

## June 2019

### Unexpected news from Fonterra

Its proving very hard to keep the faith when our star co-op sells iconic brands, then removes 10 cents from a current season and appears to take a very conservative position on the 19-20 season.

- \$6.35/kgMS – down 10 cents with 5 cents less paid in June and July.
- Final paid July – Oct = \$1.31
- Advance rate starts at \$3.80 + 61 cents capacity adjustment.
- Forecast \$6.75/kgMS for milk supplied 19-20.
- Advance milk payments to June for company average farm \$5.41 incl capacity adjustment.
- Total milk receipts forecast for 19/20, static milksolids supplied is \$6.72.

Contrast this to Tatua which is looking to pay \$8/kgMS to its 107 suppliers and has opened the 19/20 season at \$7.50/kgMS. Open Country has a schedule for 19/20 that looks to average out at \$7.21/kgMS.

Commentary from Fonterra to date rests on the range of milk price from \$6.25 to \$7.25 stating certainty will improve as the season progresses.

Later in this issue we update the full budget for an average Lower North Island Farm at Fonterra's milk price.

### Can you pay off your mortgage in 20 years?

In recent months Milklines has addressed the banks changing expectation around debt reduction. BakerAg consultants project a shift from less than 1/3<sup>rd</sup> of farms actively reducing debt to more than 50% in the next twelve months. This is huge.

Now ask the question;

**“can the average NZ dairy farm repay its debt in 20 years?”**

To answer this, we used our lower North Island model dairy farm budget. See later in this report.

- 160 HA farm expected to produce 165,000 kgMS.
- Projected income \$1.178m with Operating expenditure of \$0.791m gives a trading result of \$387,000.
- There is \$90,000 in drawings, \$30,000 in tax, and \$50,000 in capital expenditure and/or depreciation.
- So, \$217,000 remains and is available for principal repayment.
- Our model farm has total debt of \$3.63m or \$22/kgMS.

### INSIDE MILKLINES

- Can you repay debt in 20 years?
- Opportunity to fix?
- The Cost of Climate Change.
- Winter work schedule.
- Lower North Island Budget at \$6.75

#### Global Dairy Trade

The GDT auction 21<sup>st</sup> of May had wholemilk powder at \$3,180 US/t compared with a season average \$2,950 US/t

The spot market value of WMP suggests a current milksolids price of \$7.10/kgMS.

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- To pay off \$3.63m debt in 20 years using a table mortgage, that's interest and principal @ 4.5% = \$275,580 pa.
- Our model farm has a shortfall of \$58,580 per annum or 36 cents/kgMS.
- The milk price would need to be **\$7.11** status quo to meet the twenty-year target.
- Or, on the above scenario this farm would need **31 years** to pay off its debt.
- At 5.5% interest rate and 217,000 pa repayments it would take **47 years** to pay off the mortgage.

## Outdated

Perhaps "paying the farm off" is an outdated view. A strategy could be to pay off enough debt to bring the average farm down to a strong sustainable position.

Let's say the equity position needed for a resilient business might be 60% equity and 40% debt. Our model farm currently has \$22/kgMS debt or \$3.63m, that's equity of 45%. To move to 60% equity all other things being equal, this would be \$16/kgMS debt or \$2.64m.

## Our average farm needs to kill \$1m of debt. As soon as possible.

At a \$6.75/kgMS milk price our model farm has an operating surplus of \$387,000. It needs \$159,000 of this for drawings, tax and capital/depreciation. Leaving \$228,000 for debt servicing.

If we say \$2.64m of debt is interest only at 4.5% that's \$118,800. Leaving \$100,000 for I & P on the remaining \$1m of debt. At \$6.75/kgMS and 4.5% interest rate it will take **14 years** to get the farm into a financially resilient state.

If this was corrected to a medium-term budget milk price of \$6.50 there would be \$58,750 available to pay off \$1m of excess debt. At a 5.5% interest rate it would take **51 years!**

## Our Summary

**At \$6.75/kgMS the average NZ dairy farm is not making enough to pay off its debt in twenty years. This is in an environment of record low interest rates and a milk price above the five-year average.**

**At low interest rates now is the opportunity to make equity % one of the business goals.**

**Last thoughts ... what are we going to leave the next generation? A viable farming business or a millstone?**

## Interest Rates – use the opportunity

The recent downward review of the official cash rate (OCR) has had a knock-on effect on interest rates. Further to this we know the Reserve Bank is taking a very serious look at banks reserve capital and indicating this might have to increase for higher risk lending – aka dairy farming. Which will put upward pressure on terms for funding.

