R J PRESTON LTD

Directors:

JAMES GORDON IAN COOKE
B Com, IEC Agr, CA

GRANT DAVID McCULLOCH
B Com (Hons), CA, MNZIPIM

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

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2018 FARM STATISTICAL SURVEY

We have pleasure in presenting our annual statistical survey for 2018. The survey summarises data and information entered into our farm statistics database during the 2018 financial year.

We have identified the top three performers in each farm type on an operating surplus per hectare basis and averaged their data to show where the top performers sit.

This year we have also produced a table to compare the statistics we had in 1992 to the current year, 2018. The table and comments can be found at the end of this letter.

JAMES COOKE
DIRECTOR

GRANT McCULLOCH
DIRECTOR

32B Sheffield Crescent
PO Box 39 065
Christchurch 8545 NZ

we care

Telephone: (03) 358 5686
Facsimile: (03) 358 7958
www.rjprestonltd.co.nz

GLOSSARY	
T.G.F.P.	Total Gross Farm Profit
C.F.W.E.	Cash Farm Working Expenses
F.S.V.	Fair Sale Value
T.F.C.	Total Farm Capital

DEFINITION OF FARM TYPE

1. ***Intensive Crop***
   This group must have a minimum of 60% of total gross profits being generated from cropping.

2. ***Downlands Livestock***
   These properties are generally of easy contour, very little tussock and the majority of the property able to be cultivated by wheel tractors. Occasionally a four-wheel drive tractor or crawler may be required.

3. ***Flatland Livestock***
   By definition all these properties are basically dead flat.

4. ***Hill & High Country Livestock***
   These properties are obviously steeper by nature, and with small to moderate areas able to be cultivated by wheel tractor. These properties have portions of tussock and some native pasture.

5. ***Dairy Factory Supply -***
   All properties factory supply.

6. ***Dairy Share Milking***
   All properties factory supply and sharemilking 50/50.

7. ***Dairy Variable Order***
   All properties factory supply with percentages ranging from 17 to 24%.

AVERAGE RESULT FOR EACH FARM TYPE – NET PROFITS

Farm Type	Rank	2014 $	Rank	2015 $	Rank	2016 $	Rank	2017 $	Rank	2018 $
Intensive Crop	**2**	128,137	**1**	121,713	**1**	87,763	**3**	79,109	**3**	97,742
Downlands Livestock	**5**	52,224	**4**	65,388	**4**	3,687	**4**	28,967	**4**	66,421
Flatland Livestock	**3**	91,825	**3**	80,453	**3**	10,343	**5**	12,752	**5**	62,984
Hill & High Country	**4**	73,933	**2**	83,566	**2**	52,384	**2**	89,580	**2**	223,015
Dairy Factory Supply	**1**	490,146	**5**	-100,242	**5**	-621,475	**1**	93,364	**1**	338,662

Average Results for each Farm Type

1. This year we record an increase in profit over all farming sectors based on the increase in product prices. The fact that the 2017 year was a profitable year also meant that much of the deferred expenditure had been caught up during that period and expenditure was falling more in line with normal levels, leaving more cash available for discretionary spending.

2. Hill and High Country net profit increased considerably on the back of solid product prices, but also economies of scale, whereby many of these properties are large and running high numbers of stock units and with over half the sample having cash farm working expenses below 50% of their total gross farm income.

3. The dairy sector has risen significantly on the 2017 year based on an increase in the pay-out to $6.34, and also, better cash control with respect to farm expenditure.

LAMBING PERCENTAGES

Lambing %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %
Intensive Crop	126.3	116.3	109.8	133.4	126.3	107.7
Downlands Livestock	122.6	122.4	126.7	125.9	135.5	133.0
Flatland Livestock	123.3	122.5	127.6	125.2	131.9	115.2
Hill & High Country	108.5	107.8	114.5	105.0	110.6	112.5

1. Lambing percentages are constant in the case of Downlands Livestock and Hill & High Country; however Intensive Crop and Flatland Livestock have decreased significantly. This is due to farmers in those two sectors having over time opted away from breeding and gone to a trading option, resulting in breeding ewes featuring less in their operation.

