



FUTURE FARM PROPERTY EVALUATION REPORT

Prepared for

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Beef + Lamb New Zealand

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Executive Summary

The B+LNZ Future Farm programme will be a showcase of what is possible on a state-of-the-art sheep and beef farm, to support B+LNZ's vision of *profitable farmers, thriving farming communities, valued by all New Zealanders*.

There has been significant interest throughout the farming community since the B+LNZ announcement of the programme. This interest has come from farmers, technology providers, industry organisations and potential farm lessors. The purpose of this report is to provide an assessment of potential lessors and properties against a range of objective criteria determined by a Future Farms Management and Steering Group.

In this report, we present details of two properties which meet the initial assessment criteria for B+LNZ. The first is a 1,200-hectare property, located in ***, which will be referred to as Property 1. The second is a 500-hectare property near ***, which will be referred to as Property 2.

The total B+LNZ investment required to support the establishment of the farm and the Future Farm programme for Property 1 is \$1.3M. This includes: 1) The total farm establishment capital required of \$1,252,925, less a proposed partnership contribution of 50% contribution, therefore \$626,462, 2) Future Farm programme establishment capital of \$372,000, 3) Future Farm programme establishment operational costs of \$61,500, 4) annual costs to support the Future Farm programme, \$240,000.

The total B+LNZ investment required to support the establishment of the farm and the Future Farm programme for Property 2 is \$2.2M. This includes: 1) The total farm establishment capital required of \$1,553,600, 2) Future Farm programme establishment capital of \$381,000, 3) Future Farm programme establishment operational costs of \$63,500, 4) Annual costs to support the Future Farm programme, \$240,000.

The annual estimated on-going cost (from year two) to support the Future Farm programme is \$240k (regardless of location). In terms of the actual farm business operations, Property 1 is forecast to make a net pre-tax surplus of \$219k+ pa from year two. Property 2 is forecast to make cash losses of \$264k in year one, \$205K in year two and \$131k in year three.

The Future Farm Steering Group was unanimous in recommending Property 1 as their preferred choice for the first B+LNZ Future Farm. The Steering Group commented that Property 1 is an excellent example of a breeding and finishing property that will relate very well to farmers in the region.

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Background

Future Farm will be a showcase of what is possible on a state-of-the-art sheep and beef farm. It will serve farmers, agricultural support industries and professionals, politicians, environmental and other interest groups, schools, higher learning institutions and the wider public.

The Future Farm will demonstrate and evaluate technologies and systems for improving farm performance, whilst aligning with the B+LNZ strategy to support farming excellence, showcase best practice and enhance our environmental position.

The objective is to establish a commercial farming business that will demonstrate improvement in sheep and beef farm profitability. The farm will demonstrate an improving environmental footprint and excellence in all facets of farm business performance – planning, animals, people, feeding, welfare and systems.

A Future Farm is intended to provide a trusted source of relevant, accurate and independent information, and support the B+LNZ vision of:

Profitable farmers, thriving farming communities, valued by all New Zealanders

Purpose

The purpose of this report is to present two properties for consideration by B+LNZ to determine which, if any, would be suitable as the B+LNZ Future Farm.

These two properties (alongside other properties) have been evaluated against a range of criteria and have been subject to the first stages of financial and legal due diligence. The due diligence process used the same criteria to evaluate both properties to ensure that there were no biases.

Please note, the original version of this report has been edited to provide complete anonymity in relation to the properties evaluated so that the report can be made publicly-available. There have been no other changes.

Approach

Expression of Interest and Evaluation Process

The B+LNZ media release (October 2017), along with word of mouth and direct contact with industry agents, resulted in over 30 enquiries, including potential sponsors, partners and property owners.

Property owners completed an expression of interest (EOI) application, providing information on the farm, current production levels, livestock mix and infrastructure. In addition, they provided answers to questions relating to operational aspects of the Future Farm programme.

The EOIs were evaluated using a 14-point set of criteria, that aligned with Key Principles of Future Farm (Appendix 1); the criteria were weighted according to their impact on the ability to deliver the programme.

Criteria included: *Property (location, representative of the region), Scale, Access, Environmental factors, Pastures, Soil fertility, Infrastructure, Housing, Genetics, Ability to finish, Connectivity, Owner/personal factor, Freedom to operate (B+LNZ) and Livestock (mix of enterprises).*

Properties that scored higher than a weighted average of 75% in the phase one evaluation progressed to phase two, which included a property visit. Four properties were visited. Following the visit, a second-round evaluation was undertaken, using the same criteria as in phase one. One candidate subsequently withdrew to take up an alternative leasing opportunity.

The two properties presented in this report are those with the highest scores following the property visit. First-stage financial and legal due diligence has been undertaken and preliminary information was presented to the Future Farm Steering Group for review in January 2018.

Future Farm Steering Group (SG)

The Future Farm Steering Group was formed to provide guidance and advice to the Future Farm management team for establishing the Future Farm programme¹.

The Steering Group comprises 20 farmers and industry professionals from across the country, one of whom is also a B+LNZ farmer director (members are listed in Appendix 8). A workshop facilitated by Primary Purpose Ltd was held in Wellington. The purpose of the workshop was to establish the principles and vision for the B+LNZ Future Farm programme, to evaluate the process of identifying the best-suited properties and to review draft due diligence outputs for the two candidate properties against the principles and vision of the programme, for reporting to B+LNZ. Outputs from the day are presented in a tracker document (Appendix 8).

Due Diligence

First-stage financial due diligence was carried out with relevant expertise provided by Farm Accountant Ltd. The financial analyses were conducted at two levels:

Level 1 – Farm level analysis of the operational budget of the property as a leased commercial enterprise to assess the financial implications for B+LNZ and whether the farm business would relate well to other farmers. Farm and financial summaries are included in Appendix 3.

Level 2 – Future Farm programme costs: this includes all staff and operational costs for the on-farm delivery of Future Farm objectives including collection, collation and delivery of information through all media, hosting groups and field days, and operational costs of governance plus advisory groups. These costs are in Appendix 4, with the Future Farm business capital costs in Appendix 3B.

It is intended that the property is to be leased long-term from the owners. Therefore, the analysis also considered the longer-term viability of the underlying land-owning entity (lessor). The nature and the structure of the leasing entity is not defined here, as B+LNZ have engaged Chapman Tripp to provide advice on the structure of the business and the lease. A generic pro-forma lease and shareholding agreement, developed by a team of rural lawyers and accountants, is provided as a guide for potential agreements. There was agreement that the two agreements provide a good precedent.

¹ B+LNZ Board Information Paper: Future Farms – Progress Update, December 2017

Candidate Properties

Property 1

*** farm, a 1,200 ha (effective) property located ## km from ***, is an excellent example of a sheep and beef property in the *** region. The expected and historic performance aligns with the top quintile of the B+LNZ Economic Service Class # *** Finishing Breeding *** (Appendix 7A, Table 4). The property is currently under lease which ends on March 31st, 2018, thus providing an opportunity for B+LNZ. The details of the property are outlined in Appendix 7A.

The landowner (***) wishes to retain ownership of the property to provide their family with an option to farm in approximately 20 years' time. The landowner has formed a company (***) with two other parties, who all share the same values and aspirations – to farm profitably and sustainably while performing at the highest level, using the latest technologies and information available, and providing inspiration to the regional farming economy.

The Future Farm would be a Partnership between *** and B+LNZ with the land leased from ***. This sheep and beef farm is true to type for a hill country finishing farm in this area and will be relatable for many farmers.

In year one the property is expected to be running around 5,450 su. It is expected that 7,000 su is an achievable carrying capacity with some system and management changes and would be consistent with regional benchmarks. The sheep purchased at the start-up phase are expected to be a mix of age groups, without hoggets. An additional 655 ewes are budgeted to be purchased in February 2019 to maintain the flock size after culling for age and deaths. The 2019 year and subsequent years will close with retention of hogget replacements.

It is also expected that a flexible trading flock of around 1,000 ewes will form part of the strategy to increase stock units. These are likely to be purchased in February and sold any time from mid-spring to summer with various potential outcomes for their lambs. They will only be purchased when seasonal conditions and projections are favourable and therefore have not been included in the budgets presented in this report. The capital required for the flexible trading flock is expected to be ~\$140,000.

An assessment of the key factors required to improve this property and its livestock output has been conducted by AbacusBio farm consultants. The key opportunities relate to combinations of factors that will lead to heavier lamb carcass weights through higher pre- and post-weaning growth rates, maximising lamb numbers through higher survival (e.g. optimum scanning rates), and a high proportion of hoggets successfully rearing lambs. Therefore, there is a need to develop the capacity of the property to respond with good growth rates of high-quality pasture/forage whenever seasonal conditions allow, to develop flexible strategies to adjust livestock demand to utilise available feed profitably, and actively manage the supply/use of supplementary feed to manage genuine surpluses and deficits.

The lease cost is \$200,000 per annum. All budgets are based on a 30th June balance date. Based on assumptions presented in Appendix 3A and 3B, it is estimated that in FY 2018/19, there will be a pre-tax cash surplus of \$69k. The 2018/19 budget outcome includes an injection of \$114k of capital to cover the purchase of 655 ewes in February 2019. The total pre-tax surplus is forecast to grow to \$219k in FY 2019/20 and \$267k in FY 2020/21. An annual farming operating summary is attached as Appendix 7B.

Property 2

*** Farm is a 500 ha (effective) property located near ***, approximately ## km from ***. The farm is representative of Class # *** hill finishing country and has a range of flat, rolling and steep country. The property is currently running around 4,750 su, which is at the low end of the target range for Future Farm. The farm has X% of its stock units in sheep as compared to y% in the comparative Class # *** Hill Country - ***. Details of the property are outlined in Appendix 7C.

The owner has business interests in *** that take up the bulk of his time. The opportunity to lease the farm to B+LNZ appeals as they believe B+LNZ would be a safe custodian of the property ensuring that it is well managed. B+LNZ could lease the farm with a 3+3+3 years structure. The owner has expressed a desire to work on his other business for extended periods overseas and leave full operational control with B+LNZ as lessee. The owner has also expressed a desire to be involved in programmes that help bridge the rural-urban divide and to encourage groups of locals to visit and become involved with the property.

Based on assumptions presented in Appendix 3B, it is estimated that in FY 2018/19 there will be a deficit of \$264k. This deficit is forecast to reduce to \$205k in FY 2019/20 and \$131k in FY 2020/21 with more prime lambs being sold and an increasing proportion of the R2 bulls being finished.

An assessment of the key factors required to improve this property and its livestock output has been conducted by AbacusBio farm consultants. Major gains for this property will come from system and forage changes that greatly improve the cattle/bull growth rates and increase pasture utilisation, plus a high lambing rate from hoggets. Performance improvements in the cattle system will probably require investment in fencing with associated stock water supply and may need development of infrastructure to remove cattle from wet soils. Lifting lamb weaning and carcass weights is another key area, through refinement of lambing date, and more focus on feeding in early lactation and feed quality in late lactation.

The indicative lease cost for the Farm is \$400,000 per annum (request of \$800/ha in lease costs which includes plant, full use of two houses, a small cottage and includes rates - see property summary in Appendix 7C). This represents a lease cost of around \$82/su (Appendix 7D)

This sheep and beef farm will have its challenges, but the property offers the opportunity to showcase farming near one of New Zealand's larger cities.

Property Review

The evaluation criteria for the candidate properties were weighted on their ability to deliver on the key principles (Appendix 1). The features most valued in the initial phase of this process were property characteristics, freedom to operate, infrastructure and housing. A key outcome from the Steering Group workshop was that their most critical success factor for the Future Farm is that the property must be able to relate well to a range of farming and industry representatives and to the wider community.

There was unanimous agreement among the steering group that Property 1 rated significantly ahead of Property 2, based on relatability (for farmers), community engagement and personal factors. It was also noted by this group that Property 1 was an excellent example of a hill country finishing farm for this region.

