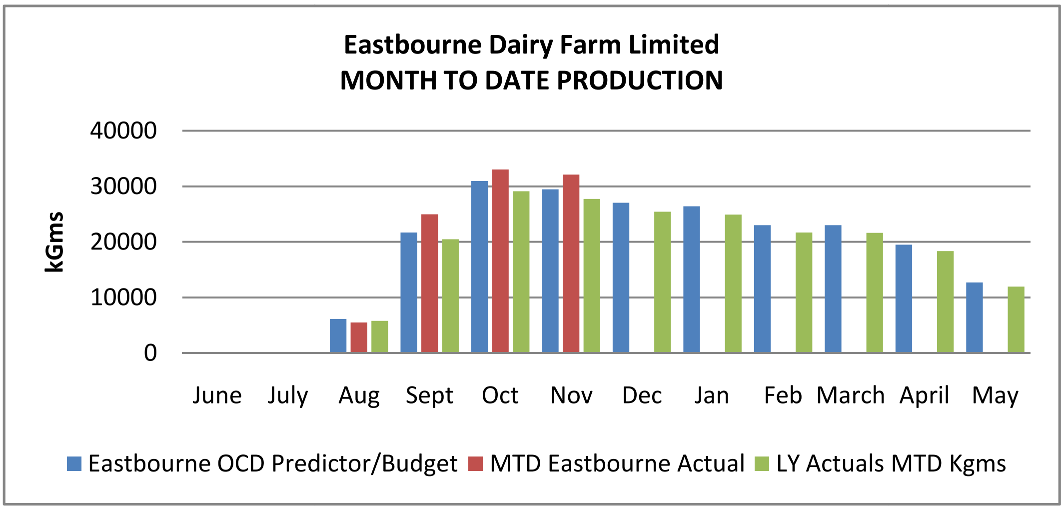
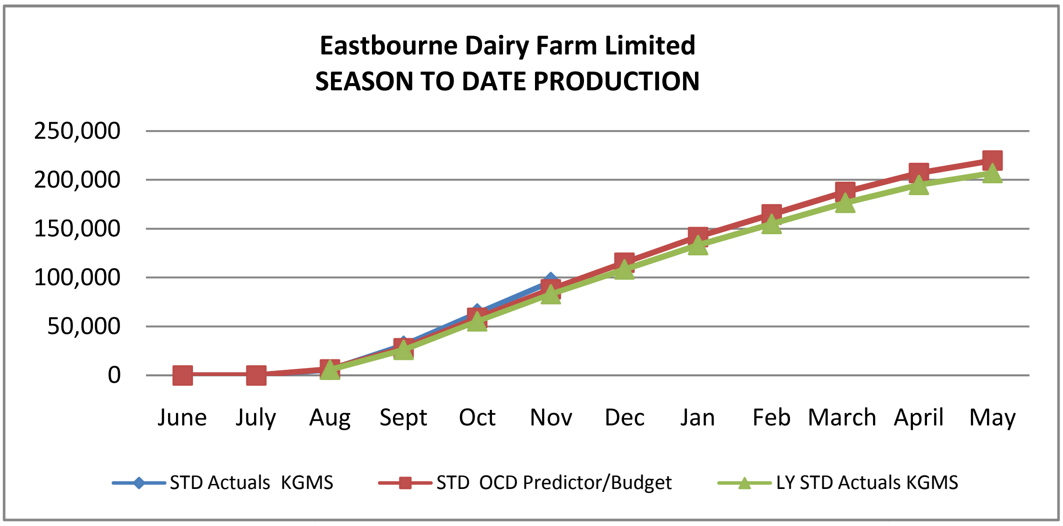
EASTBOURNE DAIRY FARM LIMITED – SPRING 2015

After a slow start to the 2015/2016 season due to wetter and colder weather conditions, Ben & Penny now have the herd producing well above the monthly targets. This increased production now sees them 8.3% ahead for the season to date. If they continue with this production trend then they will exceed the production target of 220,000kgMS, our farm consultant Jack Ballam is estimating that we will comfortably reach this year's target, however it must be noted that although Eastbourne is located in a summer safe area of Southland the impact of El Nino is still an unknown one. As can be seen in the graphs below the production is well ahead of last year. At the peak of milk production in early November, Ben and Penny were producing 2.2kgMS per cow per day and are still currently producing over 2kgMS per cow. Those of you who are dairy farmers would know that this production with minimal supplement input is exceptional.





