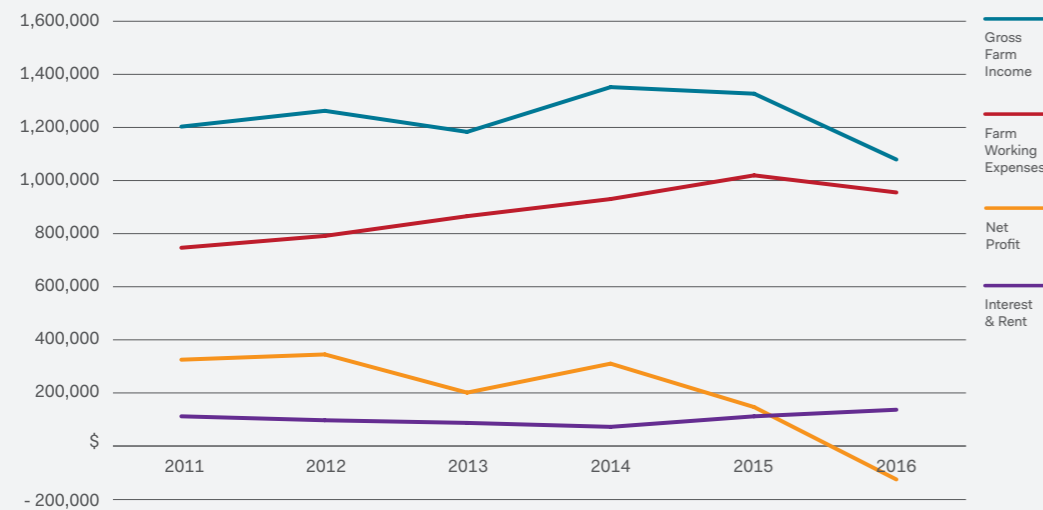
top 10%

Survey

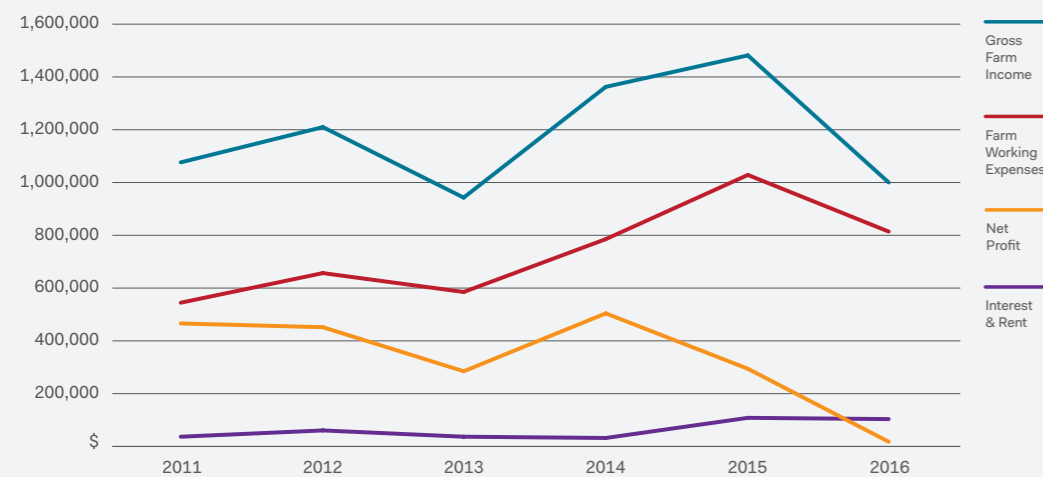
	Overall Average 2012	Overall Average 2013	Overall Average 2014	Overall Average 2015	Overall Average 2016	Benchmark Group 2016	Your Figures
Effective Grazing Area (ha) (EGA)	227	236	224	251	275	221	
Average Cows Milked (ACM)	794	801	796	927	973	777	
ACM/EGA	3.5	3.5	3.5	3.7	3.5	3.6	
Milk Revenue	\$1,119,248	\$1,063,932	\$1,268,806	\$1,158,861	\$782,942	\$722,854	
Milk Solids Production (kg)	333,330	333,332	330,671	394,963	428,952	364,821	
Average Value of Milk Solid Sales (Kg)	\$3.39	\$3.20	\$3.82	\$2.93	\$1.84	\$1.99	
Milk Solid Revenue/ACM	\$1,425	\$1,327	\$1,578	\$1,248	\$817	\$927	
Milk Solid Revenue/EGA	\$4,995	\$4,600	\$5,595	\$4,605	\$2,848	\$3,276	
Milk Solids/ACM (kg)	420	415	412	426	443	467	
Milk Solids/EGA (kg)	1,478	1,439	1,461	1,571	1,540	1,650	
Milk Solids as a % of GFI	92.5%	91.2%	95.8%	88.3%	77.2%	71.7%	
Gross Farm Income (GFI)	\$1,256,185	\$1,180,017	\$1,344,929	\$1,321,607	\$1,073,149	\$1,001,106	
Farm Working Expenses (FWE)	\$788,210	\$861,364	\$927,883	\$1,016,390	\$953,107	\$818,594	
FWE as a % of GFI	64.4%	72.6%	69.0%	76.4%	95.8%	81.9%	
FWE/ACM	\$990	\$1,058	\$1,129	\$1,076	\$1,029	\$1,059	
FWE per kg of Milk Solids	\$2.36	\$2.58	\$2.81	\$2.57	\$2.22	\$2.24	
Wages/ACM	\$214	\$219	\$224	\$227	\$235	\$232	
Animal Health/ACM	\$93	\$94	\$93	\$75	\$72	\$80	
Livestock Improvement/ACM	\$40	\$40	\$40	\$47	\$39	\$38	
Stockfood/ACM	\$299	\$361	\$418	\$374	\$302	\$305	
R & M/ACM	\$49	\$46	\$41	\$30	\$26	\$22	
Vehicle Expenses & Fuel/ACM	\$55	\$56	\$62	\$51	\$40	\$44	
Dairy Shed Expenses/ACM	\$17	\$16	\$19	\$17	\$15	\$14	
Interest & Rent Paid	\$94,576	\$85,077	\$69,858	\$110,638	\$134,576	\$108,298	
Interest & Rent Paid as a % of GFI	6.8%	6.9%	5.0%	7.7%	12.5%	10.7%	
Interest & Rent Paid/Kg MS	\$0.26	\$0.25	\$0.20	\$0.26	\$0.31	\$0.29	
Net Farm Profit	\$344,933	\$199,106	\$310,164	\$147,377	(\$126,330)	\$21,551	