Table 1. Candidate Property Review – Key Factors

Property 1	Property 2
Excellent example of *** hill country	Located near one of NZ's larger cities – potential to link rural and urban communities
Partner with passionate, highly-regarded farming team - provide relevance leading to strong regional impact	Complete freedom to operate (B+LNZ)
High relatability to farming community (highlighted by Steering Group) due to property factors and affinity with the applicant	Steering group comments of low relatability, with contributing factors being the absentee owner and concerns about the location
Opportunity to demonstrate farming best practice in a challenging environment with an increasing level of environmental constraints	
Lease cost is manageable within farm income	Lease cost is not manageable within farm income which would require B+LNZ annual investment to balance the farm books
Large potential for farm output improvement from both total su increases and individual animal performance, capturing large seasonal variations, a key success factor	Significant performance increases possible from cattle system intensification, with more steady gains likely for sheep. Fencing and stock water infrastructure investment probably required and some refinement of sheep:cattle ratios

Risks

Table 2 provides a comparison of our assessment of the risks to the integrity of the Future Farms Programme, and their potential mitigation.

Table 2. Risks and Mitigation

Potential Issue		Mitigation	Residual Risk
Property 1			
Property & Environment	Natural disaster as in risk zone	Adequate insurance cover, as a requirement of the lease	Unknown
	Many of the lowland soils get very water-logged in wet seasons	Careful grazing with cattle when wet – use of crops and stand-off pads and low pugging risk areas	Low
	Area prone to dry summers which can impact on potential to hold capital stock, ability to finish, number of trading stock and farm income	Early action and destocking, with a flexible stock mix and feed buffers	Low-Moderate
Owner/Lessor	Change in circumstances of one or more of the partner shareholders should they want to withdraw, and/or, they become publicly negative about the programme as a result of decisions being made they do not agree with	Develop a transparent and robust partnership model at the beginning	Low
Establishment & Operations	Capital stock: Securing and purchasing suitable high genetic merit stock within 2 months to form the basis of the breeding flock	Given partnership will take over the lease on April 1 regardless of B+LNZ partnership, they are actively seeking out stock. Initiate stock purchasing agreement as soon as practicable to reduce pressure on purchasing; seek agreements with key breeders to save surplus stock.	Low

Public Relations	Communicating the partnership to the public – potential for negative farmer perception of B+LNZ investment in a partnership where other partners will benefit (albeit that it reduces risk for B+LNZ)	Ensure clear communication around structure and transparency of the finances from the start	Low
Property 2			
Property & Environment	Proximity to a local environment that is in the public eye and impact on environment	Strict adherence to systems to ensure that minimal risks of natural events & farm run-off impacting environment	Low
	Property prone to summer dry – poses a performance risk for cattle systems with young stock over summer	Greater flexibility of cattle system with fewer young cattle over summer, and strategic use of crops	Low-Moderate
	Soils prone to serious pugging when wet, particularly by older cattle	Develop management options & infrastructure to reduce pugging risk	Low
	Location is isolated – likely to be difficult to draw farmers, limiting event attendance.	Focus more on remote access via web and social media rather than physical attendance	Moderate
Owner/Lessor	Potential of the land for alternative use may compromise lessor intent	Ensure clear expectations of lessor at start of the programme and keep them informed and engaged; the ability to mitigate this risk is questionable	Moderate
	High cost of the lease makes profitability problematic	Seek modified lease terms & lower cost but capital value compromises this	High
Establishment & Operations	Staff: sourcing & retaining good staff is a challenge in the region		Moderate
	Scale: lacks scale that may compromise flexibility and generates less farm income		Moderate
	Financial forecast shows continued cash losses as proposed. With transparency of operations and finances this could create poor relatability	Major reduction in lease rental to align with farm productivity rather than land value	High
Public Relations	Compliance is an issue as houses, sheds and water (for irrigation) are not compliant currently	Rectification by lessor is a pre-requisite, but this can be expected to generate delays	Moderate
	Iwi relationships relating to surrounding water	Essential that strong relations must be established	Low

Next Steps

This is a staged process and while a pro-forma lease agreement (Appendix 9) has been drafted as an example, no commitment has been made to either party until approval has been granted by B+LNZ. AbacusBio has undertaken Stage one due diligence. However, both parties will need to determine details relating to term, fertiliser, stock and cropping limitations, (if any) policies and other lease details.

The legal and transactional structures are being reviewed, particularly if Property 1 is selected, as alternatives not considered by the applicants may be more appropriate (e.g. a limited partnership). Independent due diligence by both parties is required prior to signing a lease, formation of new entities and associated shareholders agreement.

The following timetable provides an indication of the next steps.

Table 3. Next steps for Future Farm establishment

Activity	Timing	Responsibility
Agreement by parties to a Term Sheet of key parameters to be included in lease and shareholders agreement, plus key actions and commitments required pre-lease (eg agreement on livestock purchases). NB: requirement will include any interim/transitional requirements for property being available prior to 1 July 2018	Feb	B+LNZ
Due Diligence for preferred property – Legal, financial, farm operations & performance, environment etc.	Feb/Mar	t.b.c
Legal process - lease and structure	Feb/Mar	Chapman Tripp/B+LNZ
<ul style="list-style-type: none"> • Company Establishment • Lease execution • Operational Establishment/administration & accounting • Confirmation of banking arrangements 	Mar/Apr	
Farm Advisory Board established	Mar	B+LNZ
Recruitment – Farm Team	Apr/May/June	B+LNZ
Farm Operational Planning <ul style="list-style-type: none"> • Purchase Livestock – March • Breeding/Ram out – March • Baseline performance establishment (Environment Plan, Soil Testing, Pasture Planning etc.) – Apr-July 	As per needs	Farm Advisory Board
Future Farm Operational	April or July	

Appendix 1. Key Principles of Future Farm

Purpose

To provide a platform where the best of current knowledge and practice can be demonstrated, and new technologies/practices can be safely tested, refined, evaluated and extended to industry.

To operationalise best practice and new approaches to the significant challenges facing farmers; these could be environmental, regulatory compliance, bio-security, succession, cost of production and production-based revenue.

To show what is possible and feasible in a profitable sheep and beef farming operation.

In doing so, the key outcome will be to improve the profitability and environmental impact of New Zealand sheep and beef farms.

Objectives

1. Assess and evaluate potential technologies
2. Apply best practice to farming systems which address major inhibitors to farm profitability and help ensure “freedom to farm”
3. Evaluate ways to integrate practical technologies within the system
4. Develop a farm environmental plan and evaluate the impact of changes in the system
5. Assess the potential impact of changes in the system on farm productivity and profitability
6. Work with the steering group, local community and industry partners to consider opportunities
7. Work with technology companies/providers to assist with understanding of farmers’ needs and provide feedback on evaluations undertaken to promote a healthy, practical technology development pipeline

What would success look like?

1. Developed and evaluated practical options for regional farmers to enhance productivity with the benefits of options/technologies presented in farming language
2. Demonstrated integration of technologies into a commercial farming system
3. Demonstrated farming profitably while minimising environmental impact
4. Achieved a highly profitable farming operation for its district (top 10%)
5. Ensured an engaged local regional rural community as advocates for the Future Farm programme
6. Linked effectively with industry partners to broaden discussion

Guiding Principles

Operational

- B+LNZ freedom to operate
- Optimal stewardship of the land
- Transparency in reporting and sharing information

Outcome

- Trusted source of information for every farmer
- Development of an innovative hub of engaged farmers, technology providers and stakeholders
- World-leading application of technology innovation within commercial sheep and beef farming systems

Appendix 2. Farm Business Summary Tables

Appendix 2A. Farm Business – Stock Summary

Expected numbers end June year 2019-20

Property Details	Property 1		Property 2	
	Property 1	Class #, *** Hill Country Finishing Breeding ²	Property 2	Class #, *** Hill Country Finishing Breeding ²
Total Area	1,300 ha (1,200 effective)	395 ha (384ha effective)	550 ha (500 effective)	330ha (324ha effective)
Cultivable Area	500 ha		300 ha	
Stock Wintered				
Capital Stock				
<i>Ewes</i>	3,000	1,585	3,000	595
<i>Hoggets</i>	0	350	750	189
<i>Rams</i>	38	20	38	19
<i>Beef cows and in-calf heifers</i>		33	40	66
<i>R1 steers & bulls</i>			100	161
<i>R2 steers & bulls</i>			100	206
Grazing Stock				
<i>Beef cows and in-calf heifers (present 52 weeks)</i>	240			
<i>Breeding bulls</i>	7			
<i>Dairy cows (10 weeks)</i>	500			
<i>Other lambs (4 months)</i>	1,500			
<i>Other</i>	12			
Other Stock				
<i>'B' flock trading ewes (not present every year)</i>	1,000			
TOTAL SU	6,495	3,308	4,870	3,186

² B+LNZ Economic Service mean data for top quintile

Appendix 2B. Farm Business – Summary of Capital Investment and Contingencies required for Establishment

	Property 1	Property 2
Farm Capital		
Capital stock – Sheep	\$677,825	\$599,200
Contingency to purchase 1,000 trading ewe flock – would occur within any one FY, hence not included		
Capital stock - Cattle		\$295,000
Farm plant and equipment	\$311,600	\$375,400
Working capital (based on \$30/SU, Bank guidelines)	\$163,500	\$144,000
Contingency (B+LNZ)	\$100,000	\$140,000
Total Farm Capital	\$1,252,925	\$1,553,600
Less other Partner/Shareholder investment (50% or nil)	\$626,462	
B+LNZ Net Farm Capital	\$626,462	\$1,553,600

Appendix 2C. Farm Business - Forecast Annual Farming Operations

Financial Year	Property 1			Property 2		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Stock Sales	\$341,375	\$390,060	\$446,160	\$630,350	\$612,110	\$661,220
Grazing	\$230,520	\$328,520	\$328,520	\$0	\$0	\$0
Wool	\$39,371	\$48,443	\$48,443	\$39,385	\$44,199	\$44,199
Capital introduced	\$114,625					
Gross Revenue	\$725,891	\$767,023	\$823,123	\$669,735	\$656,309	\$705,419
Stock Purchases	\$121,625	\$7,000	\$7,000	\$154,800	\$80,800	\$51,200
Farm Working Expenses	\$332,303	\$328,823	\$329,043	\$376,057	\$370,362	\$370,362
Lease	\$200,000	\$200,000	\$200,000	\$400,000	\$400,000	\$400,000
Capex	\$3,000	\$12,000	\$20,000	\$3,000	\$10,000	\$15,000
Expenditure	\$656,928	\$547,823	\$556,043	\$933,857	\$861,162	\$836,562
Cash result pre-tax and depreciation)	\$68,963	\$219,200	\$267,080	-\$264,122	-\$204,853	-\$131,143

Appendix 3. Farm Business – Breakdown of Capital Cost & Contingencies required for Establishment

Appendix 3A. Property 1

Livestock purchase	Expected price range	No.	\$/hd	\$
Ewe Hoggets	\$110-\$130	0	\$120	\$0
Two tooth ewes	\$190-\$210	750	\$200	\$150,000
Mixed Aged ewes	\$160-190	1500	\$180	\$270,000
Old Ewes - 5 -6 Yr	\$100-130	750	\$120	\$90,000
Rams	700-1500	38	\$1,400	\$53,200
Feb 2019 ewe purchase	170-185	655	\$175	\$114,625
Total stock numbers purchased		3693		
Net capital investment required for livestock purchases				\$677,825
Farm Plant and Equipment				
Main tractor				\$95,000
Farm Ute				\$40,000
Side by Side				\$20,000
Farm Bike - Quad				\$10,000
Sheep electric eye dip				\$10,000
Bale buggy feeder				\$8,000
2.7-3.0m pasture topper/mulcher				\$15,000
ATV trailer with crate				\$2,800
Trailer with crate				\$4,500
Silage Wagon				\$30,000
Balage/silage grab/forks				\$2,800
Assorted tools and workshop equipment				\$8,000
Sheep weighing equipment, auto draft, EID readers				\$23,000
Cattle crush, weighing equipment				\$26,000
Assorted small plant items - chainsaws, fencing tools, freezers etc				\$15,000
Fuel tanks				\$1,500
Total farm plant equipment				\$311,600
Farm Capital Requirements				
Working Capital (based on \$30/su Bank guidelines)	Stock units at end year 1	5450		\$163,500
Contingency capital - for unexpected items and price variance				\$100,000
Total Capital Required for the Farming Operations				\$1,252,925
Less expected partner contribution (50%)				\$626,463