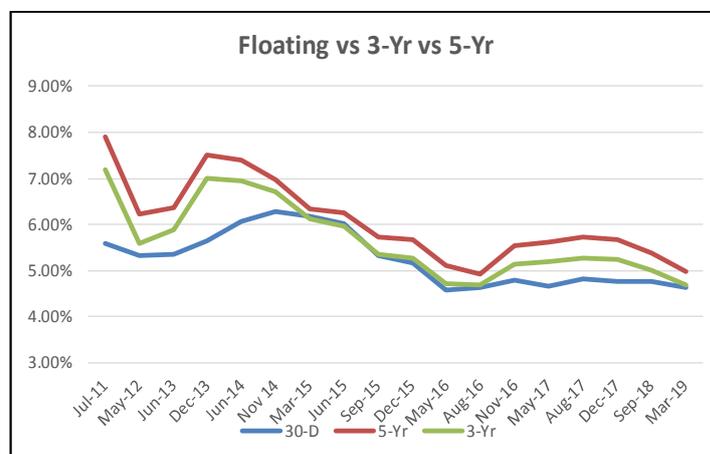
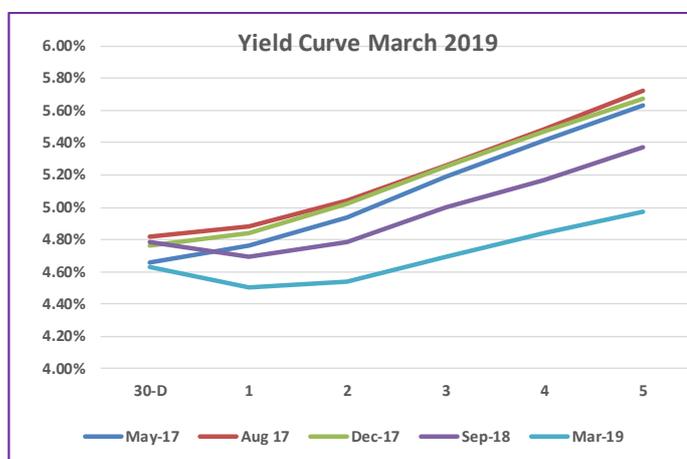
So these good interest rates might not last.

Putting this situation in context with the previous article we recommend that for some businesses now is the time to lock down a good rate and make a policy change towards debt reduction.

In recent months BakerAg has had clients with reasonable equity and good cashflow re-negotiate their funding cost. Martin Boyle follows the banking scene closely recommends farmers at least talk with their bank manager and discuss the options.

### Indicative Agri-Banking Retail Rates

	30-day	1-yr	2-yr	3-yr	4-yr	5-yr
<b>May 2019</b>	<b>4.52%</b>	<b>4.33%</b>	<b>4.33%</b>	<b>4.46%</b>	<b>4.55%</b>	<b>4.67%</b>
<b>March 2019</b>	4.63%	4.50%	4.54%	4.69%	4.84%	4.97%



- Retail interest rates have come down by between 15 and 40 points since our last review in March this year.
- The longer-term rates have come down the most (33 to 40 points).
- 5-yr rates are below 5% for only the second time since 2010 (last time was August 2016).
- The interest rate difference between 30-Day and 5-Year fixed rates is approximately 15 points (i.e. 0.15 of 1%).

### Carbon Legislation: What do we know?

Greenhouse gases in total are increasing. These cause the earth's atmosphere to warm.

To minimise the damage of global warming there is international acknowledgement that we need less man-made emissions (of greenhouse gases) and more activities that sequest (absorb) carbon.



The Zero Carbon Act is the legislation that will direct how New Zealand will respond.

This act says we will fully mitigate long-lived gases by 2050. Carbon dioxide and nitrous oxide are the two main culprits here. They live in the atmosphere for over 100 years and their concentration is increasing.

