

**Physical and Financial Details  
of**

# **Culverden Dairies**



417.721 ha in Culverden, North Canterbury

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## Culverden Dairies

Equity shareholdings are available in this property

The proposed total equity investment is \$11,000,000 based on 38% borrowing.

The dairy unit purchase price is \$33/kgMS based on 400,000kgMS, or \$32,593/ha based on 405 effective ha (dairy farm area), for dairy land and shares. Cost after development (based on 480,000kgMS) is \$36,395/ha and \$31/kgMS.

**Name:** Culverden Dairies (to be confirmed)

**Location:** Approximately 4.7km from Culverden township, 100km from Christchurch and 40km south of Hanmer Springs

**Area:** 417.721ha total, 405ha effective dairy farm area and 371ha grass area

**Tenure:** Freehold

**Stock:** The budget is to milk 1,300 cows at peak

## Capital and Financial Analysis

<b>Capital</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Land & Shares	\$ 13,200,000	\$ 15,478,400	\$ 16,167,520	\$ 16,746,380
R 1 Heifers	\$ 135,000	\$ 135,500	\$ 140,500	\$ 140,500
R 2 Heifers	\$ 265,100	\$ 346,100	\$ 277,200	\$ 287,100
M A Cows	\$ 1,729,200	\$ 1,712,700	\$ 1,793,550	\$ 1,778,850
Total Value Of Stock	\$ 2,129,300	\$ 2,194,300	\$ 2,211,250	\$ 2,206,450
Plant/Machinery	\$ 209,000	\$ 209,000	\$ 209,000	\$ 209,000
Capital Development	\$ 1,190,000	\$ -	\$ -	\$ -
Working Capital	\$ 321,700	\$ -	\$ -	\$ -
Total Debt Including Current A/c on June 1	\$ 6,400,000	\$ 6,443,472	\$ 6,195,961	\$ 5,879,255
Equity	\$ 10,650,000	\$ 11,438,228	\$ 12,391,809	\$ 13,282,575
Total Assets	\$ 17,050,000	\$ 17,881,700	\$ 18,587,770	\$ 19,161,830
Term Loan Interest Paid	\$ 565,794	\$ 584,096	\$ 571,192	\$ 569,500

<b>Financial Analysis</b>				
Return on Assets Before tax & Interest	2.1%	3.9%	5.1%	5.5%
Percentage Debt to Assets	38%	36%	33%	31%
Return on Equity after Interest	-2.0%	0.9%	3.0%	3.6%
Expenses as a % of GFI	78%	68%	62%	61%
EFS/ha	\$ 878	\$ 1,707	\$ 2,334	\$ 2,582
Interest as a % of GFI	24.8%	21.4%	20.3%	19.6%
Expenses/kgMS	\$ 3.68	\$ 3.52	\$ 3.40	\$ 3.34

*The projected increase in capital value is calculated based on the budgeted production lift only. Any increases in the property value due to other market forces have been excluded from this analysis. Potential investors are encouraged to make their own assessment of potential additional capital uplift in addition to those driven by production increases.*

The Budget is based on the following capital requirements:

- Purchase of land and buildings \$13,200,000
  - Stock purchases \$ 2,129,300
  - Plant and equipment \$ 209,000
  - Set-up & promoters fee \$ 350,000
  - Development:
    - Herringbone dairy shed \$ 770,000
    - Meal feeders \$ 140,000
    - Tracks \$ 50,000
    - Building calf sheds \$ 50,000
    - Building new staff house \$ 180,000
  - Working Capital \$ 321,700
- \$17,400,000

Funded as follows:

- Equity introduced \$11,000,000
  - Borrowing from bank \$ 6,400,000
- \$17,400,000