Appendix 3B. Property 2

Livestock purchase	Expected price range	No.	\$/hd	\$
Ewe Hoggets	\$110-\$130	300	\$120	\$36,000
Two tooth ewes	\$190-\$210	750	\$200	\$150,000
Mixed Aged ewes	\$160-190	1500	\$180	\$270,000
Old Ewes - 5 -6 Yr	\$100-130	750	\$120	\$90,000
Rams	700-1500	38	\$1,400	\$53,200
	Sub-total sheep			\$599,200
Cows and ic Heifers	\$1850-2000	40	\$1,900	\$76,000
R2 heifers	\$1400-1650	0	\$1,500	\$0
R1 heifers	\$750-880	0	\$820	\$0
R2 steers/bulls	\$1000-1330	100	\$1,150	\$115,000
R1 steers/bulls	\$650-930	100	\$880	\$88,000
Breeding bulls	\$6000-10000	2	\$8,000	\$16,000
				\$295,000
	Total stock numbers purchased	3580		
	Total Investment in Livestock			\$894,200
Farm Plant and Equipment				
Main tractor				\$90,000
2nd tractor (smaller 2nd hand)				\$39,000
Farm Ute				\$40,000
Side by Side				\$20,000
Farm Bike - Quad				\$10,000
3pt linkage sprayer				\$7,500
2 bale trailing bale feeder				\$14,500
2.7-3.0m pasture topper/mulcher				\$15,000
ATV trailer with crate				\$2,800
Trailer with crate				\$4,500
Selection of cultivation equipment				\$25,000
Balage/silage grab/forks				\$2,800
Assorted tools and workshop equipment				\$8,000
Shearing shed equipment & woolpress				\$10,000
Sheep weighing equipment, auto draft, EID readers				\$23,000
Cattle crush, weighing equipment				\$26,000
Portable sheep yards (tailing and remote handling)				\$17,500
Assorted small plant items - chainsaws, fencing tools, freezers etc				\$15,000
Fuel tanks				\$4,800
	Total farm plant equipment			\$375,400
Farm Capital Requirements				
Working Capital (based on \$30/su Bank guidelines)	Stock units at end year 1	4800		\$144,000
Contingency capital - for unexpected items and price variances				\$140,000
	Total Capital Required for the Farming Operations			\$1,553,600

Appendix 4. Future Farm Programme - Breakdown of Capital and Operational Costs plus Contingency required for Establishment

	Property 1	Property 2
Capital Programme Costs		
Office - Include meeting room, toilet, office space	\$150,000	\$150,000
Vehicle - Van that can carry up to 10 people safety around the property tracks	\$60,000	\$60,000
Website and Facebook set up	\$70,000	\$70,000
Office equipment	\$18,000	\$18,000
EID tags for all livestock	\$24,000	\$18,000
Installation of sensor equipment (eg aquaflex, climate stations, water monitoring, etc)	\$50,000	\$50,000
Connectivity - ensuring most of property can communicate back to base		\$15,000
	Total Future Farm Capital Costs	\$372,000
Operational Programme Costs		
Full pasture assessment - age of paddock and grass type	\$4,500	\$4,500
Full Soil Test of each paddock - Baseline	\$4,500	\$4,500
Environment Plan for the Property	\$4,500	\$4,500
Steering Group - meeting to set the targets and operation plans	\$10,000	\$10,000
Contingency - for unexpected items and price variances (10%)	\$38,000	\$40,000
	Total Future Farms Establishment Costs	\$61,500
	Total Capex + Establishment Costs	\$433,500
		\$444,500

Appendix 5. Future Farm Programme - Annual Operational Costs

Future Farm Programme - Annual Costs	\$
Website maintenance and development	\$10,000
Office consumables	\$3,000
Vehicle operating and maintenance	\$10,000
Additional labour unit - farm technician, general assistant, data analyst etc	\$75,000
- maintenance of information to the website and Facebook	
- weekly paddock walks and taking groups around the property	
Project Manager - part time role, for this farm only	\$55,000
- negotiating with partner organisations	
- conduit for technologies i.e. co-ordination of resources	
Commission expert reports	\$40,000
Accounting	\$10,000
Advisory Board - 5 meetings	\$20,000
Field Day	\$12,000
Annual Audit	\$5,000
Total Future Farm Programme Annual Costs	\$240,000

Appendix 6. Farm Business and Future Farm Programme Costs

Future Farm Business and Programme Expenses	Property 1			Property 2		
Financial Year	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Farm Business - Establishment Capital	\$626,463			\$1,553,600		
Future Farm Programme - Establishment Capital	\$372,000			\$381,000		
Future Farm Programme - Establishment Operating	\$61,500			\$63,500		
Future Farm Programme - Annual Costs	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000
Total per annum	\$1,299,963	\$240,000	\$240,000	\$2,238,100	\$240,000	\$240,000

Forecast farm pre-tax and depreciation result	\$68,963	\$219,200	\$267,080	-\$264,122	-\$204,853	-\$131,143
B+LNZ share or cost of farm result (*50% share)	\$34,482*	\$109,600*	\$133,540*	-\$264,122	-\$204,853	-\$131,143

Appendix 7. Property Summaries

Appendix 7A. Property 1

*** Farm

Location withheld

Property Details

- 1300 ha (1200 effective)
- 500 ha cultivatable

Stock

Animal Health Status

- No known drench resistance issues in either sheep or cattle (although no drench resistance tests have been completed; current lessee has advised that they believe the dual action drenches being used are fully effective)
- C10 TB status
- Vaccination programmes for Toxoplasmosis and Campylobacter (abortion diseases) plus standard 5 in 1 vaccination programme
- BVD monitoring programme
- *** (shareholder in the partnership, stock rep in area and for the current lessee, formerly worked on the property, shareholder in neighbouring family farm) advises that there are no stock health or downgrade issues identified at slaughter (other than very minor)

Property Overview

The Farm is a dryland property located ##km from ***. Access to the property is approximately #km off SH# and ##km from an international Airport. The property comprises of ~30% flat to easy terrace country, 30% rolling downs and almost 40% steep hill country with the remainder in forestry and a 20ha block of QE2 covenant land. The farm sits at 250-400m above sea level and has an annual rainfall of 800-900mm with significant seasonal variance and is prone to dry summers. The property is currently leased with the lease due to expire in April 2018. The landowner has acknowledged that during the period of the current lease, weed control has not been maintained to the desired standard. This mainly relates to expansion of *** scrub ground cover on some hill blocks. Cost to control will fall to the new lessee. Fertiliser application was prescribed as 50 tonne superphosphate minimum pa with the current lessee required to provide evidence and rectify any shortfall.

Farm System and Farm Class

The property fits within the B+LNZ Economic Service Class # farm category. In this region class # includes hill country properties with a wide range in topography, many of them significantly 'harder' than this property. Some of these properties run *** breeding ewes and some run store stock operations. As such,

the expected and historic performance of the farm aligns with the performance of the top quintile within Class #, although at 1200 ha this property is considerably bigger than the average of the top quintile.

This property effectively has three groups of land – easy country on terraces at the front of the property which allows it to conduct cropping, feed conservation and pasture options not available to harder properties; a middle area of harder hill country which will relate well to farmers on that class of land (particularly if performance can be identified for this area in isolation from the rest of the property); and an area of rolling country at the back which has some of the options of the easy land at the front but with greater care and less productive. Most Class # farms will have a mix of these three land groups but in widely variable proportions.

The proposed farm system and livestock mix has been put forward by the partnership team based on their local knowledge and expertise. The actual system and stock mix is expected to be scrutinized and refined utilising Farmax and other tools as the programme is implemented.

The proposed system has come out of a recent extended dry period and the current season has also highlighted that large seasonal variations may be a regular occurrence. With this in mind, the proposed flock of 3,000 ewes plus replacements is regarded as a core capital stock flock that can be maintained through most events, and likewise with the grazing contract for 240 beef cows in a system with all progeny leaving the property and the owner supplying replacements (and full traceability for the progeny through to slaughter). This combination accounts for around 5,100su. When the expected dairy cow wintering (10 weeks) and winter lamb finishing (4 months) are converted into an annualised stocking rate then this increases to around 5,350-5,450su.

The sheep stocking proposal is to initially purchase 3,000 ewes in autumn 2018, with no hoggets being purchased at this time (due to expected unavailability in the numbers and standard required), and to purchase an additional 655 ewes in February 2019 to maintain the flock, as well as close the 2018-19 year with around 750 hoggets.

The existing partnership team believe that this property will run around 7,000 su in most years and around 10,000 su in a series of favourable seasons. This would equate to 5.8 and 8.3 su/ha, which compares to the top quintile Class # farm @ 8.3su/ha albeit on a much smaller property. On this basis 7,000 su appears to be an achievable stocking rate.

The view of the existing partnership group is that the difference between 5,450su and 7,000 su should be made up of trading and other grazing stock units plus potentially a “B” flock of trading ewes for which the numbers can be readily varied according to seasonal conditions. Capital allowance for the purchase of 1,000 trading ewes has been made. The timing of this is unknown and it is possible that if they are not needed before year two, then they could be funded from farm income rather than requiring additional capital.

The partnership team are proposing that crops and balage/silage are used to winter dairy cows, and if autumn growth is favourable, then winter finishing of lambs on weight gain contracts could be sought. In year 1, the crop area will be limited to that sown by the current lessee which is expected to be sufficient to winter 150 cows, thereafter the area will be increased sufficiently to winter 500 cows. The budget forecasts assume 1,200 other lambs are taken on for the late autumn and winter on weight gain contracts, achieving a margin of \$30 including net wool.

When seasonal conditions are really favourable, then potentially a trading flock of around 1,000 ewes could be purchased in the autumn, mated to terminal sires and all ewes sold prior to the next dry period.

The existing partnership understands that all the livestock enterprises and systems will be subject to review and potential changes under B+LNZ control. This could include purchase of the beef cows which has been raised with the owner who would have no objection to this (he would like to continue to buy the calves).

Infrastructure

The property infrastructure includes 3 houses; these are the main homestead, a smaller older cottage for single-person's quarters and a three-bedroom house. There is an excellent 4-stand woolshed with covered yards (2,000 ewe capacity) which includes both kitchen and bathroom facilities. There is sufficient space to hold meetings in the existing kitchen facilities or this could be easily modified to suit.

The farm has four sets of cattle yards and three additional smaller sheep yards and two hay barns. There is one main track which provides easy off-road access over the length of the entire property, with a smaller 4WD track enabling a circuit of the property.

An airstrip with a large covered fertiliser bin is central to the farm, with truck and trailer access and all flying downhill from the airstrip. Post and wire fencing is of a good standard with some netting and waratah fences. The main water system comes from a private bore, in addition to 5 units from the local authority scheme to supplement. There are four stock water dams on the hill country with the balance serviced by the natural water. The farm has excellent internet and cellular phone coverage.