Then there are short-lived gases, read “methane”. These gases breakdown faster, around 30 years.

It is important to note that methane has a GHG effect or Global Warming Potential (GWP) 30x more than Carbon Dioxide. Nitrous Oxide is 280x. So, methane and nitrous oxide do far more harm per tonne than CO<sub>2</sub>.

Which means methane is more damaging in the short term but disappears faster. Over time CO<sub>2</sub> and NO<sub>2</sub> will do more total damage.

If its agreed that we want the earths temperature to not increase by more than 2degrees by 2050 (short term) then methane emissions remain important.

The intent of the act is for NZ to reduce methane emissions by 10% by 2030 and up to 47% by 2050.

The key question in all forms of correspondence, including science ... **“is this a reasonable and realistic expectation?”**

Because NZ emits less than 1% of the worlds GHG, common sense says that even if NZ could fully mitigate 100% of its GHG emissions, it would have a microscopic effect on global warming.

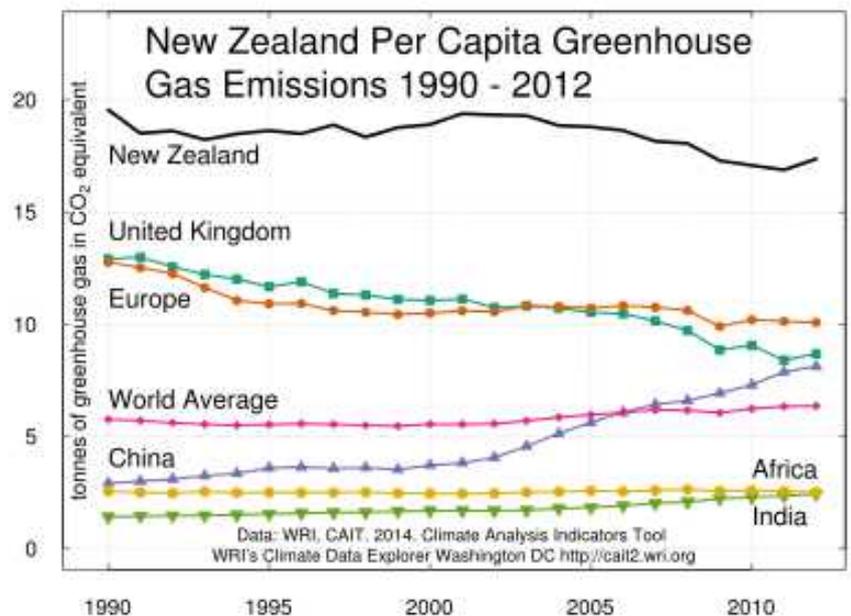
**So why does NZ actually do anything at all? And why does NZ agriculture have to be involved?**

The rhetoric is that NZ has the potential to make an effective and rapid response, thereby leading the way in a world response. It might be worth noting that on a “per-person” basis NZ is one of the top 10 countries for emissions.

Farming is responsible for 48% of NZ’s GHG emissions, the majority of which is methane from ruminant animals. Note: Professor Keith Woodford believes New Zealand’s production of methane has peaked.

**How do we mitigate methane?**

One option is simply to have less ruminants in New Zealand. Less ruminants will mean less methane but if you have less cows, but grow the same amount of grass, with reasonable management the remaining cows produce more. Methane is a function of dry matter intake. If cows eat more then more methane is belched. So, less cows doesn’t reduce the methane emission in full proportion.



What other ways are there to reduce methane emissions? There is some excellent research work being done in New Zealand that has the potential to help in three different pathways.

1. In a research environment feed additives can target the methane producing bugs in the rumen, without losing production. How to put this into commercial practise is being investigated.
2. The scientists are working through how different diets produce different amounts of methane.
3. It is feasible to breed lower methane “belching” animals.

We could just purchase carbon credits to offset methane emissions. What could methane emission cost? In today's dollars 1 tonne of CO<sub>2</sub> emission will cost around \$25 as a carbon credit.

Our average dairy cow produces 100kg of methane per year

This has the GWP of 3t of carbon dioxide.

At \$25/t for carbon credits we are looking at an unmitigated scenario of **\$75/cow/year** just for methane.

At \$75/t for carbon credits its \$225/cow/year.