Net Farm Profit as a % of GFI	26.5%	20.2%	23.2%	12.3%	(14.3%)	2.2%	
Net Plant Purchases	\$77,450	\$68,418	\$73,950	\$91,128	\$54,081	\$38,175	
Personal Drawings (excl Allowances)	\$75,897	\$52,860	\$53,605	\$75,930	\$59,294	\$71,388	
Est Total Farm Capital (TFC)	\$2,344,621	\$2,389,630	\$2,304,441	\$2,656,559	\$2,141,357	\$2,893,333	
Est TFC per kg Milk Solids	\$7.17	\$7.33	\$7.13	\$6.94	\$5.53	\$7.97	
Est Interest on TFC	15.2%	9.0%	14.1%	6.5%	0.6%	1.7%	
Total Term Debt	\$1,068,928	\$1,345,194	\$1,156,181	\$1,329,115	\$1,676,774	\$1,789,825	
Term Debt as % of TFC	42.8%	52.6%	48.1%	49.3%	65.9%	64.8%	
GFI to Plant Ownership Ratio	7.8	6.3	8.1	6.3	4.8	4.4	
Earnings Before Interest, Rent & Tax (EBIT)	\$439,509	\$284,183	\$383,866	\$258,015	\$16,669	\$129,850	
EBIT/ACM	\$547	\$379	\$506	\$297	\$9	\$165	
EBIT/EGA	\$1,939	\$1,323	\$1,819	\$1,089	\$42	\$586	
EBIT/kg Milk Solids	\$1.28	\$0.90	\$1.22	\$0.70	\$0.03	\$0.36	
Net Profit / kg Milk Solids	\$1.03	\$0.66	\$1.01	\$0.44	(\$0.30)	\$0.06	
Total Cost of Production/KG MS	\$2.70	\$2.90	\$3.06	\$2.93	\$2.72	\$2.72	
Milk Solid Margin/Kg MS	0.69	0.30	0.77	0.00	(0.89)	(0.74)	
"Misery Index"	71%	79%	74%	84%	109%	93%	

Glossary

Average GFI, FWE, Interest + Rent & Net Profit 2011-2016



Benchmark GFI, FWE, Interest + Rent & Net Profit 2011-2016



Interest/Rent paid per kg/ms

\$0.31

overall

\$0.29

top 10%

Farm working expenses per kg/ms

\$2.22

overall

\$2.24

top 10%

SU

Stock Units (or Ewe Equivalents).

GFI

Gross Farm Income.

FWE

Farm Working Expenses.

Personal Drawings (excluding allowances)

Personal Drawings but excluding:

- Life Assurance
- Personal Insurances
- Superannuation
- Taxation
- Personal Insurance, Electricity & Car Allowances
- School Fees
- Health & Sickness Insurance
- Personal 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.

Alexanders
Accountancy & Advice for Agribusiness

03 365 8400
admin@alexanders.net.nz

Unit 1, Level 1, Amuri Park
25 Churchill Street
Christchurch 8013

alexanders.net.nz