Soil and Environment

Soils consist of WW and XX silt loams on the flats, YY soil on the downs and ZZ soils on the hill. Much of the easier country with heavier soils has limited drainage which means that, in periods of heavy rain, soils get very wet and prone to treading damage. This region is also prone to hot dry summers and drying out. These easy country soils comprise deep layers of compacted loess and have similar issues and characteristics to soils the full length of the East Coast of New Zealand, north from Dunedin.

Overall fertility levels are slightly above average for this type of property with a generally acceptable status and receiving adequate annual dressings.

The property is under the jurisdiction of *** Regional Council and is located within the *** catchment. The property owner has an application to take and use water from the *** river (***) on hold at ***. The application is in the priority queue for *** cusecs that is available out of *** River allocation zone. The intention is to leave the application on hold and wait and see if the district plan review will change/increase the allocation limit for this River. It is unknown when the plan review will occur. The *** flows through the property and is a tributary of the ***.

There are four main rivers in this zone, the ***, ***, *** and ***. All these rivers have highly valued hapua (coastal lagoons), that are important for cultural values, ecosystem health, river birds and fish.

While the current plan is under review and the changes to the plan moving forward are unknown, it would be great to showcase how farmer involvement in these types of conversations can make a difference and to illustrate on-farm how potential challenges ahead could be overcome.

The *** River Regional Plan currently includes objectives, policies and rules for community and/or stock drinking water, environmental flow, allocation of water, groundwater, cumulative effects of land use on water quality, storage and additional demand for water resources, efficient water use, water use efficiency and resource consent and management.

Some key committees and incorporations that involve proactive farmers include the *** Zone Committee and the *** Group

Known biosecurity weed risks in area include AA and BB. This property has no known AA infestations and while BB is present, it is not considered significant by the owner and can be addressed through the annual weed control budget.

Production

The production estimate figures (Table 4) given for this farm are based on historical performance of the property (the property has been leased out for several years with information unavailable for this period), as well as the performance data of the partnership shareholders, who farm on neighbouring properties.

Table 4. Property 1 production compared with Class # (Top Quintile)²

	Property 1	Class # **** Island Hill Country Q5
Sheep Scanning %	160-175%	180-185% (est.)
Weaning % Ewes	140%	149%
Weaning % Hoggets	60%	7%
Proportion of lambs normally finished	100%	93%
Carcass weight of finished lambs	17kg	18.25kg
Weaning % to cows mated	93%	91%
Age heifers mated	2yr	2yr
% Heifers in calf	88%	Unknown
Beef progeny finished or sold store	Store	Unknown
Carcass weights steer calves	230kg	Unknown
Carcass weights heifers	210kg	Unknown
Effective Area	1200ha	314ha

²values calculated from lambing % adjusted for lamb survival

Note that this property is in a region that has been significantly impacted by drought over the last 3-4 years and stock numbers have been adjusted accordingly, with a trend towards fewer capital stock ewes and more seasonal trading/grazing stock.

Personal factors

The partner company is a group of three people comprising the property owner and two local younger farmers. They have apparent high levels of mutual respect and a desire to function as a team. Within the group, there have been connections to B+LNZ farmer council, and one member of the team manages a

neighbouring property involved in a national industry project. All three have a history in the area and are highly regarded in the region.

All parties are motivated by a combination of industry/community benefits (and personal growth prospects) from the proposal. They are a group of people who will be very good ambassadors for the Future Farm and each would connect with a different but overlapping set of contacts and influencers.

Regional impact

The region contributes 20% of the total sheep numbers in New Zealand and 18% of total beef. This property is classified as Class #, finishing breeding farm; 22% of farms fall into this class, which is the dominant farm class in the region.

Proposed transaction

The *** Future Farm external partners' proposed structure is that of a partnership between a company formed by three local parties (strong local community-minded people) and B+LNZ, with the land leased from the owner (Figure 1. Note Figure 1 removed).

The proposal is that each party contributes 50% of the initial capital (The existing partnership would be willing to take a lower shareholding if desired by B+LNZ and/or if their initial start-up capital exceeds around \$550k for livestock and farm plant and equipment. This second scenario would likely only be triggered if a decision was made to purchase the beef cows at the start of the programme).

The indicative shareholder agreement would provide B+LNZ with operational control over the farm operations and management. For governance purposes, B+LNZ would appoint 3 directors (one of whom would be chair) and the other partner would appoint 2 directors. The shareholders agreement provides details on obligations and rules for both parties. However, this and the overarching structure are subject to negotiation.

Appendix 7B. Financial Analysis of Property 1

Assumptions used in Financial Analysis

Property Assumptions

- The property has been leased to a third party for the past three years. The financial information for this period is unavailable. To determine performance, we have used the Economic Service data for the top quintile Class # – ***;
- During the period of the current lease, the owner has stated that the property has not improved and may have gone back slightly, with an increase in weeds and no routine maintenance carried out. However, some of this is due to the effects of drought and the natural disaster and the subsequent focus on getting the property up and running. The main impact was on two houses which will have repairs completed by June 30th.
- This region has been heavily affected by a drought for the past two years which has seen a reduction in stock carrying capacity for this property.

- The new lease is set at an annual rental of \$200,000 which is up on the current lease of \$190,000, but still well within the market range for this type of property and district. On a per hectare rate, it is \$153.85/ha. The information available to Farm Accountant Ltd advises that the range for this class of farm, with up to 50% of the trading stock sold as stores, is \$110/ha to \$150/ha. This farm class, with all or most of the stock finished and depending on the rainfall, has a range of \$160/ha to \$280/ha, which aligns with Property 1.

Budget Assumptions

- Grazing of Beef Cows - The existing partnership, has been working with a local farmer and processor to provide high quality breeding cows, (240-260 head) which will remain on the property at a grazing rental of \$11:50 /head/week. All the calves from this herd will be weaned and removed off the property to be finished. Under this agreement, the owner of the cattle will maintain the number of cows by supplying in-calf replacements and breeding bulls, cover the costs of all animal health including the costs of BVD testing programmes, plus transport. There is a “right of purchase’ for the cows after 5 years. However, all information around production of the cattle and breeding information would be available to the Future Farm Programme. Guidelines have been agreed on expected performance including 3% death rate, 90% calving from heifers and 94% from cows, and calf weaning weights of 190 kg for heifers and 220 for steer calves. No detail is available about consequences of missing these targets. At this point a formal agreement has not yet been signed.
- A feature across the *** Island is that Class # farms are increasingly being used for dairy support, with young stock grazed year-round and dairy cows grazed for 10 weeks over winter. This provides both cash flow, and an opportunity to show ‘best practice’ and the true costs versus income for this type of farming; in this respect, the new lease is planned to have 150 dairy cows over the first year (June – Aug 2018) and with this increasing to 500 dairy cows in the future years.
- Breeding ewes: The model has used 3,000 ewes, with the assumption of achieving a survival to sale lambing percentage of 135% on the first full year. This lambing percentage is considered moderate and it is more about the ewes first lambing on this property and setting a target that could be achieved. The model allows for 700-750 ewe hoggets to be retained from the first crop of lambs, with the balance of the lambs being sold.
- Performance information from the neighbouring properties indicates that lambing percentages around the 140 to 146% are being achieved which aligns with Class # top quintile, with average carcass weights of prime lambs around 17kgs, and depending on the season lambs sold store can range from 20% to 50%.
- The intention for this property would be to have lamb finishing crops or pasture to reduce the number of lambs being sold as stores but the budgets have erred on the side of caution and allowed 850 store sales each year.
- The budget allows for a further 655 ewes to be purchases in Feb 2019 funded by capital introduced; however, this is based on the likelihood that ewe hoggets will not be available in April 2018. It is planned that this is a one-off event and that retaining ewe hoggets would meet the future demand for ewe replacements.

- Lamb Selling Policy: the target of 70% of the lambs available for sale would be finished on the property, with the balance of 30% sold as stores. Target CW per lamb is 17kgs. Over time and depending on the seasons, the aim is to finish the lambs to CW of 18.5+ kg and, in years where feed is available, finish a higher proportion of the lambs.
- Lambing Percentage: as stated above, the first year is set at 135% but with selection, genetic modelling, farm management and ram selection the target is to have the breeding ewes at 150% weaned, and the ewe hoggets at 80%.
- All the expenses are based on the top quintile Economic Services data for *** class # *** Island Finishing Breeding.
- District calving figure range from 88% to 92%, with most calves being sold as autumn weaners
- The greatest impact to revenue on this property at any given lambing % is the percentage of lambs sold as stores. The table below shows the movement in average lamb price with changes to the proportion of store sales and the impact of this on total income.

Average Lamb Price					
	\$88.20	\$89.30	\$91.04	\$92.60	\$94.80
3100	\$273,420	\$276,830	\$282,224	\$287,060	\$293,880
3140	\$276,948	\$280,402	\$285,866	\$290,764	\$297,672
3180	\$280,476	\$283,974	\$289,507	\$294,468	\$301,464
3220	\$284,004	\$287,546	\$293,149	\$298,172	\$305,256
% Store	40%	35%	27%	20%	10%

With Prime price at \$97, Store at \$75

Farm Budget with Stock Reconciliation

Annual Farm Budget				Year ending 30 June 2019			
		<u>CATTLE</u>				<u>SHEEP</u>	
		01/07/18	30/06/19			01/07/18	30/06/19
ON HAND:				ON HAND:			
Beef Cows		0	0	Ewes		3000	3000
Dairy Cows				Hogget		0	750
Others		7	7	Rams		38	38
				ewe Lmb % s to s		135%	
N.I.(net)		0	0	Hgt lmb % s to s		0%	
				Total lamb crop		4050	
PURCHASES		<u>0</u>	<u>0</u>	N.I.(net)		4045	3785
		<u>7</u>	<u>7</u>	PURCHASES		<u>660</u>	<u>170</u>
						<u>11794</u>	<u>7743</u>
<u>WORKING EXPENSES</u>				<u>STOCK SALES</u>			
Farm Manager - Full time			60000	Prime Lambs		\$96	2450
Wages - Part time			12500	Store Lambs		\$75	850
Shearing Expenses			22640	Cull Ewes		\$90	485
Agric Contracting			16540				<u>3785</u>
Fertiliser			49300				<u>341375</u>
Lime			4810	Beef Grazing/wk		11.50	240
Animal Health			20713	Winter lamb/hd		\$30	1500
Farm Stores			3200	Dairy Grazing(10wk)		\$28	150
Feed - Hay & Silage			28300				<u>1890</u>
Seed			16820				<u>230520</u>
Weed & Pest Control			12945				
Freight			4475				<u>571895</u>
Power			3600				
consulting Farmax etc			7000				
<u>REPAIRS &</u>				<u>LESS STOCK PURCHASES</u>			
<u>MAINTENANCE</u>				Breeding Rams		\$1,400	5
Fencing			2220	Heifers		\$400	0
General			1500	Steers		\$475	0
Plant			2100	Breeding Ewes		\$175	655
Water Supply & Irrigation			2200				<u>114625</u>
<u>VEHICLE EXPENSES</u>			37580				<u>450270</u>
<u>ADMINISTRATION EXPENSES</u>				<u>OTHER FARM INCOME</u>			
General & accounting			7000	Wool		14582	2.70
Telephone & Mail			2880				
<u>STANDING CHARGES</u>				opening su		4828	
Insurance			3700	closing s.u.		5428	
Rates			10280	Change su		600	
				gfi:su		\$90.21	
<u>INTEREST</u>				tfe:gfi		67.87%	
Overdraft			0	int:gfi		0.00%	
Current a/c				debtsv:gfi		40.85%	
Mortgage - Interest			0				
Lease Rental			200000				
Hire Purchase							
TOTAL FARM EXPENDITURE			<u>532303</u>	TOTAL FARM INCOME			<u>489641</u>
Profit Distribution			0	Non Farming Income			
Taxation			0	Capital introduced for livestock purchase			114625
Loan Principle			0				
Other Capex			3000				
Surplus For Year (pre-tax and depreciation)			<u>68963</u>	Deficit For Year			<u>0</u>
			<u>0</u>				<u>604266</u>