Initially farmers are expected to meet their ETS obligations via processors. So your milk is levied. At 10% mitigation and \$25/t for carbon credits that's 4 cents/kgMS but at 50% its 18 cents and 36 cents for 100%.

Go back to Prof Woodford's point. For NZ our methane inventory is stable. It is CO<sub>2</sub> and NO<sub>2</sub> that is building in inventory – see further reading references. We could get our methane levels down to pre-2017 levels with minimal, simple changes. 10% is the maximum yet the draft Zero Carbon bill says 26% - 47% by 2050.

## CO<sub>2</sub> and NO<sub>2</sub> mitigation

With carbon dioxide farmers emissions are through the burning of fossil fuel and another source underestimated is the ploughing of land. Each plough event can undo 20 years of organic matter build up, releasing carbon dioxide. If the farm ploughs 5% annually then carbon sequestering by soil is a net zero over the farm.

Nitrous Oxide (NO<sub>2</sub>) is released from the soil largely around urine and dung patches. Plantain has the potential to reduce N loss to the environment both through reduce N leaching and NO<sub>2</sub> gas. Research over time is expected to build on this.

To offset all emissions farmers could plant trees, BUT ...

Dairy farmers don't typically have enough land to plant trees, and the act as it is presently drafted wouldn't allow farmers to use this mitigation option of planting trees on their own land anyway.

- For 10% mitigation our average dairy farm needs to plant 13.2 HA in Pinus radiata.
- For 50% mitigation its 65.6 HA in Pinus radiata.

Further to this, and a point missed by many is that the mitigation by planting trees only works over a 28 year time span (Pinus radiata), after 28 years a new area of trees would need to be planted to continue mitigation.

With permission from Agletter, the following has been reproduced from the 11<sup>th</sup> of May issue.

## What's Wrong with the Deal (Zero Carbon Act) for Ag?

- The announced methane reduction target for 2050 of 24-50%, when coupled with the target of net zero for nitrous oxide, requires the New Zealand agriculture sector to reduce its emissions by 43-60%.
- Currently the only way that these emissions can be reduced without cutting stock numbers is to feed less dry matter to livestock. The Biological Emissions Reference Group (BERG) commissioned work that shows in order to significantly reduce livestock methane emissions in the future without cutting production, many currently unavailable and uncertain technologies will need to be developed and commercialized, including genetically modified ryegrass crops.
- The draft legislation gives no guidance or indication as to how its proposed targets are to be achieved.
- The bill sets out a “split gases approach”, meaning that carbon dioxide and nitrous oxide (long-lived gases) and methane (short-lived gases) will fall into separate columns. It sets a target for 10% reduction in methane emissions by 2030, and “aims for a provisional reduction ranging from 24% to 47% by 2050”. Essentially this means the 10% methane target is required to be achieved two decades before the target for all other gases.
- But this means that agriculture is being asked to do more than fossil fuel emitters. The 10% reduction target for methane by 2030 goes beyond what is needed to achieve no further contribution to warming from methane. This target is expecting farmers to reduce methane 3 times more than required for methane to no longer contribute to additional global warming.  
This range, however, is subject to a review by the Climate Change Commission in 2024 to take account of any future scientific developments.
- In addition, the way the government is proposing to treat methane under the Zero Carbon Bill would see farmers not allowed to offset methane emissions through trees planted on their farms.
- These proposals run contrary to the leading scientific advice as summarised by the independent Parliamentary Commission for the Environment, which identified that if methane was reduced by between 10-22% then it would no longer be contributing to additional warming.

## What the Sector Should be Lobbying For

1. Biological methane emissions to be able to be offset through the recognition of the significant tracts of native and other forests on farms.
2. An equitable approach requires carbon dioxide and nitrous oxide to go to net zero, and methane to be reduced and stabilised by between 10-22%. This is consistent with the advice from the independent Parliamentary Commissioner for the Environment who identified this range as meaning methane would be contributing no additional warming. Any target above this is therefore asking methane to cool the planet.
3. An accounting mechanism that allows each farm's emissions to be measured and accounted for individually, so that mitigating measures in each business are fully recognised and encouraged.