AVERAGE SALE VALUE OF LIVESTOCK & PRODUCE

1. 2018 recorded record prices received for lambs over all sectors, with prime trading lambs reaching $147.89 and store lambs off the Hill Country averaging $98.91.

Average Sale Value Lambs	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $
Intensive Crop	100.20	110.32	115.56	101.18	97.43	147.89
Downlands Livestock	72.50	84.20	82.34	77.66	91.29	119.50
Flatland Livestock	78.30	93.31	94.47	91.16	95.75	119.87
Hill & High Country	71.02	77.73	74.68	67.75	80.18	98.91

2. Again we see further improvements in the beef schedule over all classes of livestock. These prices have been supported by better access into the Asian markets and climatic events overseas.

Average Sale Value Heifers	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $
Intensive Crop	998.44	962.21	1,110.32	774.21	1,009.00	1,183.00
Downlands Livestock	872.01	762.17	849.62	975.94	1,000.91	1,218.11
Flatland Livestock	916.29	918.99	822.35	841.32	1,129.00	1,279.67
Hill & High Country	819.58	872.31	1,075.07	977.91	1,246.78	1,314.40

Average Sale Value Steers	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $
Intensive Crop	1,189.03	1,299.07	1,266.09	1,240.35	1,486.50	1,315.60
Downlands Livestock	1,034.39	969.46	1,059.48	1,227.22	1,278.00	1,527.25
Flatland Livestock	798.80	831.21	617.18	-	1,112.00	1,137.75
Hill & High Country	971.26	1,012.90	1,177.92	1,040.78	1,342.50	1,451.45

AVERAGE SALE VALUE PER KILOGRAM OF MILK SOLIDS

1. This year we record an .83c per kilogram increase in the value of milk solids which furthered the improvement in the dairy sector.

2. This increase in dairy profitability is required because many of the financial institutions are demanding significant principal repayments on a debt-heavy dairy industry.

3. The cost of water from the new irrigation schemes, especially Central Plains, means that dairy operators are facing increased costs and also in the short to medium term, a decrease in the value of their asset, ie land, due to the high price of water to the gate.

2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $
5.49	5.92	7.26	6.38	5.92	7.44	5.41	3.64	5.51	6.34

DEBT SERVICING

1. As per 2017 increases in gross income have reduced the debt servicing percentage. In real dollar terms the amount paid has not decreased, but as a percentage of gross income it has.

	2014	2015	2016	2017	2018
Intensive Crop	16%	17%	15%	17%	18%
Downlands Livestock	15%	13%	14%	19%	13%
Flatland Livestock	18%	18%	24%	24%	20%
Hill & High Country Livestock	19%	14%	15%	15%	11%
Dairy Factory Supply	16%	25%	28%	23%	20%
Interest & Rent per Stock Unit					
Downlands Livestock	20.39	17.98	19.56	23.00	16.12
Flatland Livestock	24.29	27.36	37.59	42.44	36.33
Hill & High Country Livestock	13.78	11.82	15.13	12.91	12.00

OPERATING SURPLUS

1. The operating surplus per hectare is a key result for comparison.

2. Over all sectors the operating surplus has increased on the previous year.

Operating Surplus per Ha

Farm Type	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $
Intensive Crop	1,503.46	1,451.83	1,610.11	1,532.40	1,415.79	1,464.10
Downlands Livestock	327.03	358.24	298.88	242.93	327.29	414.71
Flatland Livestock	445.35	575.97	622.37	505.05	403.33	472.85
Hill & High Country	135.75	167.77	177.28	161.84	133.27	210.44
Dairy Factory Supply	1,912.92	3,468.56	1,633.35	255.91	2,516.63	3,236.88

TOTAL FARM CAPITAL

For this statistic we calculate the estimated fair sale value of land, buildings, livestock, plant and dairy co-op shares.

Against what we stated last year, the total value of farm capital has not consolidated apart from in the area of the Downlands Livestock class.

We believe to the future there will be a consolidation in the capital value of these farms.