Stock unit calc assumes dairy cows present 10 weeks, winter lambs 4 months and beef cows 52 weeks

Annual Farm Budget				Year ending 30 June 2020			
<u>CATTLE</u>				<u>SHEEP</u>			
01/07/19		30/06/20		01/07/19		30/06/20	
ON HAND:		ON HAND:		ON HAND:		ON HAND:	
Beef Cows	260	Beef Cows	0	Ewes	3000	Ewes	3000
Dairy Cows		Dairy Cows		Hogget	750	Hogget	750
Others	7	Others	7	Rams	38	Rams	38
				Ewe lmb % s to s	140%		
				Hgt lmb % s to s	20%		
				Total lamb crop	4350		
N.I.(net)	0	SALES	0	N.I.(net)	4293	SALES	4109
				PURCHASES	7	LOSSES	191
PURCHASES	0	LOSSES	0				
	267		7		12440		8088
				<u>STOCK SALES</u>			
<u>WORKING EXPENSES</u>				Prime Lambs	\$102	2750	280500
Farm Manager - Full time		60000		Store Lambs	\$75	850	63750
Wages - Part time		12500		Cull Ewes	\$90	509	45810
Shearing Expenses		22640				4109	390060
Agric Contracting		16540					
Fertiliser		49300		Beef Grazing	11.50	240	143520
Lime		4810		Winter lamb/hd	\$30	1500	45000
Animal Health		20713		Dairy Grazing	\$28	500	140000
Farm Stores		3200				2240	328520
Feed - Hay & Silage		28300					
Seed		16820					
Weed & Pest Control		12945					
Freight		4475					
Power		3600					
consulting Farmax etc		3000					
<u>REPAIRS & MAINTENANCE</u>							
Fencing		2220		<u>LESS STOCK PURCHASES</u>			
General		1500		Breeding Rams	\$1,400	5	7000
Plant		2100		Heifers	\$400	0	0
Water Supply & Irrigation		2200		Steers	\$475	0	0
<u>VEHICLE EXPENSES</u>		37900		Breeding Ewes	\$175	0	0
<u>ADMINISTRATION EXPENSES</u>							
General & accounting		7000					
Telephone & Mail		2880					
<u>STANDING CHARGES</u>							
Insurance		3770					
Rates		10410					
<u>INTEREST</u>							
Overdraft		0					
Current a/c							
Mortgage - Interest		0					
Lease Rental		200000					
Hire Purchase							
TOTAL FARM EXPENDITURE		528823					
Profit Distribution		0					
Taxation		0					
Loan Principle		0					
Other Capex (non-depreciable)		12000					
Surplus For Year (pre-tax and depreciation)		219,200					
		760023					
				<u>OTHER FARM INCOME</u>			
				Wool	17942	2.70	48443
				s.u.	5495		
				gfi:su	\$138.31		
				tfe:gfi	43.26%		
				int:gfi	0.00%		
				debtsv:gfi	26.31%		
				TOTAL FARM INCOME			760023
				Deficit For Year			0
							760023

Stock unit calc assumes dairy cows present 10 weeks, winter lambs 4 months and beef cows 52 weeks

Annual Farm Budget

Year ending 30 June 2021

CATTLE		30/06/21		SHEEP		01/07/20		30/06/21	
01/07/20		30/06/21		01/07/20		30/06/21		30/06/21	
ON HAND:		ON HAND:		ON HAND:		ON HAND:			
Beef Cows	260	Beef Cows	0	Ewes	3000	Ewes	3000		
Dairy Cows		Dairy Cows		Hogget	750	Hogget	750		
Others	7	Others	7	Rams	38	Rams	38		
				ewe Lmb % s to s	145%				
				Hgt lmb % s to s	45%				
N.I.(net)	0	SALES	0	Total lamb crop	4688				
				N.I.(net)	4681	SALES	4482		
PURCHASES	0	LOSSES	0	PURCHASES	7	LOSSES	206		
	267		7		13165		8476		
<u>WORKING EXPENSES</u>				<u>STOCK SALES</u>					
Farm Manager - Full time			60000	Prime Lambs	\$108	3088		333450	
Wages - Part time			12500	Store Lambs	\$75	850		63750	
Shearing Expenses			22640	Cull Ewes	\$90	544		48960	
Agric Contracting			16540				4482	446160	
Fertiliser			49300						
Lime			4810	Beef Grazing	11.50	240		143520	
Animal Health			20713	Winter lamb/hd	\$30	1500		45000	
Farm Stores			3200	Dairy Grazing	\$28	500		140000	
Feed - Hay & Silage			28300						
Seed			16820				2240	328520	
Weed & Pest Control			12945						
Freight			4475						
Power			3600				SUB TOTAL	774680	
consulting Farmax etc			3000	<u>LESS STOCK PURCHASES</u>					
<u>REPAIRS & MAINTENANCE</u>				Breeding Rams	\$1,400	5		7000	
Fencing			2220	Heifers	\$400	0		0	
General			1500	Steers	\$475	0		0	
Plant			2100	Breeding Ewes	\$175	0		0	
Water Supply & Irrigation			2200				SUB TOTAL	767680	
<u>VEHICLE EXPENSES</u>									
			38120		#				
<u>ADMINISTRATION EXPENSES</u>					0	\$12.00		0	
General & accounting			7000	<u>OTHER FARM INCOME</u>					
Telephone & Mail			2880	Wool	17942	2.70		48443	
<u>STANDING CHARGES</u>									
Insurance			3770	s.u.	5495				
Rates			10410	gfi:su	\$148.52				
<u>INTEREST</u>				tfe:gfi	40.32%				
Overdraft			0	int:gfi	0.00%				
Current a/c				debtsv:gfi	24.51%				
Mortgage - Interest			0						
Lease Rental			200000	<u>TOTAL FARM INCOME</u>					
Hire Purchase								816123	
<u>TOTAL FARM EXPENDITURE</u>			<u>529043</u>	<u>Non Farming Income</u>					
			0						
Profit Distribution			0	<u>Deficit For Year</u>					
Taxation			0					0	
Loan Principle			0						
Other Capex			20000						
Surplus For Year			<u>267080</u>						
			<u>816123</u>						<u>816123</u>

Stock unit calc assumes dairy cows present 10 weeks, winter lambs 4 months and beef cows 52 weeks

Appendix 7C. Property 2

*** Farm

Location withheld

Property Details

- 550 ha (500 effective)
- 300 ha cultivatable
- 30 ha under irrigation
- Class #, * Hill Country
- Olsen P 37 with pH at 6.4

Stock

Animal Health Status

- No drench resistance tests have been completed.
- 30% incidence of disease X in sheep
- No ewes or cattle are drenched, only lambs every 5 weeks
- C10 TB status
- Two cases of disease Y in sheep but have problems with this disease in weaner bulls

Property Overview

This Farm is located in an environmentally-sensitive coastal area. It is comprised of 550 hectares (500 effective) of which 300ha is cultivatable. The farm is 30% easy, 50% rolling and 20% steep. The farm can be summer dry and has 30ha under gun irrigation from water harvested from an on-farm catchment. It can be very wet in the winter and susceptible to soil damage from heavy cattle. Average annual rainfall is 1250mm. Approximately 4 hectares of barley is grown for supplementing stock. Currently the property stock policy runs 75% of the total stock units as sheep, compared to a 25% average in the top quintile of the B+LNZ Economic Service Class # farm model. The property currently takes advantage of good winter pasture growth by commencing lambing in June which enables a significant proportion of lambs to be sold prime before any onset of summer dry.

Infrastructure

The farm was originally two separate blocks and therefore has four houses as well as two moderately sized woolsheds (1 x 3 stand and 1 x 4 stand). One of the houses is a small cottage and could be used as a farm office. The landowner currently lives in the main homestead and would intend to continue living there. The farm is subdivided into 73 paddocks of which there are approximately 60 with troughs. The rest contain either small streams or dams. There are two sets of cattle yards and two uncovered sheep yards. One set of yards is adequate while another set are not fit for purpose and would need to be replaced. There is good access around the farm with most paddocks adjoining laneways. Cell phone

coverage is poor, however there is Farmside broadband available. There is an airstrip on the farm. The pre-due diligence process highlighted that there are no consents currently in place for any of the buildings, structures, or drawing of water for irrigation.

Soil and Environment

Overall, fertility levels are slightly above average for this type of property with a generally acceptable status and receiving adequate annual dressings. The owner has put a high emphasis on improving pH and fertility with on farm staff doing the applications themselves and taking advantage of local low-cost lime.

Much of the easier country has heavier soils with limited drainage which means that in periods of heavy rain soils get very wet and prone to treading damage. They are also located in an area prone to hot dry summers and drying out. Topsoil depth varies from 600-100mm over a dense clay base. Irrigation water is drawn from a storage pond that is fed from tree-lined gullies and an on-farm catchment.

The property is under the jurisdiction of *** Council and located in the Rural Coastal Zone. Some coastal areas have specific objectives and policies set out for them.

The area is characterised by a predominance of rural production activity, particularly pastoral farming activities and forestry and its significance to Māori. Flat coastal alluvial plains are a special landscape feature. Significant bird habitats are present along the coastal margins.

Some areas (***) are sensitive to development due to the elevated nature of many of the surrounding roads, and due to the rolling and often open nature of the land which also connects to the low-lying alluvial plains. Development has increased, in particular along the coast. A pattern of typically large properties and low-density settlement provides a rural and semi-remote character. There are areas of Outstanding Natural Character, High Natural Character and Outstanding Natural Landscape which may be at risk of degradation due to development pressure. Some areas are recognised as being under pressure for development. Control over the built environment in these areas is considered prudent to ensure that the character and rural/coastal landscape and environmental and amenity values are retained.

The Plan combines the regional policy statement, regional coastal plan, regional plans and district plans. The plan has a range of policies included to enable and protect pastoral farming activities and appears to pose no significant concerns to the Future Farm programme.

Production and livestock system

Current sheep performance aligns with the top quintile Class # model. Prior to the current season, all ewe replacements had been bought in and all ewes mated to terminal sires. The current season has the first batch of home-grown ewe lambs coming through which were lambbed as hoggets this spring.

The sheep represent high quality local genetics.

The bull beef system has greater opportunity for a lift in performance. Currently R1 bulls have been bought and then sold as R2 store bulls the following spring at around 350kg liveweight. There are challenges to lifting bull performance with summer and early autumn pasture production currently compromised by both summer dry and feed quality – this creates a challenge to maintaining growth rates in R1 bulls at a key stage. Currently a combination of summer crops and feed barley have been used to address this.

The older bulls need to be managed in a way that minimizes their opportunity to pug pastures during wet periods, particularly over winter and the shoulders of winter. Forage crops have been used as part of the solution.

Intensification of subdivision plus pasture renewal is seen as a pathway to greatly improved bull performance and potentially the use of associated stand-off pads to manage wet periods could feature.

Table 5. ***Farm production compared with Class 4 *** (Top Quintile)²

	Property 2	Class # ** Hill Country (Top Quintile)
Sheep Scanning %	160-175%	170-175% (est.)
Weaning % Ewes	140%	139%
Weaning % Hoggets	50%	9%
Proportion of lambs normally finished	100%	77%
Carcass weights lambs	18.5kg	18.7kg
Weaning % to cows mated	90%	88%
Age heifers mated	2yr	2yr
Beef progeny finished or sold store	Store	Unknown
Carcass weights bulls	300kg	Unknown
Carcass weights heifers	250kg	Unknown
% Sheep su	75%	25%
Effective Area	500 ha	324 ha

*Estimated values calculated from other values

Due to summer climatic constraints and good winter pasture growth, ewes start lambing in June. Approximately 200 Friesian bulls are sold in late spring at 350 kg. The productivity in this region must contend with the challenges from the climate, and the effects on forage quality, and animal health issues, although the local genetics can be expected to alleviate some of this issue.