Further reading: <https://zerocarbonact.nz/zca-summary/>  
[http://www.mfe.govt.nz/sites/default/files/media/Consultations/13001\\_Myles\\_Allen%2C\\_Michelle\\_Cain%2C\\_David\\_Frame\\_and\\_Adrian\\_Macey.pdf](http://www.mfe.govt.nz/sites/default/files/media/Consultations/13001_Myles_Allen%2C_Michelle_Cain%2C_David_Frame_and_Adrian_Macey.pdf)  
<https://www.pce.parliament.nz/media/196482/contribution-of-methane-emissions-from-nz-livestock-to-global-warming.pdf>

## Setting Up for 19-20.

Unfortunately, as consultants we all too often witness a missed opportunity.

A classic is the failure to use the winter, non-milking period to get the farm ready for the new season. Those most likely to fall into this “hole” is the new season sharemilkers, contract milkers and senior managers.

Often the thinking is that the farm is already setup because the feed budget is done and the feeding of stock is planned and locked in. But it’s the little things they can’t see that is the problem.

Our advice at BakerAg, consider the 5P’s of success: Prior planning prevents poor performance.

Look at your accounts codes and perhaps use this to generate a checklist for winter work.

- Wages – are the staff all correctly setup for PAYE, Kiwisaver, rosters ...
- Animals Health- are the metabolic treatments ready. Minerals for pre-calving. Preventative health planning meeting with the vet.
- Animal breeding – verify the plans for the coming season. Get the herd records accurate. NAIT re-registered.
- Cowshed – good time to get the shed check done – in some districts this has to be booked well in advance. Any inflations to be replaced. Shed washing detergents ready – perhaps get a good deal at the field days.
- Electricity – check your charges and verify if you have the best deal.
- In-shed feeding systems – maintenance now so its all ready to go at calving.
- Farm R&M – electric fence shorts, tape gates, stone traps and effluent sumps cleaned. Not always a good time to repair farm tracks because summer is better for consolidation – but perhaps a check on bottleneck areas.
- Plant & equipment servicing – all vehicles in top notch state ready for calving.
- Administration/Compliance – check your status and update the administrative processes so you can complete your farm recording quickly and promptly. This applies to regional council and milk processor requirements.
- Meet with accountant, bank manager and advisors – get everyone on the same page for the new season. Perhaps review the funding terms – get a lower interest rate and pay off some debt?

## The 19-20 Budget

At least twice a year Milklines reviews the budget for an average lower North Island farm. With Fonterra releasing its advance milk payments this our cue to look at the budgets.

The farm and key numbers:

- 160 HA farm expected to produce 165,000 kgMS.
- 430 cows at peak so its 383 kgMS/cow.
- The advance rate to June 20 is \$5.10 + capacity adjustment and the final milk payment is \$1.31/kgMS.
- Policy: the farm winters half the cows off over winter, all yearlings are grazed out for twelve months.
- Supplements are crop, home grown hay, baleage and grass silage and 150 kg PKE/cow.
- 1/3<sup>rd</sup> of the farm is irrigated.

		Budget		
		2019-20		
Milk Production	Milksolids	165,000		
Effective Milking Area	Hectares	160	1031	- system 3, partial irrigation
Peak Milking Numbers		430	384	- 2.7 cows/HA
Income	June 30 Balance Date			
Milk & Dividends	<b>Advance</b>	<b>841,500</b>	<b>\$5.10</b>	
	<b>Capacity Adjust @ 51 cents</b>	<b>50,325</b>	<b>\$0.31</b>	
	<b>Final Payment</b>	<b>177,592</b>	<b>\$1.26</b>	
	<b>Dividends on 165,000</b>	<b>16,500</b>	<b>\$0.10</b>	- revised down from 15 cents
Livestock sales	Cull cows	78,200	\$850	
	Reared Bull Calves - 50 head in 19/20 season	27,500	550	
	Bobby Calves	6,750	25	
	10 bulls	17,000	1700	
Livestock Purchases	Return to normal breeding bulls (10)	-25,000	2500	
Industry Levy	@ 7.5 cents / kg MS incl M.Bovis 19-20	-12,375		
<b>Net Income</b>	<b>Comments for 2018/2019 Season</b>	<b>\$1,177,992</b>	<b>\$7.14</b>	- up 20 cents/kgMS on 18/19
<b>Expenses</b> Wages	1.5 Full Time Equivalent (FTE)	90,000		- \$60k/FTE, up 6% on 18/19
	1 casual	15,000		
	ACC	3,938		
Animal Health		36,550		- \$85/cow
Breeding		24,940		- \$58/cow
Dairy Shed		9,890		- \$23/cow
Electricity		23,920		- \$52/cow
Irrigation		36,750		
Feed	Silage 215 t DM @ 28c/kg DM	60,000		
	Baleage- made on farm, 200 bales \$50	10,000		Less surplus than 18/19
	PKE or Similar imported feed	19,320		- 150kg/cow, \$280/t
	Hay - 180kg bale per cow @ \$75/bale	36,850		
	Calf rearing - \$115/hd next yr \$120/head	18,600	\$ 120	
Grazing	R1yr heifers @ \$9.50, 52 weeks	52,364	\$ 9.50	
	Wintering cows, @ \$26, 8wks	47,840	\$ 26	
	Livestock Freight	5,632		