Farm Type	2012 $	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $
Intensive Crop	6,732,500	7,122,307	6,049,615	6,314,820	7,186,153	7,817,857	9,917,533
Downlands Livestock	7,285,266	6,836,875	6,952,117	7,085,000	7,287,833	7,213,824	7,043,289
Flatland Livestock	3,683,727	3,998,538	5,242,823	5,123,733	5,034,642	4,921,438	5,188,251
Hill & High Country	5,555,000	5,198,461	5,736,363	6,067,142	6,160,715	7,419,091	8,221,455
Dairy Factory Supply	12,404,545	13,698,888	14,722,000	15,551,000	14,625,000	17,207,750	19,271,429
Average	**7,132,208**	**7,371,014**	**7,740,584**	**8,028,339**	**8,058,869**	**8,915,992**	**9,928,391**

TOTAL DEBT

1. As per last year the average debt level across all farm types increased by $384,450 to a record average debt of $3,133,453.

2. The reasons for this increase are similar to our comments last year due to the funding of continued farm losses, irrigation development, addition of neighbouring land and the purchase of shares, especially in Fonterra and irrigation schemes.

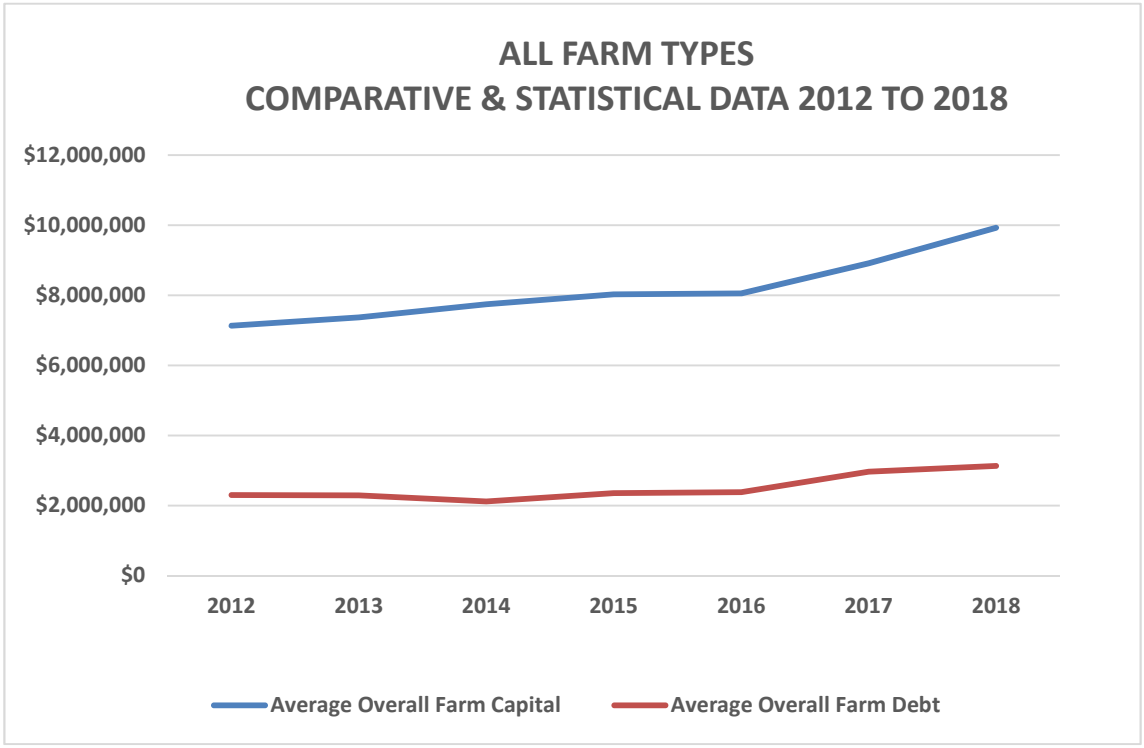
3. The total debt increasing as it has over the last few years is of concern in the industry. Currently environmental policies proposed both in New Zealand and internationally will likely impact agriculture as we know it, quite severely. This has the potential of requiring farmers to contract their current farming operations either by decreasing stock numbers or by removing land from intensive farming operations. In turn this will have the effect of decreasing income which, we believe, is currently being factored into the bank's lending policies whereby money is not as freely available as in the past.

   Of course this is logical from a bank's perspective as they would not wish to lend additional money to an industry that could have potentially less income generated in future years.