Personal Factors

The owner has off-farm business interests that takes up the bulk of their time. He is keen to pursue a new venture overseas and therefore the thought of leasing the farm to B+LNZ appealed. The owner believes B+LNZ would be a safe custodian of the property ensuring that it is well managed.

The owners entered the 2017 Ballance Environment awards. They have been working with a group aiming to bring urban people on to farms to gain an appreciation of farm life, how farmers care for their land and livestock and generally help bridge the urban/rural divide.

Regional Impact

The property would provide stimulus towards best practice for an area that appears to be in need of some leadership in this area. According to the owner the farm would be in the top 10% of farms in the local district in terms of its size. This region makes up 13% of the total sheep numbers in New Zealand and 32% of beef. The farm is class # Hill Country which represents 32% of all farms in New Zealand but it is somewhat isolated from the bulk of these farms.

Proposed transaction

The property would be managed by B+LNZ, with the farm leased from XYZ. The lease is set at \$400,000 per annum and calculates out to \$800/ha or around 70% of farm income, which is well above market range for this type of property and district. Information sourced from farm consultants indicates leases range from \$100/ha to \$300/ha and is usually at a level, which based on the average income from the property, would not exceed 33% of GFI. The larger range is due to the variation of properties and climatic conditions that affect them.

The lease costs include, plant, full use of two houses, a small cottage and rates. B+LNZ could lease the farm with a 3+3+3 renewal structure.

Appendix 7D. Financial Analysis for Property 2

Assumptions used in Financial Analysis

Budget Assumptions:

- All farm expenses are based on the B+LNZ Economic Services data for *** Hill Country Class #, plus the last two years financial statements supplied by the land owner.
- The current property has a small herd of breeding cows, the calving figures range from 85% to 89%, with the male calves added to the bull beef mob, and the heifer calves grown out to 14 months and sold as stores.
- The lease that the land owner has requested is \$400,000pa. This is approximately double the average for this type of property and district. On a per hectare rate, it is \$800/ha
- The system for the breeding ewe flock has been to buy in replacement ewes each year, with terminal sires used across the whole flock. This had just started to change with the first cohort of Romney ewe lambs being retained. For the budgets going forward we have continued this policy to retain ewe hoggets and also to lamb hoggets. We have budgeted for the further purchase of breeding ewes in the first year, as we understand that the current flock comprises a high proportion of older ewes.
- Currently all lambs are sold off their mothers or finished on summer crops and sold prime.
- The current bull beef system purchases 100 kgs weaned bull calves and grows them out until 15 - 17 months of age and then sells them as store cattle. Our budgets have continued to use this

system: however, should this farm be a 'Future Farm' there are opportunities for a greater proportion of bulls to be kept longer, grown faster and finished to increase revenue.

- Currently, the farm owner works part-time on the property with a full time Stock Manager. We have budgeted for the same labour units.
- Prime Lamb price movements have one of the biggest effects on total revenue for this farm. Below is a schedule showing that movement, which can be affected by number of lambs available for sale and the price movements. Early lambing should help ensure relatively high prices.

Average Lamb Price					
#	\$84	\$90	\$96	\$101	\$106
3500	\$294,000	\$315,000	\$336,000	\$353,500	\$371,000
3700	\$310,800	\$333,000	\$355,200	\$373,700	\$392,200
3900	\$327,600	\$351,000	\$374,400	\$393,900	\$413,400
4100	\$344,400	\$369,000	\$393,600	\$414,100	\$434,600

Farm budget with Stock Reconciliation

Annual Farm Budget				Year ending 30 June 2019			
<u>CATTLE</u>				<u>SHEEP</u>			
01/07/18		30/06/19		01/07/18		30/06/19	
ON HAND:		ON HAND:		ON HAND:		ON HAND:	
Beef Cows	40	Beef Cows	40	Ewes	3000	Ewes	3000
R2 Bulls	100	R2 Bulls	100	Hogget	300	Hogget	600
R1 Bulls	100	R1 Bulls	100	Rams	38	Rams	38
				Ewe lmb % s to s	140%	Hgt lmb % s to s	40%
N.I.(net)	32	SALES	130	Total lamb crop	4320		
				N.I.(net)	4312	SALES	4550
PURCHASES	100	LOSSES	2	PURCHASES	708	LOSSES	170
	372		372		12680		8358
<u>WORKING EXPENSES</u>				<u>STOCK SALES</u>			
Farm Manager - Full time			60000	Prime Lambs	\$110	3720	409200
Wages - Part time			22500	Store Lambs	\$75	0	0
Shearing Expenses			18500	Cull Ewes	\$105	830	87150
Agric Contracting			14700			4550	496350
Fertiliser			90850				
Lime			5400	R 2 Bulls	\$1,500	30	45000
Animal Health			17450	Beef Calves	\$550	32	17600
Farm Stores			3145	Dairy Grazing	\$30	0	0
Feed - Hay & Silage			3540	Store R2 bulls	\$1,050	68	71400
Seed			23720			130	134000
Weed & Pest Control			5670				
Freight			2750				
Power			14085				
Consultancy farmax, O Seer			7000			SUB TOTAL	630350
<u>REPAIRS & MAINTENANCE</u>				<u>LESS STOCK PURCHASES</u>			
Fencing			3660	Breeding Rams	\$1,400	8	11200
General			4150	Heifers	\$400	0	0
Plant			15900	R 1 Bulls	\$400	100	40000
Water Supply & Irrigation			5670	Breeding Ewes	\$148	700	103600
<u>VEHICLE EXPENSES</u>						Sub total	154800
			33804				

<u>ADMINISTRATION EXPENSES</u>			Net stock sales	475550
General & accounting	5000			
Telephone & Mail	3800			
<u>STANDING CHARGES</u>		<u>OTHER FARM INCOME</u>		
Insurance	4640	Wool	14587	2.70 39385
Rates	10123			
<u>INTEREST</u>		s.u.	4750	
Overdraft	0	gfi:su	\$108.40	
Current a/c		tfe:gfi	73.03%	
Mortgage - Interest	0	int:gfi	0.00%	
Lease Rental - \$90.9/su	400000	debtsv:gfi	77.68%	
Hire Purchase				
TOTAL FARM EXPENDITURE	<u>776057</u>	TOTAL FARM INCOME		<u>514935</u>
Taxation	0			
Loan Principle	0			
Other Capex	3000			
Surplus For Year	<u>0</u>	Deficit For Year		<u>264122</u>
	<u>779057</u>			<u>779057</u>

Note: Ewes lambing at 140%, hoggets lambing at 40%

<u>Annual Farm Budget</u>		<u>Year ending 30 June 2020</u>	
<u>CATTLE</u>		<u>SHEEP</u>	
01/07/19	30/06/20	01/07/19	30/06/20
ON HAND:	ON HAND:	ON HAND:	ON HAND:
Beef Cows 40	Beef Cows 40	Ewes 3000	Ewes 3000
R2 Bulls 100	R2 Bulls 100	Hogget 600	Hogget 750
R1 Bulls 100	R1 Bulls 100	Rams 38	Rams 38
		ewe Lmb % s to s 140%	Hgt lmb % s to s 40%
N.I.(net) 32	SALES 130	Total lamb crop 4440	
PURCHASES 100	LOSSES 2	N.I.(net) 4432	SALES 4292
<u>372</u>	<u>372</u>	PURCHASES 208	LOSSES 198
		<u>12720</u>	<u>8278</u>
<u>WORKING EXPENSES</u>		<u>STOCK SALES</u>	
Farm Manager - Full time	61000	Prime Lambs \$110	3690 405900
Wages - Part time	22500	Store Lambs \$75	0 0
Shearing Expenses	18500	Cull Ewes \$105	602 63210
Agric Contracting	14700		<u>4292 469110</u>
Fertiliser	87850		
Lime	5400	R 2 Bulls \$1,500	50 75000
Animal Health	17750	Beef Calves \$550	32 17600
Farm Stores	3150	Dairy Grazing \$30	0 0
Feed - Hay & Silage	3540	Store R2 bulls \$1,050	48 50400
Seed	23720		<u>130 143000</u>
Weed & Pest Control	5670		
Freight	2750		
Power	14085		
Consultancy Farmax, O Seer	3000		
<u>REPAIRS & MAINTENANCE</u>		SUB TOTAL	<u>612110</u>
Fencing	3660	<u>LESS STOCK PURCHASES</u>	
General	4150	Breeding Rams \$1,400	8 11200
Plant	15900	Heifers \$400	0 0
Water Supply & Irrigation	5670	R 1 Bulls \$400	100 40000
<u>VEHICLE EXPENSES</u>	<u>33804</u>	Breeding Ewes \$148	200 29600
<u>ADMINISTRATION EXPENSES</u>			
General & accounting	5000		
Telephone & Mail	3800		
<u>STANDING CHARGES</u>		Sub total	80800
		Net stock sales	531310
		<u>OTHER FARM INCOME</u>	

Insurance	4640	Wool	16370	2.70	44199
Rates	10123				
INTEREST		s.u.	4870		
Overdraft	0	gfi:su	\$118.16		
Current a/c					
Mortgage - Interest	0	tfe:gfi	64.35%		
Lease Rental - \$90.9/su	400000	int:gfi	0.00%		
		debtsv:gfi	69.50%		
TOTAL FARM EXPENDITURE	770362	TOTAL FARM INCOME			575509
Taxation	0				
Loan Principle	0				
Other Capex	10000				
Surplus For Year	0	Deficit For Year			204853
	780362				780362

Note: Ewes lambing at 140% and hoggets lambing at 40%, 50% R2 bulls sold store

Annual Farm Budget				Year ending 30 June 2021			
CATTLE				SHEEP			
01/07/20		30/06/21		01/07/20		30/06/21	
ON HAND:		ON HAND:		ON HAND:		ON HAND:	
Beef Cows	40	Beef Cows	40	Ewes	3000	Ewes	3000
R2 Bulls	100	R2 Bulls	100	Hogget	750	Hogget	750
R1 Bulls	100	R1 Bulls	100	Rams	38	Rams	38
				Ewe lmb % s to s	145%	Hgt lmb % s to s	40%
N.I.(net)	32	SALES	130	Total lamb crop	4650		
PURCHASES	100	LOSSES	2	N.I.(net)	3942	SALES	4452
	372		2	PURCHASES	708	LOSSES	198
			372		13090		8438
WORKING EXPENSES				STOCK SALES			
Farm Manager - Full time			61000	Prime Lambs	\$115	3900	448500
Wages - Part time			22500	Store Lambs	\$75	0	0
Shearing Expenses			18500	Cull Ewes	\$110	552	60720
Agric Contracting			14700			4452	509220
Fertiliser			87850				
Lime			5400	R 2 Bulls	\$1,500	70	105000
Animal Health			17750	Beef Calves	\$550	32	17600
Farm Stores			3150	Dairy Grazing	\$30	0	0
Feed - Hay & Silage			3540	store R2 bulls	\$1,050	28	29400
Seed			23720			130	152000
Weed & Pest Control			5670				
Freight			2750				
Power			14085				
Consultancy farmax, O Seer			3000				
REPAIRS & MAINTENANCE				SUB TOTAL			661220
Fencing			3660	LESS STOCK PURCHASES			
General			4150	Breeding Rams	\$1,400	8	11200
Plant			15900	Heifers	\$400	0	0
Water Supply & Irrigation			5670	R 1 Bulls	\$400	100	40000
VEHICLE EXPENSES			33804	Breeding Ewes	\$148	0	0
ADMINISTRATION EXPENSES							
General & accounting			5000				
Telephone & Mail			3800				
STANDING CHARGES				Sub total			51200
Insurance			4640	Net stock sales			610020
Rates			10123	OTHER FARM INCOME			
				Wool	16370	2.70	44199

<u>INTEREST</u>		s.u.	4870	
Overdraft	0	gfi:su	\$134.33	
Current a/c		tfe:gfi	56.61%	
Mortgage - Interest	0	int:gfi	0.00%	
Lease Rental - \$90.9/su	400000	debtsv:gfi	61.14%	
Hire Purchase				
TOTAL FARM EXPENDITURE	<u>770362</u>	TOTAL FARM INCOME		<u>654219</u>
Taxation	0			
Loan Principle	0			
Other Capex	15000			
Surplus For Year	<u>0</u>	Deficit For Year		<u>131143</u>
	<u>785362</u>			<u>785362</u>

Appendix 8. Steering Group Workshop Tracker

B+LNZ Future Farms Workshop - Workshop Outputs

Tuesday 16th January 2018

What we set out to do...