	turnips/grass	16,000		
Pasture Renewal & Crop	grass to grass	5,000		
Freight	\$11/cow	4,719		
Fertiliser	380 kg/Ha Sulphur Super	23,104		
Incl cartage & application	Urea - reduced to 275 kg/ha	34,100		
	Lime	4,000		
R&M		80,000		- \$500/HA
Vehicle		45,000		- \$281/HA
Weed & Pest		4,000		
Rates & Insurance	Rates	29,040	\$ 182	/HA
	Insurance	21,920	\$ 137	/HA - still increasing
Administration		28,800	\$ 180	/HA
Farm Working		4,000		
<b>Total Expenses</b>	<b>Total</b>	<b>\$791,277</b>	<b>\$4.80</b>	- before depreciation (24 cents
<b>Farm Operating Surplus</b>		<b>\$386,715</b>	<b>\$2,417</b>	/HA
<b>Cost of Production</b>	<b>% of Net Income</b>		<b>67%</b>	
Drawings		90,000		
Debt servicing	Interest on \$22/kgMS	163,350	4.5%	- lower interest rate
	O/D Interest, average \$100k	8,800	8%	
	Principal	48,000		- recommence debt reduction
Taxation		30,000		
Capital & New Borrowing	Plant replacement or compliance mitigation activities	30,000		
	Fonterra Co-op Loan			
<b>Total Other</b>	<b>Drawings, Debt, Tax, Capital</b>	<b>370,150</b>	<b>\$2.24</b>	
<b>Cash Operating Result</b>		<b>\$16,565</b>	<b>\$0.10</b>	/kgMS

Notes:

- Net farm income \$1,177,992
- Operating expenditure \$791,277 which is \$4.80/kgMS, \$4,945/HA and 67% of net income.
- The operating result is \$386,715 or \$2.34/kgMS before depreciation (24 cents)
- Interest including overdraft is \$172,150 or \$1.04/kgMS
- Capital expenditure, tax and principal repayments total \$108,000 or 65 cents/kgMS.
- Drawings is budgeted up \$10,000 on past budgets to \$90,000 or 55 cents/kgMS.
- With a cash Operating Result of \$16,565 this is virtually breakeven for cash.

Not much room for error!

## Advertisements

The New Zealand Society of Animal Production are hosting a farmers day [on Wednesday 3<sup>rd</sup> July](#) in Palmerston North. This is a great opportunity for you to hear about new research in the areas of hogget breeding, ewe stocking rate, growth of young cattle, sustainable use of fodder beet and much more.

There will also be a Keynote presentation by Dr Jacqueline Rowarth on Genetic Technology- the pros and cons for New Zealand. The afternoon will include tours of Massey Sheep Research sites, AgResearch Greenhouse gas facilities, Fonterra Pilot Plant and conclude with a BBQ.

For a look at the full programme and to register to attend the farmer day please see <http://www.nzsap.org/content/conference>.

## URGENT: Experienced Management Skills Required

As a sign of the tightening supply of skilled people we have a new season started and several key positions yet to be filled. If you have any leads on filling the following opportunities our clients would be most grateful.

