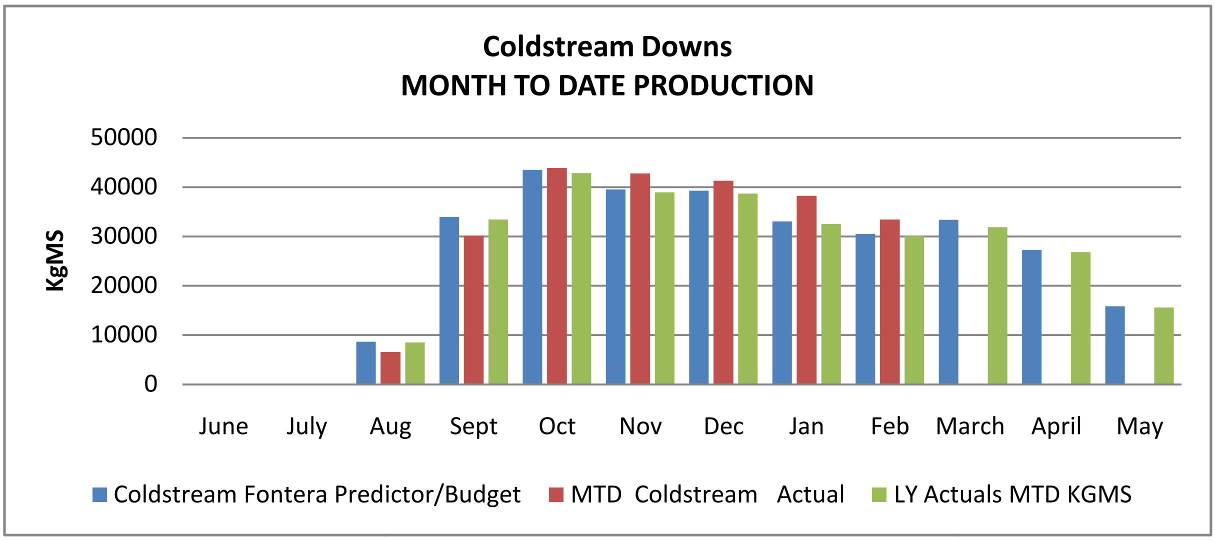
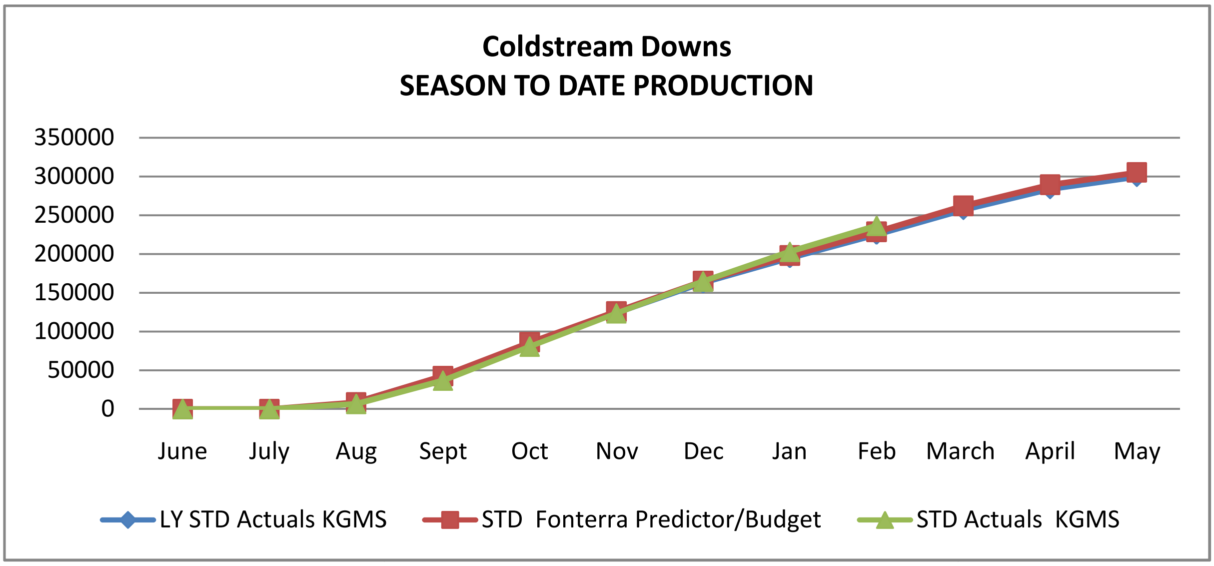
Coldstream Downs Dairy Farm Limited

SUMMER/AUTUMN 2015

Summer has seen some dry conditions for Coldstream, however regular rain has meant that grass growth has been consistent. Good summer conditions have allowed Jason to make some great gains with production after a very difficult spring. Production is now sitting 3.8% ahead of our original production target of 305,000kgMS and is looking like they will achieve over 312,000kgMS, which is a great result after being behind target earlier in the season. As can be seen in the graphs below the production for the season to date is ahead of last year's production and this year's target.