The 2015/2016 season continues to be financially challenging, but signs of recovery have slowly started to emerge in the market with the Global Dairy Trade and the Futures Market lifting slightly. Despite theses positive signs a lift in milk price seems unlikely to happen until the 2016/2017 season. Open Country Dairy (OCD), who we supply, is currently maintaining their forecast payout of between $4.30-4.60. To ease cash flow pressures OCD have split the settlement payments from three lump sum payments to being spread through the season.

The directors have decided to take up OCD's fixed price milk offer for production from January to April. This offer was over subscribed, so only 18% of our milk production will receive the fixed price milk offer of $5.20. In light of the current milk payout situation this is a good addition to the cashflow.

While the payout continues to be low we are still working closely with Ben and Penny to minimise costs where possible. This has meant we have prioritised repairs and maintenance spending to only essential items. We have repaired the bridge at the run-off as this was a safety risk, completed maintenance work on the drainage at the farm and run-off, plus we have scheduled to complete some work on the laneways that have been damaged with the wet conditions over winter and spring. In early November two of the sheds at the farm and the hay shed at the run-off were damaged by wind. This damage has been covered by insurance and are currently being repaired.

The bridge at the run-off after it had been repaired.

FARM VISIT

In October our Farm Administrator Kate Murdoch got the opportunity to visit Eastbourne. This was a great chance for her to become familiar with the property and the run-off, along with getting a greater understanding of how the property works and its layout. It was also good for Kate to meet Ben & Penny and to help build their working relationship. Below you will see a few photos from her visit.

BOBBY CALVES

Some of our 2015 heifer calves.

There has been a lot of coverage recently in the media regarding the treatment of bobby calves within the dairy industry. Though the footage that was shown was disturbing and disappointing, this does not represent the 95% of farmers that are compliant with all animal welfare requirements.

In our development of Eastbourne we have invested in our infrastructure to ensure our calves kept in warm sheltered sheds with access to water. Some of you may not know that Penny works part-time for the Ministry of Primary Industries (MPI) in the animal welfare team in Southland.

Ben and Penny take pride in all the animals in their care and we can reassure you that all calves, whether they are bobby calves or replacement calves are cared for to the highest of standards.

SHARES FOR SALE

There are a number of shares still available for Eastbourne Dairy Farm Limited. These are currently available at list price of $1.00.

There are also shares available in another of our dairy farms Murray Creek Limited and our sheep and beef station Pukekaka Station.

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

On behalf of the directors and the Roger Dickie New Zealand team we would like to wish you all a very Merry Christmas and a Happy New Year.