- Farm Manger 300 cows in the Manawatu.
- Farm manager 500 cows in the Wairarapa
- 2IC – significant responsibility – 900 cows in the Wairarapa

Please contact Chris on 0274 460294 or Stefan on 027 478 1534

## GOOD FOR A LAUGH .....

George had responded to a call from his attorney, insisting that they meet at once. He arrived at his lawyer's firm, and was ushered into his office.

"Do you want the bad news first or the terrible news?" the lawyer asked.

"Well, if those are my choices, I guess I'll take the bad news first."

"Your wife found a picture worth a half-million dollars."

"That's the bad news?" George was stunned. "If you call that bad, I can't wait to hear the terrible news."

"The terrible news is that it's of you and your secretary."



SITUATION REPORT		May 19 - Jun 19			
<b>PASTURE GROWTH</b> (Pasture growth figures include the use of nitrogen)					
		May-19	May-18	Forecast Jun	
Manawatu	Irrigated	45	28		20
	Non-irrigated	40	28		20
Tararua		35	25		18
Wairarapa	Irrigated	45	28		20
	Non-irrigated	40	25		20
Canterbury		35	18		12
Otago		30	18		8
Tasman		30	25		15
Southland		25	18		8
<b>PASTURE COVER</b> (End of month)					
		May-19	May-18	Forecast Jun	
Manawatu	Irrigated	2300	2300		2400
	Non-irrigated	2300	2300		2400
Tararua		2200	2200		2300
Wairarapa	Irrigated	2300	2100		2400
	Non-irrigated	2300	2100		2400
Canterbury		2200	2000		2400
Otago		2000	2000		2200
Tasman		2000	2100		2200
Southland		2100	2100		2250
<b>DAILY MILK PRODUCTION</b> (MS / cow) Derived from DSM data, typically representing upper quartile performance					
		May-19	May-18	Forecast Jun	
Manawatu	Irrigated	1.20	1.10	Winter milk	1.50
	Non-irrigated	1.20	1.10		N/A
Tararua		1.20	1.10		N/A
Wairarapa	Irrigated	1.20	1.10	Winter milk	1.50
	Non-irrigated	1.10	1.00		N/A
Canterbury		1.40	1.00		N/A
Otago		1.30	1.00		N/A
Tasman		1.00	0.90		N/A
Southland		1.10	1.00		N/A

SITUATION REPORT		May 19 - Jun 19			
LIVESTOCK		Now	Last Month	Last Year	
<b>Lower North Island</b>					
Cull Cow	170-220kg CWT	650-900	650-900	700-950	
Incalf Cows	June 2019 delivery	1300-1700	1500-1900	1500-1800	
Recorded R2 hfr in calf	2017 born, delivery May	1200-1500	1200-1600	1300-1600	
Recorded yearling heifer (R1)	2018 born, capital stock	600-800	600-800	600-800	
Export eligible Friesian yearling hfr	2018 born	1150	1050	N/A	
<b>South Island</b>					
Cull Cow	200-240kg CWT	550-875	550-875	500-850	
Incalf Cows	1 June 2019 delivery	1300-1850	1600-1900	1400-1850	
Budget Cow (In-calf)	1 June delivery	850-1050	900-1300		
Recorded R2 hfr in calf	2017 born, delivery 1 May	1100-1500	1200-1600	1200-1700	
Recorded yearling heifer (R1)	2018 born, capital stock	600-950	600-850	800-1100	
Export eligible Friesian Yearling hfr	2018 born, delivery Sept/Oct	1100	1100	N/A	
<b>FERTILISER</b>					
<b>Prices as at 31 May</b>					
Urea @ 100 kg/Ha	\$/Ha applied	80.00	80.00	66.00	
Superphosphate @ 350 kg/Ha	\$/Ha applied	132.00	132.00	126.40	
DAP + Potash Blend @ 200 kg/Ha	\$/Ha applied	159.18	159.18	146.62	
<b>EXCHANGE RATE (US)</b>		0.651	0.667	0.703	
<b>Fonterra Unit Price</b>					
	Co-op Group Shares	\$3.98	\$4.27	\$5.25	
Milk Price Futures (Sept 2019)	NZX Global Dairy Futures	\$6.40	\$6.47	\$6.88	
Milk Price Futures (Sept 2020)	NZX Global Dairy Futures	\$6.88	\$6.82		
<b>International Commodities</b>					
Maize (Corn) Daily Price	USD/MT FOB	191	156	175	
Whole Milk Powder	USD/MT FAS	3,180	3,269	3,205	
Crude Oil WTI (Nymex) Price	USD per Barrel	56.60	63.45	65.08	
Please note we include these three international commodities for readers as a guide. These commodities are connected to the US milk supply and the short to medium term milksolids price.					

