

ANNUAL REPORT TO OROMAHOE 18R2B2B2 TRUST – OCTOBER 2018

General

The 2017/18 year was dominated by changes in the farm management and ensuring that there was a smooth transition to the new farm manager.

In addition this was the first full financial year since the sale of the Waimatenui property and analysis of performance still has some influence from the sale. It was, however, another good year for the Trust farm with a good growing season and good prices for both cattle and sheep.

Wool proceeds are again disappointing but there has been some lift in recent weeks.

Comparative Financial Performance Between Years

Table 1 shows various performance parameters over the last six years and a five year rolling average. Every endeavour has been taken to remove the influence of the Waimatenui farm on the figures prior to 1st July 2017 and the current figures are based on the Home farm only. It is felt, however, that some remaining influence impacted this year's results but the current year will be free of those factors.

Table 1. Major Financial Indicators

Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	5yr Ave.
Sundry Income	50,951	45,000	36,029	42,413	46,685	91,316	52,289
Cattle Sales	870,944	1,423,744	1,539,128	1,565,090	1,319,800	1,434,004	1,456,353
Sheep Sales	138,388	247,971	186,499	170,190	212,785	270,110	217,511
Wool Sales	20,000	40,255	39,084	26,625	27,828	17,134	30,185
Total Cash Income	1,080,283	1,756,970	1,800,740	1,804,318	1,607,098	1,812,564	1,756,338
Cattle Purchases	591,501	667,007	798,144	787,879	1,023,738	818,435	819,041
Sheep Purchases	0	6,800	21,495	0	25,000	1,200	10,899
Gross Farm Income	488,782	1,083,163	981,101	1,016,439	558,360	992,929	926,398
Cash Operating Expenses	660,578	636,618	703,375	715,998	770,486	781,739	721,643
Interest	20,589	22,001	18,138	18,208	8,287	2,376	13,802
Total Cash Expenses	681,167	658,619	721,513	734,206	778,773	784,115	735,445
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Operating Cash Profit	-192,385	424,544	259,588	282,233	-220,413	208,814	190,953
Livestock Revaluation	204,665	-51,470	-20,236	-323,303	205,981	-7,611	-39,328
Adjusted	12,280	373,074	239,352	-41,070	-14,432	201,203	151,625

Does not include Trust Expenses or depreciation

Notes:

1. Staff costs are increased due to staff changes, some overlap of wages.
2. Cattle purchases dropped to more normal levels after transfers from the Waimatenui farm in the previous year.
3. Cash operating expenses are up with increases in labour and management and repairs and maintenance.
4. Operating cash profit is up with only minor adjustments to capital stock value.
5. Interest cost has decreased over time with interest earned showing up in increased sundry income in 2017/18 sundry income.

Comparative Physical Performance Between Years

Table 2 provides a summary of the farm productive performance over the last six years compared to a five year rolling average. It was a good growing season and good weights and prices contributed to another very good year for the Trust's farm.

Major Production Indicators							
Effective Area	750	750	750	750	750	750	750
Opening Stock/year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	5yr Ave.
Standard Stock Units	7,491	6,732	5,717	5,562	6,762	7,192	6,393
Standard SU/Hectare	10.0	9.0	7.6	7.4	9.0	9.6	8.53
Weight Based Stock Units	7,759	8,568	8,992	9,305	6,819	8,391	8,415
Weight Based SU/Hectare	10.3	11.4	12.0	12.4	9.1	11	11
Total Liveweight	504,327	556,917	584,493	604,838	443,213	537,667	545,426
Liveweight Kgs/Hectare	672	743	779	806	714	717	752
Cattle Head/Hectare	1.17	1.25	1.07	1.06	1.04	1.28	1.14
Production							
Cattle Sold No.	616	965	817	811	746	781	824
Average Carcass Weight	336	333	323	335	323	340	331
Average Value/Head	1,409	1,475	1,805	1,931	1,728	1,836	1,755
Average \$/Kg	4.19	4.43	5.59	5.76	5.35	5.4	5.31
Average Trading Margin Kgs	223	278	241	335	323	339	303
Average Trading margin \$	554	683	843	961	663	920	814
Cattle Purchased No.	690	841	830	812	907	834	845
Average Liveweight	398	338	356	323	359	291	333
Average Value/Head	855	793	962	970	1,065	916	941
Average \$/Kg	2.15	2.35	2.70	3.00	2.97	3.15	2.83
Lambs Sold No.	1236	2390	1672	1940	1959	1571	1,906
Average Carcass Weight	18.01	18.08	19.21	19.55	20.7	19.35	19.38
Average Value/Head	69	101	100	97.26	112.28	133	109
Average \$/Kg	3.8	5.6	5.2	5.0	5.4	6.85	5.61
Live Weight Gain Kgs /Year	281,469	381,397	293,440	278,953	240,942	320,250	302,996
Live Weight gain Kgs/Ha/yr	375	509	391	372	321	427	404
Cost Of Production							
Farm Operating Expenditure	681,167	658,619	721,513	734,206	778,773	781,937	735,010
Estimated Kgs DM Utilised	7,309,290	7,853,170	6,364,600	6,126,730	6,466,620	7,517,750	6,865,774
Pasture Utilised per Hectare	9,746	10,471	8,486	8,169	8,622	10,024	9,154
Cost of Pasture cents/Kg DM	9.3	8.39	11.36	10.85	11.91	10.4	11.0
Cost \$/ Kg Output	2.42	1.73	2.46	2.38	3.2	2.44	2.44

Notes:

1. Pasture utilised per hectare is estimated from meat and fibre output
2. 2017/18 was a good growing year for pasture, similar to 2013/14. This reduces the cost per kilogram of pasture dry matter produced and hence the cost per kilogram of output.
3. Farm operating expenditure has trended upwards, 2017/18 additional costs include staff changeover costs, and repairs and maintenance.

Environmental Issues

To date some 24 hectares of waterways and swamp have been fenced off for environmental reasons. This has involved 7.1 kilometres of new fencing. There has been significant subsidy from the Northland Regional Environment Fund in the work to date. It is not expected that the Trust will attract much more funding from this source as the demand for it is very strong. However, further fencing of this nature will be carried out in the present year as new techno-systems are established, and poorer land is considered for retirement from pastoral farming for forestry purposes.

Looking Ahead

It is very hard to predict prices and markets this year. Lamb prices appear to be firm but beef prices are very uncertain with competition from other beef exporting countries quite strong. Threats of trade wars and consequent slowdown in major economies importing beef leave some uncertainty.

There is also some thought that El Nino drought conditions may form later in this year and some thought is already being given to management strategies should this eventuate.

The Trust is in a very good position financially to cope with any down turn and a close watch will be kept on changes in the markets and budget reviews carried out as required.

Malcolm McCallum

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