Roger Dickie

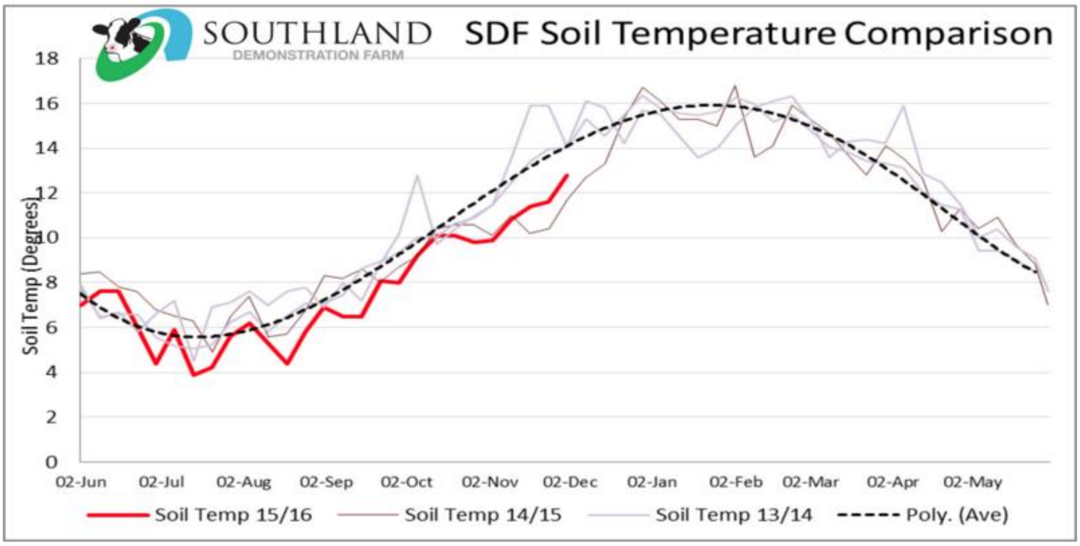
VOSM SPRING REPORT – Ben Worker & Penny Timmer-Arends

WINTER/SPRING

The extremely wet and cold winter in Southland meant we ran short of crop due to poor utilization (the stock trample more crop into the mud in the wet), and went through a lot of balage in August feeding the dry cows prior to calving. Fortunately we had dried the cows off in late-May close to the required body condition score at calving, and weren't battling to put weight on them over winter.

The harsh winter also affected our opening pasture cover at the milking platform, and we had to feed ~5kg/day of supplement to hold our round length. Sticking to our round and filling the feed gap with PKE and balage has paid off, and the cows are producing 8% more milk than last season, as at the end of November.

The soil temperature took some time to increase, and even now Southland is tracking below the average soil temperature (see graph below).



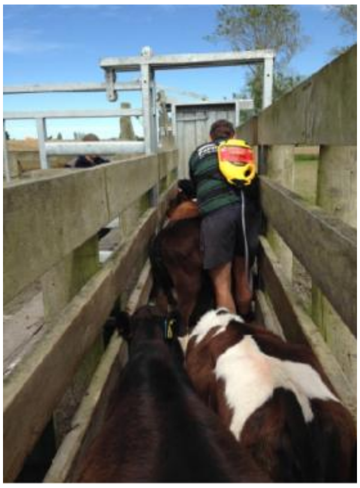
*Soil temperatures at 9 am have averaged **11.6** the week ending 1/12/15, well below average **(14)** for this time of year. The graph below shows how the average weekly 9am (10cm) soil temperature is tracking throughout the season and compares against the last two seasons.*

CALVING

Calving was a lot smoother than last season. The cows knew the shed and the farm, and because they were calm it made training the 105 heifers to walk in, and row up in the herringbone much easier. We had far fewer stock losses this spring, and peak milked (highest number of cows milked) 498 cows on 1 November, compared to 490 last season. Fewer stock losses gives us more scope to remove the poor performing cows and continue to improve the value of the herd.

With 68% of the herd calved in the first 3 weeks and 50% more replacement heifers reared this season (127 compared to 82 last year), calving remains a demanding time on the dairy calendar.

Eastbourne sold 20 of the lower genetic-merit calves in September to save on rearing costs, and improve the group profile of our 2015 born girls. The 106 calves that we kept through to weaning are now at the run-off and are growing like mushrooms.


Ben drenching calves at the run-off.

MATING

We began mating on 1 November to give us a planned start of calving date of 10 August 2016. Our three week submission rate (number of cows put up for artificial insemination) is 2% ahead of last season, and hopefully an accurate predictor of a higher 6 week in-calf rate for 2016.

Artificial breeding finishes after 6 weeks on 12 December, then the bulls will go out with the cows until mid-January. Ben will have earned a well-deserved sleep-in after 42 consecutive days of 4.15am starts identifying cows on heat and touching up tail-paint

Kind Regards

Ben & Penny