FEED MARKET							Utilised	
Lower North Island		Now	Last Month	kgDM OR kgDM/day	MJME	Utilisation	Cents / MJME	Cents / kgDM
Barley ex silo (indicative contract price)	\$/tonne	420	420	860	12.5	95%	4.1	51
Palm Kernel - delivered	\$/tonne	310	310	920	11.0	85%	3.6	40
Soybean Hulls - pellets incl. delivery	\$/tonne	385	380	910	12.0	85%	4.1	50
Dried Distillers Pellet (Wheat) incl. delivery	\$/tonne	570	520	920	12.7	85%	5.7	73
Corn Gluten Feed Pellets incl. delivery	\$/tonne	490	470	920	12.7	85%	4.9	63
Molasses (feed grade)	\$/tonne	329	334	750	12.0	90%	4.1	49
Maize - standing (Indicative ONLY)	c/kg DM		25					
Maize - In the pit (Indicative ONLY)	c/kg DM	36	36	350	10.8	80%	4.2	45
Grass - standing (good quality)	c/kg DM							
Grass Silage - in the stack	c/kg DM	33	33	180	10.5	80%	3.9	41
Baleage	\$/round	80	80	250	10.5	85%	3.6	38
Straw	\$/round	45	45	200	8.0	80%	3.5	28
Hay Large Round	\$/round	75	75	240	9.5	80%	4.1	39
Calf grazing	\$/hd/week	7	7	4	11.0	80%	2.8	25
Yearling grazing	\$/hd/week	11	11	7	11.0	80%	2.6	22
Winter cow (Average quality)	\$/hd/week	21	21	12	9.5	80%	3.3	25
Winter cow (Good quality)	\$/hd/week	29	29	14	11.0	80%	3.4	30
Winter Incalf R2yr	\$/hd/week	24	24	12	11.0	80%	3.2	29

#### South Island

Barley - ex silo (indicative contract price)	\$/tonne	410	410	860	12.5	95%	4.0	50
Palm Kernel - delivered	\$/tonne	300	325	920	11.0	85%	3.5	38
Soybean Hulls - pellets incl. delivery	\$/tonne	385	350	910	12.0	85%	4.1	50
Dried Distillers Pellet (Wheat) incl. delivery	\$/tonne	515	500	920	12.7	90%	4.9	62
Molasses (feed grade)	\$/tonne	329	334	750	12.0	90%	4.1	49
Maize - standing	c/kg DM		25					
Maize - In the pit	c/kg DM	31	31	330	11.8	80%	3.3	39
Grass - standing (poor quality)	c/kg DM							
Grass Silage - in the stack (poor quality)	c/kg DM	22	22	180	10.5	80%	2.6	28
Straw	c/kg DM	20	20	220	8.0	80%	1.4	11
Calf grazing	\$/hd/week	7.50	7.50	4	11.0	80%	3.0	27
Yearling grazing	\$/hd/week	12.50	12.50	7	11.0	80%	2.9	26
Winter cow grazing	\$/hd/week	25	25	14	11.0	80%	2.9	26
Winter Incalf R2yr	\$/hd/week	20	20	12	11.0	80%	2.7	24

All prices are **exclusive of GST** and provide a guide on the current market. Where an average delivery cost is included (PKE, DDG, SBH, CGFP) \$45/tonne used for NI, \$25/tonne for SI  
**Actual prices can and will vary.**

NB: Condensed Distillers Syrup is currently available but mostly manufactured into a pelletised product.

(N/A - insufficient market evidence at this point)

Utilisation and MJME figures are from DairyNZ Facts and Figures publication.

Dairy System Monitoring provides a guide on upper quartile performance and is a service provided by BakerAg and Macfarlane Rural Business.