# Budget Summary

	2011	2012	2013	2014
<b>Income</b>				
Milk Income	\$ 2,173,978	\$ 2,618,779	\$ 2,701,552	\$ 2,789,826
Stock Sales	\$ 106,535	\$ 107,385	\$ 110,535	\$ 110,535
<b>Total Income</b>	<b>\$ 2,280,513</b>	<b>\$ 2,726,164</b>	<b>\$ 2,812,087</b>	<b>\$ 2,900,361</b>
<b>Stock Purchases &amp; Bull Lease</b>	<b>\$ 15,059</b>	<b>\$ 85,510</b>	<b>\$ 15,650</b>	<b>\$ 17,450</b>
<b>Income Less Stock Purchases &amp; Bull Lease</b>	<b>\$ 2,265,455</b>	<b>\$ 2,640,653</b>	<b>\$ 2,796,437</b>	<b>\$ 2,882,911</b>
<b>Total Budgeted kgMS</b>				
	480,000	491,500	510,000	520,000
<b>Average Income \$/kgMS</b>	<b>\$ 4.75</b>	<b>\$ 5.55</b>	<b>\$ 5.51</b>	<b>\$ 5.58</b>
<b>Budget payout \$/kgMS</b>	<b>\$ 5.40</b>	<b>\$ 5.40</b>	<b>\$ 5.40</b>	<b>\$ 5.40</b>
<b>Expenses</b>				
Animal Health	\$ 87,730	\$ 84,687	\$ 84,737	\$ 83,332
Breeding Expenses	\$ 39,405	\$ 41,092	\$ 40,984	\$ 41,004
Electricity	\$ 27,000	\$ 28,080	\$ 28,080	\$ 28,080
Feed	\$ 616,834	\$ 632,227	\$ 637,067	\$ 637,067
Fertiliser & Lime	\$ 130,610	\$ 130,610	\$ 130,610	\$ 130,610
Irrigation Costs	\$ 74,672	\$ 74,672	\$ 74,672	\$ 74,672
Shed Expenses	\$ 15,808	\$ 15,808	\$ 15,808	\$ 15,808
Freight & Cartage	\$ 16,745	\$ 17,395	\$ 17,395	\$ 17,395
Wages	\$ 450,818	\$ 450,818	\$ 450,818	\$ 450,818
Regrassing	\$ 48,300	\$ 24,975	\$ 24,975	\$ 24,975
General Farm Working	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Weed & Pest	\$ 2,226	\$ 2,226	\$ 2,226	\$ 2,226
Repairs and Maintenance	\$ 51,000	\$ 51,000	\$ 51,000	\$ 51,000
Vehicle Expenses	\$ 40,599	\$ 40,499	\$ 40,499	\$ 40,499
Administration	\$ 115,700	\$ 91,200	\$ 91,200	\$ 91,200
Rates & Insurance	\$ 45,385	\$ 44,229	\$ 44,229	\$ 44,229
<b>Farm Expenses</b>	<b>\$ 1,764,832</b>	<b>\$ 1,731,518</b>	<b>\$ 1,736,300</b>	<b>\$ 1,734,915</b>
Loan interest	\$ 544,000	\$ 569,500	\$ 569,500	\$ 569,500
Overdraft interest	\$ 21,794	\$ 14,596	\$ 1,692	\$ -
Depreciation (estimated)	\$ 150,000	\$ 130,000	\$ 120,000	\$ 100,000
Gst Adjustment from Cashflow	\$ -	\$ 929	\$ 1,276	\$ 668
<b>Total Income before Tax &amp; Capital</b>	<b>-\$ 215,172</b>	<b>\$ 194,110</b>	<b>\$ 367,669</b>	<b>\$ 477,828</b>
<b>Tax</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103,982</b>	<b>\$ 143,348</b>
<b>Capital</b>				
Share Purchases	\$ -	\$ 361,600	\$ 51,980	\$ 83,620
Stock Purchases	\$ 2,129,300	\$ -	\$ -	\$ -
Plant and Equip.	\$ 209,000	\$ 15,000	\$ 15,000	\$ 15,000
Land & Buildings	\$ 13,200,000	\$ -	\$ -	\$ -
Setup Costs	\$ 350,000	\$ -	\$ -	\$ -
Development	\$ 1,190,000	\$ -	\$ -	\$ -
Borrowing	\$ -6,400,000	\$ -300,000	\$ -	\$ -
Equity Introduced	\$ -11,000,000	\$ -	\$ -	\$ -
<b>Total Capital</b>	<b>\$ 321,700</b>	<b>-\$ 76,600</b>	<b>-\$ 66,980</b>	<b>-\$ 98,620</b>
<b>Annual Result</b>	<b>\$ 256,528</b>	<b>\$ 247,510</b>	<b>\$ 316,707</b>	<b>\$ 335,860</b>
<b>End of Year Account Balance</b>	<b>\$ 256,528</b>	<b>\$ 504,039</b>	<b>\$ 820,745</b>	<b>\$ 1,156,605</b>