The purpose of the workshop was to:

- Establish the principles and vision for the B+LNZ Future Farm programme
- Review the process of identifying the finalists
- Evaluate the two primary farm candidates against the principles and vision of the programme, for reporting to B+LNZ

The purpose of this document

This document is provided as a 'tracker' or record of the workshop and its outputs. It is intended to be a catalyst for discussion and further development of the B+LNZ 'Future Farms' programme.

Future Farms – the Concept

An overview of B+LNZ's newly launched strategy and the B+LNZ 'Future Farms' concept was provided by Richard Wakelin, GM – Farm, at the start of the Workshop.

Participants detailed opportunities, challenges, ideas and questions arising from the overview of the Future Farms programme.

Details of the responses to the Future Farms concept are provided on the following slides, with key points including:

- The need for transparency and commercial decision-making
- The need to ensure linkage to others (local, urban, schools, other sectors such as tourism)
- The communication opportunity the Future Farm provided
- The need for best practice farm management and governance
- The need to demonstrate consumer-connected approaches
- The challenges of being on show every day, and general scrutiny
- The need to ensure outreach and extension are separately resourced and don't impact (time and resources) the farming operation
- The opportunity to link outputs from other programmes and put them into practice
- The opportunity for innovative extension and engagement
- How can other issues such as succession be discussed/modelled through a Future Farm?

Opportunities

- Young people into the agriculture industry
- Collaboration
- Feds
- Social media
- Succession
- Tourism
- Value-added
- Social media
- Transparency
- Blog
- CEO level advisory board
- Best practice environment is like buckling a seatbelt
- Top quartile farmers do most things very well
- Integrity of thought process to arrive at decisions
- Whole farm system
- Showcase
- Inspire new generation
- Increase adoption
- Community engagement
- Full transparency
- Vision of success: tools, systems for the future of the red meat sector
- Developing sector and farmer confidence to transition if needed or wanted
- Resonate and provide confidence and pride for New Zealand agriculture for New Zealanders
- Bold leadership
- Public and government insights
- Extension
- Telling the story

Challenges

- Support structure
- Duplication
- Connection with consumer
- Every day is show day
- Commercial tensions and picking wins
- Relatable
- Handling the inevitable mistakes and accountability
- Links to thriving rural communities
- Tension of commercial versus experiment
- Really hard to disrupt from within. Only achieve incremental game
- Our future farm or leading farm? Trust, integrity, recognition etc.

- Unity
- Clarity on
- Bold leadership
- Environmental compliance
- Productivity and profitability with current environment
- How do we engage with the large number of farmers?
- Community engagement and public buy-in
- Integrity of the commercial opportunity
- Standard measures to report on
- Dual reporting
- Extension costs: added investment required for time, reports, measures
- Getting buy in from the wider farming community
- Relevance and integrity
- Understanding and operating within environmental limits and policy intended to maintain or where degraded, improve the health of the environment
- May limit systems and farm management
- Will inform opportunities, technology etc.
- Well-rounded human resource
- Challenges need to be the same as at the home farm
- Connect to all four B+LNZ priorities
- Lifting profitability and productivity with an environmental balance
- Who is the future farm pitched at? Is it a risk trying to please everyone?
- The pressure of 'every day is a show day'
- Perception: public, farmers, B+LNZ

Ideas

- Start with focusing on customer/consumer
- Must be consumer focused and aligned
- Stereotypical farmer in 1980 versus 2020?
- Personality type suited to the profession?
- How do we highlight the decision-making process?
- How the farm manager uses information put into practice e.g. Weather data and how the farmer applies it and why
- Involved locals in setting strategies re welfare, environment, health and safety, and people
- Transparency in the decision process
- Demonstrate a compromise between profit and environment etc.
- Will be a combination of perfecting the old and instituting the new
- Field days-how often?
- FEP
- Farm activities
- Community engagement
- What things would you need to do and how would you do them?
- Clear numbers in real time
- Creating sustainable products which improve human health and taste right
- Showcase successful farms giving effect to the red meat sector story. Transparent, credible, environmentally sustainable, healthy happy animals and people. Socially acceptable producing high quality and consistent product
- Must be sold well
- Rollout of RMPP
- Deliver with partners
- Layers of extension that are integrated off the future farm

Questions

- Where is the consumer in this?

- Value versus volume
- This practice defined by what?
- Commercially relevant versus commercially profitable
- Replicating what already exists?
- Sheep and beef?
- Class of country?
- What's missing?
- Location for staff
- Bio security status?
- Parasite status?
- The problem with vested interests that took over the Monitor Farms program
- Farming by committee
- Who's in charge?
- Timeline: 5 to 7 years
- How forward-looking are the future farms intended to be?
- How do ideas/technologies get found and introduced?
- How are the intangible issues (e.g. Succession, equity partnerships, governance, staff recruitment and development) demonstrated in a future farm?
- Commercial partnerships: genetics and crops

A 'wildly successful future' for the 'Future Farm' programme

Workshop participants were asked to describe the characteristics and outcomes of the Future Farm programme if it were wildly successful. These were descriptive and could include, for example, outcomes, actions, behaviours, conversations.

Details of the characteristics of the envisioned 'wildly successful futures' are provided, with key points including:

- Best practice systems across a range of areas, tailored to the farm
- A farm that all farmers want to visit and learn from
- A farm that attracts the best staff and treats them well
- A farm that is profitable within environmental limits, has transparent decision making and shows how to build resilience
- A farm that reaches beyond farmers and draws in the public, government etc.
- A farm that showcases good business decision-making and how data and information can be used to support this
- A farm that inspires change, tests new ideas and evolves

On-farm production

- Sustaining and building soil health, productive long-term capabilities
- Optimal farming systems and management within its unique environment

Extension

- Multilevel extension activation - needs additional resources
- It is a really cool farm to see and visit
- Increasing their role with partner engagement
- Full engagement from all levels of farmers

People

- Future farm manager and staff love their job
- Creating excellent people and staff
- Management not overloaded
- Every manager wants to be the manager

Fiscal

- Profitable
- Excellent relevance
- Everything is transparent. All costs are appropriately accounted and apportioned
- The future farm has made measurable environmental improvements. Some great tools and measuring
- Outstanding environmental credentials
- Basics done well
- Top 5% performance
- 100% transparent
- Highly profitable within environmental limits. Environmental limits = water quality, biodiversity, carbon emissions, soil
- Transparent on everything – ‘squeaky clean’
- Development within financial, environmental and practical limits
- Builds economic and environmental resilience

Public/Community

- Weekly farm walk by management is open to everyone
- Living the red meat sector - credible, transparent, sustainable, value and products of the highest quality
- A range of people: farmers, students, politicians, service industries are referencing the future farm
- Connected with their community and urban community
- More mainstream media around Future Farm and sheep and beef in general
- New Zealanders championing these farms to: government, eNGO's, urban, rural, leaders, farmers, industry
- We engage a wide non-farmer audience via innovative techniques: social media, a gaming app?
- Urban involvement: schools, open days, environmental groups
- Future Farm being used by many groups of farmers and support
- Tours: public and unannounced. Open gate/door policy

Conversations

- Narrow the urban-rural gap. Closer engagement
- Community ownership
- Attraction to industries
- Pride and satisfaction

Outcomes

- Profitability
- Business focus. Confidence
- Data to decision pathways illuminated
- Simplify compliance
- Solution focus

Behaviours

- Sector language change. Commercial relevance
- Confident. Enjoyable
- Mindset change to consumer-led
- Failure is acceptable
- Inspire to change
- Relatable

- Influence widely including early adopters

Other

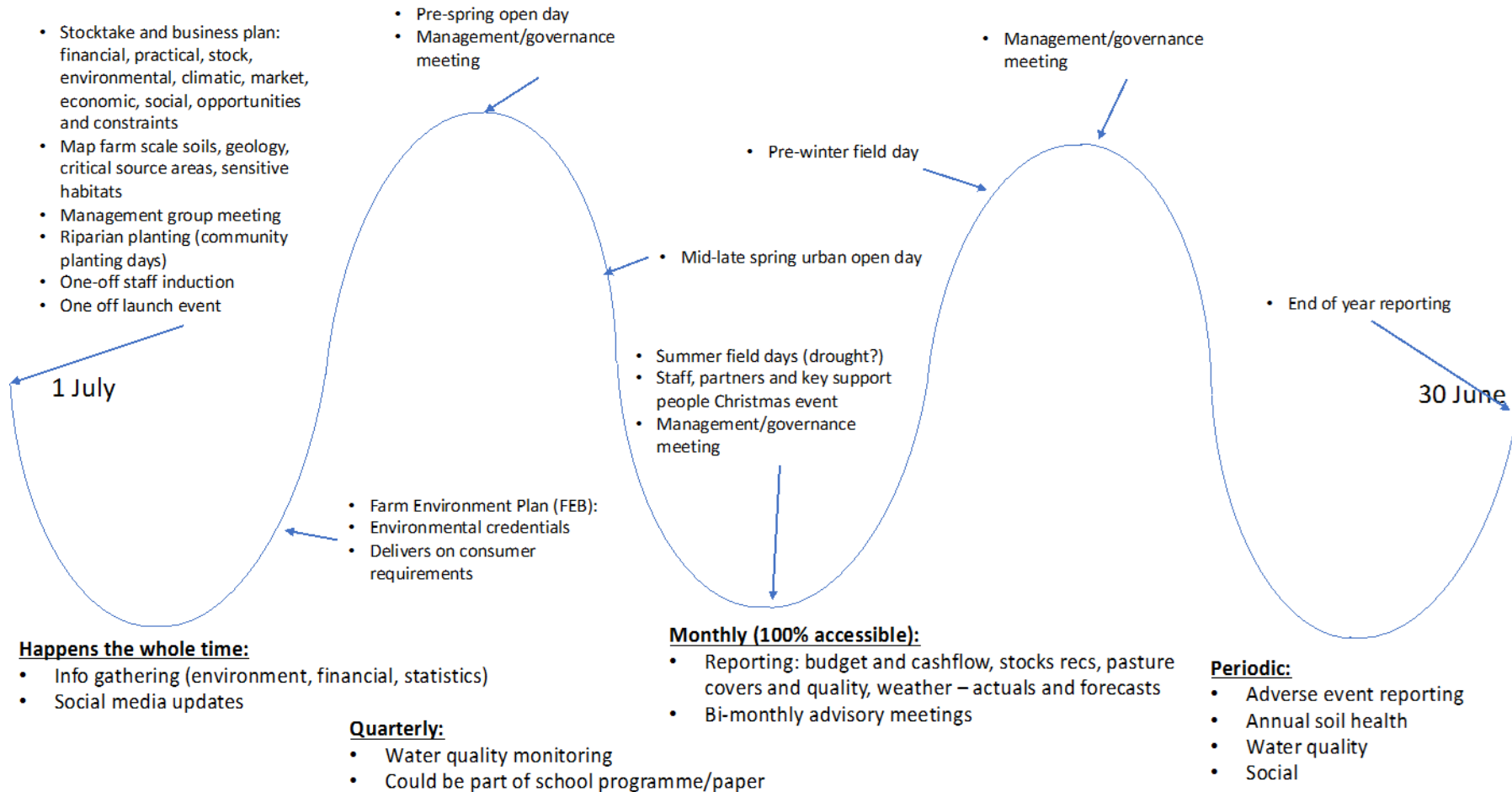
- Open communication
- Drive connections e.g. Wellington
- Very open decision process - media
- Accessible information e.g. feed cover

General

- Balance between pushing boundaries and relevance
- Longevity
- Trusted
- Independent
- Full transparency: decision-making and return on investment
- Bring up the average farmer
- Industry change
- Farmer buy-in
- Key hub
- Target for others
- Younger people in agriculture
- Overseas visitors
- Keep it live
- Top 1 to 5%
- Profitable
- National/international icon - the 'go to'
- Open gate for urban people
- Best practice
- Continually evolving
- Robust discussion and debate
- Clear and effective governance
- Who's in charge?
- Right team manager
- Meat industry participation

‘A year in the life’ of a B+LNZ Future Farm

Workshop participants were asked to describe the activities that would need to occur through the course of a year on a B+LNZ ‘Future Farm’. These could be one-off activities at ‘Future Farm’ establishment, or they could be activities that occur every year. Each group’s annual cycle description is shown separately.