Total Debt - Both Term and Current

Farm Type	2012 $	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $
Intensive Crop	1,766,066	1,656,268	661,909	1,229,841	1,463,856	1,728,943	2,119,399
Downlands Livestock	2,158,458	2,050,345	1,937,806	1,673,752	1,714,538	1,529,968	1,397,454
Flatland Livestock	651,711	850,053	861,070	786,739	867,695	824,068	832,658
Hill & High Country	813,615	834,061	949,949	820,103	701,734	657,097	662,751
Dairy Factory Supply	6,124,755	6,063,909	6,160,662	7,269,046	7,164,806	9,004,939	10,655,003
Average	**2,302,921**	**2,290,927**	**2,114,277**	**2,355,896**	**2,382,526**	**2,749,003**	**3,133,453**

COMPARISON AVERAGE OVERALL FARM DEBT TO AVERAGE OVERALL FARM CAPITAL



AS IT WAS - THEN AND NOW

We have produced the following table to compare statistics from 1992 to the current year 2018.

We have chosen three farming types – Dairy, Intensive Crop and Downlands Livestock, which we believe illustrates the change in the farming sector over time.

DAIRY

	1992	**2018**
Average Farm Size	111 Ha	249 Ha
Number of Cows Milked	152	892
Per Cow Production (Kg Ms)	268.6	469.2
Price per Kg Ms	$3.55	$6.34
Gross Profit	$167,296	$2,636,026
Supplementary Feed per Cow	$70.96	$364.13
Fertiliser per Ha	$133.81	$505.39
CFWE as Percentage of TGFP	56%	60%
Net Profit	$34,570	$338,661
Return on TFC	2%	2%
Debt as % of TFC	24.7%	55%

INTENSIVE CROP

	1992	**2018**
Average Farm Size	201 Ha	301 Ha
Gross Profit	$264,345	$1,258,181
Fertiliser per Ha	$60.91	$360.70
Weed & Pest per Ha	$115.41	$413.89
CFWE as % of TGFP	56%	65%
Net Profit	$43,902	$97,742
TGFP per Effective Ha	$1,332.77	$4,178.94
Interest Earned on TFC	3%	2.4%
Debt as Percentage of TFC	32.9%	21.1%

DOWNLANDS LIVESTOCK

	1992	**2018**
Average Farm Size	517 Ha	726 Ha
Gross Profit	$184,698	$742,269
Lambing %	109.7%	133%
Average Sale Value Lambs	$26.46	$119.50
Average Sale Value Heifers	$500.88	$1,218.11
Average Sale Value Steers	$729.05	$1,527.25
Average Sale Value per Kg Wool Sold	$3.30	$3.27
CFWE as Percentage of TGFP	55%	62%
Net Profit	$30,099	$66,421
TGFP per Effective Ha	$396.11	$1,022.41
Interest Earned on TFC	2.3%	3.73%
Debt as Percentage of TFC	13.7%	20%

DAIRY

Over the 26 years we see that the dairy sector farms have got bigger, more cows milked, greater production, and an increase in the price of per kilogram of milk solids.

On the other side of the coin we see an increase in the cost of farming, the return on total farm capital remaining the same, and a significant increase in the level of debt within the industry.

From a physical point of view – two key inputs into the farming operation, stock food and fertiliser, the dollar per cow spent is growing significantly.

INTENSIVE CROP

Cropping farms have increased in size, increased in gross profit, either by diversification into small seeds or the introduction of dairy grazing into their systems.

Cash farm working expenses have increased by 9%, production per hectare has increased, debt as a percentage of TFC has decreased by 11%. The debt in real dollar terms has not decreased but the value of land has increased.

From a production point of view, two key costs within the operation on a per hectare basis – fertilizer and weed and pest have increased substantially, as would be expected.

DOWNLANDS LIVESTOCK

Average farm size increased, gross profit increasing, cash farm working expenses as a percentage of TGFI increased but not as much as anticipated, so very good cost control within this sector. Debt has risen due to the acquisition of land and costs associated with subdivision and intensification of operations.

Looking at the physical statistics lambing percentage increased, and average sale value of wool sold which has dropped 3 cents in 26 years. That statistic alone probably summarises the crossbreed wool industry as it stands.