## Milk Production

	<b>08/09</b>	<b>09/10 Budget</b>	<b>10/11 Budget</b>	<b>Potential</b>
<b>Total area</b>	417	452	417	417
<b>Effective area</b>	405	440	405	405
<b>Grass area</b>	371	406	371	371
<b>Cows Milked</b>	1,100	1,400	1,250	1,300
<b>KgMS</b>	290,525	400,000*	491,500	520,000
<b>KgMS/eff ha</b>	717	909	1,214	1,284
<b>KgMS/cow</b>	264	286	393	400

\* Under current ownership, includes additional land

The first season of the proposal will be based on milking 1,250 cows targeting 480,000kgMS. In the following season it is expected that a maximum 1,300 cows will be milked (3.5/ha) achieving 491,500kgMS.

The farming system will be a low cost grass based system introducing 250-300kgDM of supplementary feed per cow.

The reason the farm has not yet reached its potential production is primarily due to the constraints of milking a large number of cows through a small dairy shed.

## General Description

### ***Land Use***

The farm has been managed as a 405 hectare (371ha grass area) dairy platform for 2 years, before which it was a bull beef unit. There is 12ha of unusable native reserve land on the title.

### ***Farm Layout and Subdivision***

The farm is subdivided into 68 paddocks, all 2-3 wire electric fences, with easy access to all paddocks.



### ***Contour***

The property has a flat contour and is approximately 200m above sea level.

## **Soils**

The soils are light Balmorals & Wakanui.

July 2009 soil test results:

Area	Soil Type	pH	Ca	P	K	S	Mg	Na
Irrigated	Sedimentary	5.7	8.6	29.4	7.1	8.1	26.4	5.9
Un-irrigated	Sedimentary	5.9	11.8	35.6	9.8	20.5	36.3	8

2009 soil test results show that K levels range from 7.1 to 9.8, the target being 7-10 and the pH ranges from 5.7 to 5.9, with the optimum range being 5.8 to 6.

Soil tests will be taken every winter and a fertiliser plan worked out accordingly.

## **Rainfall**

The property has a rainfall of approximately 650mm per year.

## **Water Supply**

Very well irrigated by two centre pivots covering 280.5 and 22.5ha respectively. Sprinklers irrigate 7ha of corners. The farm has 280 A shares in the Amuri Scheme and has an effective allocation of 168litres/second. This allocation can comfortably apply 5mm/ha/day. The balance of unirrigated land has a high water table and does not require irrigation.

The Amuri Irrigation scheme is one of the cheapest and most reliable in Canterbury with only 2 restrictions in the past 20 seasons. Having water from this scheme is a significant highlight of the property.

## **Buildings and Facilities**

The existing dairy shed is a 50 aside herringbone shed with Read plant, Protrack drafting and a 500 cow circular yard. The proposed new herringbone shed will be a 40 aside with a 700 cow yard.

There are currently no sheds on the property. \$50,000 has been budgeted for building calf and hay sheds.

There are four houses on the property, all built within the last five years. There is one four bedroom house, two three bedroom houses and one two bedroom house. This property will need another house built to accommodate all staff. This has been budgeted in the proposal.



### ***Lanes and Shelter***

The existing laneways are in good condition. There is \$50,000 in the budget for laneway development around the new dairy shed.

There is no significant shelter on the farm.

### ***Livestock***

The proposal is to milk 1,250 cows in the first season. Currently no cows have been sourced for this investment. An average price of \$1,650 plus GST has been budgeted for cows and R2 heifers.

### ***Wintering***

We have budgeted to winter all cows and youngstock off the property.

### ***Plant & Machinery***

A total of \$209,000 has been budgeted for the purchase of plant, equipment and vehicles.

### ***Development***

\$1,190,000 has been budgeted for development. This includes a new 40 aside herringbone shed with meal feeders, a house, and upgrading of calf sheds and tracks.

### ***General Comment***

This business offers significant potential. The key resources of irrigation, good soils and strong management will enable significant and sustainable production gains, equity growth and cash returns.

## **Summary**

This document is a brief outline of the investment; an Information Memorandum is currently being prepared.

*Further information on this investment can be obtained by contacting:*

*Jim Lee on (03) 325 7105 or (027) 293 3220  
Cameron Glass on (03) 325 7105 or (027) 293 3229*