Jason has agreed to stay on at Coldstream for another season, which is great news. Good sharemilkers can make a huge difference to a farms performance and Jason has proven that despite coming onto a new farm with unfamiliar cows, that good production can be achieved. Our farm consultant Jack Ballam visited the farm recently and commented that the farm and cows are in great condition, which is a testament to Jason's performance this season.

As has been extensively reported in the media, the current dairy environment in New Zealand continues to be a difficult one. Towards the end of 2015 analysts were optimistic that the commodity market was improving. However the signs signalled from the recent Global Dairy Trades continue to suggest recovery will be slow and some way off. Banks and analysts are now suggesting that we will see these low prices continue well into 2017.

These market conditions have seen Fonterra, who we supply, drop their milk payout from $4.40 to $3.90 with a dividend payment of approximately 40 cents. To aid cashflow pressures over the winter months, Fonterra have split their dividend payments from one payment in October to a payment of 10 cents in May and then again in August.

The directors have met recently to discuss the farm and the cost structure for Coldstream. This discussion looked at the best ways to minimise costs going forward to create a more sustainable future.

Our administration team continue to work closely with Jason to ensure farm working expenses are as low as possible, without compromising production. Jason has done an excellent job throughout the season to make savings where possible.

We have also prioritised all repairs and maintenance to only essential items. Though some of these items could have been cut out of the budget, the directors feel that it would only have a long term impact of the property if these things were not to be completed.

One thing currently working in our favour is the bank interest rates. The term loan currently has a floating interest rate of 4.01%, which you would agree is extremely competitive.

The milk companies, Fonterra and OCD will shortly be announcing their forecast for the coming season. We are hopeful it sits above $4.50, but as always are planning for another season similar to this.

SHARES FOR SALE

There currently are no shares available for Coldstream.

Shares are available in the other two of our dairy farms Murray Creek Limited and Eastbourne Dairy Farm Limited, along with our sheep and beef farm Pukekaka Station.

If you are interested in purchasing additional shares please contact Richard Bourne on (06) 345 5329 or email richardb@rogerdickie.co.nz

Kind Regards

Roger Dickie

The Coldstream dairy shed with a newly grassed pasture in the background.

VOSM SUMMER/AUTUMN REPORT – Jason Checketts

This year is flying by already and now we are starting to look to the end of the season in terms of setting the farm up so we can finish well and also focus on cow condition.

Milk production is tracking reasonably well considering our slow start, to date we are 3.8% ahead for the season and 9% up for the month, which I am pleased with.

This means we should finish up around 312,000kgMS.

Since early January we have been milking 3 times in 2 days, (rather than twice a day) this was mainly driven by a dry period late December/ early January, this has worked well with helping keep condition on cows by them using less energy in terms of walking and without any change in production, perhaps a slight increase.

We will remain on this milking schedule until late April early May as we'll then go to once a day milking and hope to milk right to the end of May.

In late January we had good rain over a period of 4 to 5 days which set us up well especially as we were about to start our summer turnips which lessens the demand for grass growth, unfortunately there was no real follow up rain so we found ourselves back in a similar situation as to early January.

At the end of February we had 44mls of rain over 4 days which was perfect and should get us back on track in the near future, at this stage there is more in the forecast as well.

We pregnancy scanned our heifers on the 25th of February and achieved an excellent result with 98% getting in-calf. The cows were scanned the following week and achieved an in-calf rate of 88%. Though I think this is a disappointing outcome, the local vets said this is well above the district average which was 75%

With this information we are now able to make some good informed decisions on what animals are going to be kept for next season and any that aren't pulling their weight will be gone shortly from the farm.

My staff and I have been spraying thistles pulling ragwort and just generally improving the farms appearance which I'm sure you will all notice next time you visit.

Everything's ticking along nicely and I hope that we have a strong finish to the end of the season.

Regards

Jason Checketts