Communications:

- Annual public report
- Introduction field day
- Comms Plan
- Bimonthly update of operations with public release
- Facebook/Instagram – real time/live
- Website: social media and lice data
- Specialised sheep/beef day e.g. breaking down meat challenges
- Monthly open day e.g. pasture work or similar
- Linking with community
- Scheduled:
 - School groups
 - Farmer visits

Strategy:

- Strategy and KPI of what to achieve

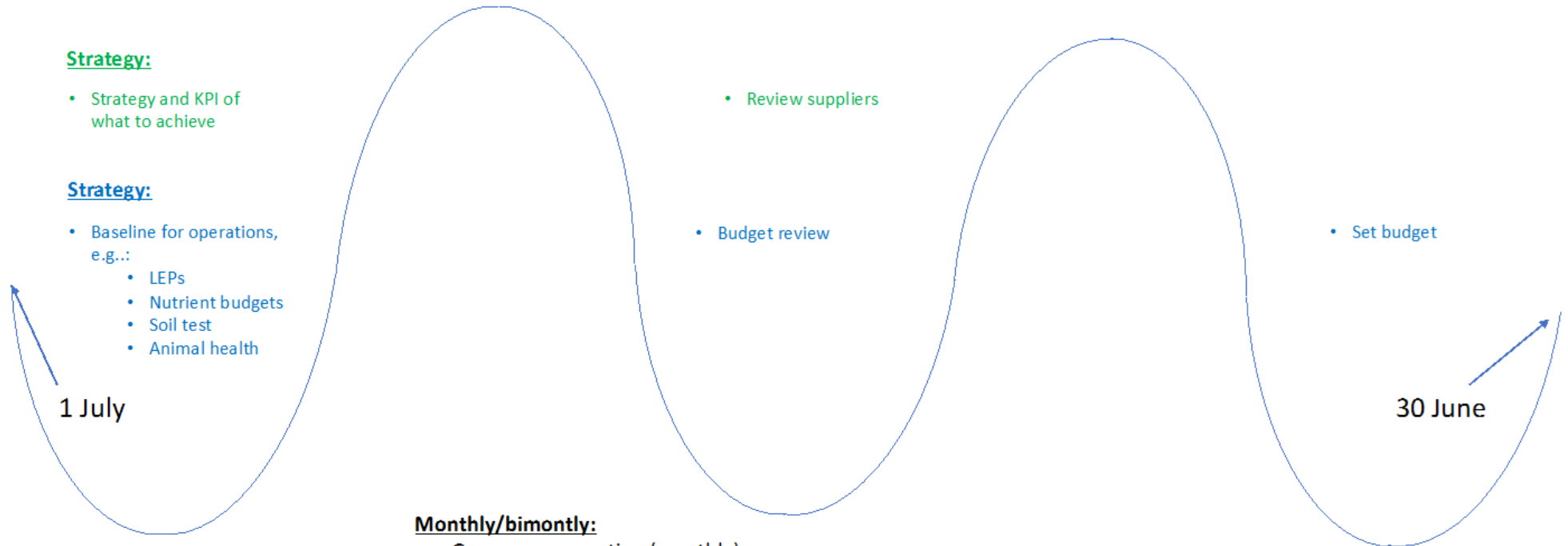
Strategy:

- Baseline for operations, e.g.:
 - LEPs
 - Nutrient budgets
 - Soil test
 - Animal health

- Review suppliers

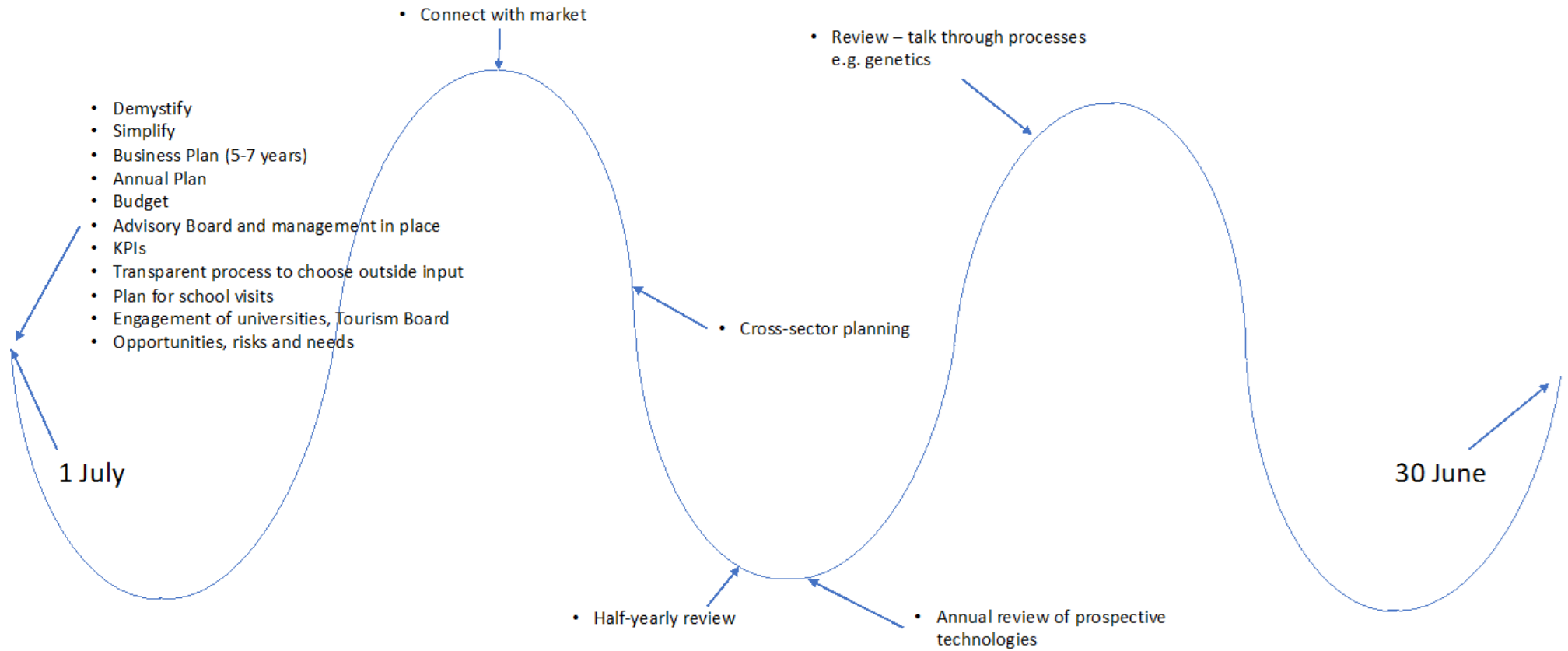
- Budget review

- Set budget



Monthly/bimontly:

- Governance meeting (monthly)
- Reporting (monthly KPIs at different levels - \$'s, environment, welfare, people)
- Performance to budget (monthly)
- Technology concepts to advisory group (bimonthly)
- H&S monthly
- People management



- Planning ongoing
- Monthly KPI reporting
- 6 monthly internships
- Weekly open meetings, including H&S
- 24/7 login to data
- Quarterly and annual reviews

What's missing (...and would limit achieving the 'wildly successful' future)?

AbacusBio described the process for seeking expressions of interest from candidate farms, and the criteria against which these were considered. Given these selection criteria, workshop participants were asked to identify any other factors that were missed (see "What's missing" below) which would be important selection criteria if the 'wildly successful future' they described, was to be achieved.

Participants were not presented with, or asked to comment on the nature of the 'transaction', with respect to any Future Farm, although some comments did come forward from the work groups during discussion.

Current selection criteria

- Property
- Scale
- Access
- Environmental factors
- Pastures
- Soil fertility
- Infrastructure
- Housing
- Genetics
- Livestock
- Ability to finish
- Connectivity
- Owner/personal factor
- Freedom to operate and Livestock

What's missing?

- Health status of stock
- Lease duration and impact/implications
- Location from an access to farm labour perspective
- Is [approaches to] succession an appropriate purpose? Why/how?
- Cultural alignment
- Catchment credentials
- Policy constraints and impact
- Distance from populations centre
- Exit [from the lease] is clear and fair
- Future wishes of the owners – transparent
- Fit with other B+LNZ activities

Candidate farm introduction

AbacusBio provided an overview of each of the two candidate farms through a video describing the farm, and document detailing key characteristics and data.

They are identified in this document as 'Property 1' and 'Property 2'.

Candidate farm assessment

Participants were asked to consider the two following questions when considering the candidate farms:

- How well can the farm deliver the 'wildly successful future' the participants described earlier?
- Why or why not is this the case?

Participants also provided an overall assessment of candidate farm suitability in the form of a score, rank or comment.

All groups saw the Property 1 candidate farm as being able to better deliver the sought outcomes, with comments varying between groups (see below).

Group 1	Property 2	Property 1
Suitability comments	Do they have consents for water/irrigation and potentially stock water? Great test case for looking at cost of fencing waterways/wetlands, gullies, native blocks Sensitive iconic habitat. Harbour is a risk and opportunity Needs local expertise in due diligence Great environment testbed and communication tool Tough access Access and connectivity and issue Relatability is low	Highly respected and known property Catchment and policy stock-take including future (short term) risks and opportunities: <ul style="list-style-type: none"> • vegetation clearance • nitrogen and phosphorus • constraints • winter cropping • stock units • water availability Highly relatable
Rank/score (/10) and other comments	Low-Medium (but high with region)	High

Group 2	Property 2	Property 1
Suitability comments	Not relatable A pretty show farm for urbanites Lacking scale Not typical even in its own area If this was the only option, we would wait Good balance of land Environmental challenges	Scale Huge opportunity for finishing Environmental challenges Freedom to operate - factor (pluses and minuses) Subdivision Fairly relatable Close to *** Different property types
Rank/score (/10) and other comments	3.5 (no)	7.5 (yes) <ul style="list-style-type: none"> • development • people (can I let it go?)

Group 3	Property 2	Property 1
Suitability comments	Not as relatable to farmers Too small Community? Telling the story. Why? Ownership purpose Farm type (land class balance)	Very relatable for *** Island but not *** Island Very strong farming community Relevance for behavioural change Example of climate change The opportunities environmentally Better infrastructure Personal factor
Rank/score (/10) and other comments	6.4	7.8

Appendix 9. Draft Lease Agreement Template

Draft lease agreement template was provided in the original of this report