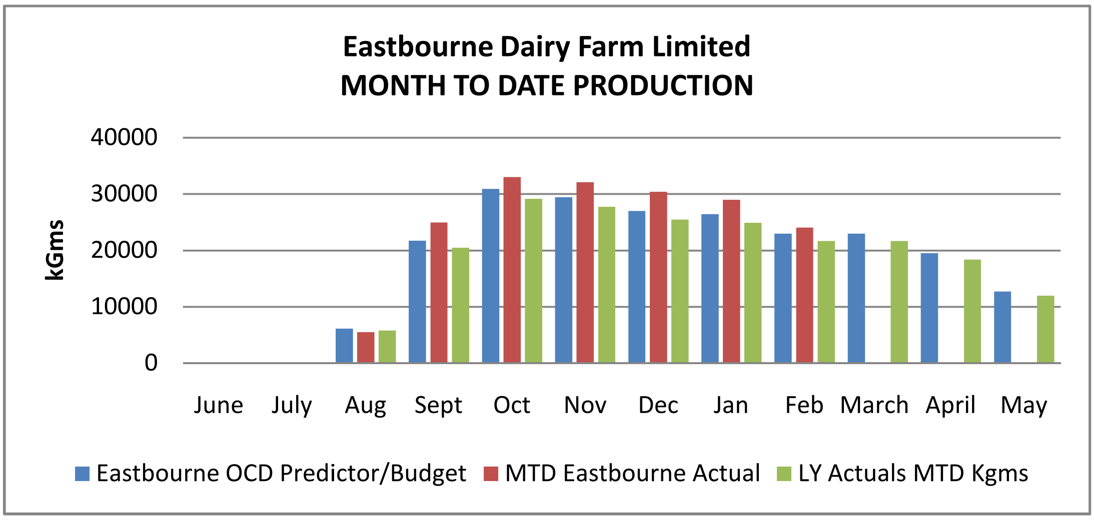
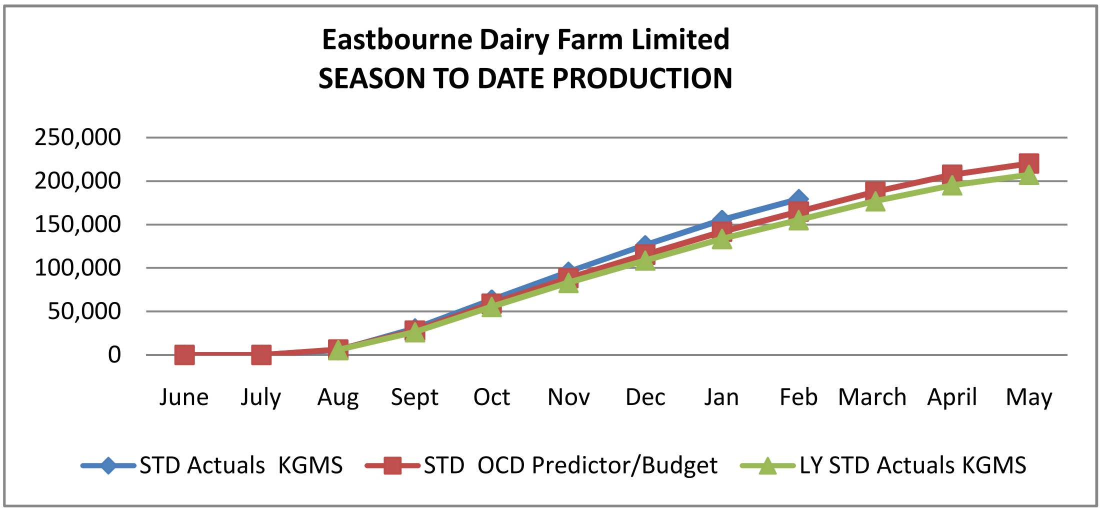
EASTBOURNE DAIRY FARM LIMITED

2016 SUMMER/AUTUMN UPDATE

The summer safe location of Eastbourne has proven an asset again this summer, with good consistent grass growth over this period. With good summer conditions, Ben & Penny have continued to take Eastbourne from strength to strength. They continue to hold production 8.7% ahead of our original production target of 220,000kgMS and are looking like they will achieve over 230,000kgMS, which the equates to over 460kgMS per cow – an outstanding result. As can be seen in the graphs below the production for the season to date is well ahead of last year's production and this year's target. Our farm consultant Jack Ballam held a Farmwise discussion group at the farm recently, where those attending were impressed with how the production is being achieved with minimal inputs.





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Ben & Penny have agreed to stay on at Eastbourne for another season, which is great news. Good sharemilkers can make a huge difference to a farms performance and Ben & Penny are performing extremely well. On behalf of the directors and the Roger Dickie NZ team we would also like to congratulate Ben & Penny on their recent engagement and wish them all the best for their up coming nuptials.

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 Open Country Dairy (OCD), who we supply, drop their milk payout from $4.30 to a range of $3.85 to $4.00. To aid cashflow pressures, OCD have split their settlement payments throughout the season, which has helped with cashflow budgeting.

The directors have met recently to discuss the farm and the cost structure for Eastbourne. Though the current environment we find ourselves in is not ideal, the cost structure we have in place at Eastbourne is sustainable. The no debt structure that was adopted for Eastbourne has definitely been to our benefit, with the operation coming close to breaking even at the end of the season.

Our administration team continue to work closely with Ben & Penny to ensure the lowest farm working expenses we can have, without compromising production. 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.

The runoff at Eastbourne has meant our farm working expenses (FWE) are at $3.88. This is because we can graze some of our young stock at home, reducing our grazing bill, which is a large component of FEW.

The directors and our farm consultant are reviewing the best use of stock on the runoff to maximise savings to the shareholders.

The milk companies, OCD and Fonterra 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 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 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

VOSM SPRING REPORT – Ben Worker & Penny Timmer-Arends

General

After a challenging 2014/15 season, our goal this season was to have more time off farm, and for both us and our staff to work sustainable hours. To this end, we employed a Lincoln University student over the summer holidays from November – February. With an extra labour unit on board everyone was able to take a week off over summer, as well as accomplish a lot of small jobs that we always struggled to find time to complete.

We've been able to do a lot of pre-mowing this season; cutting the grass for the cows to hoover up like Pacman. This has two benefits: increasing cow intake, and controlling the quality of the pasture by removing the stalky, low-quality grass at the base. Last year we only managed a small amount of mowing due to high rainfall in October and November, and the improvement in pasture quality this season has been marked.

Mating

The 6-week in-calf rate, the percentage of the herd that gets in-calf during the first six weeks of mating, is the number one measure of your herd's reproductive performance.

VetSouth scanned the herd on 27 January to establish calving dates for cows that are in-calf to artificial breeding. The vets can accurately age a foetus between 35 to 100 days of age. Outside these parameters it's either too small to see, or too large to date.

Our 6-week in-calf result was 76%, down 2% from last season. However we finished AB a few days earlier this year, and the cows are producing 16% more milk which has negatively affected their body condition. We're pleased with the result, which still puts us in the top 25% of farms in Southland, but there's room for improvement next season.

Production

The cows are producing extremely well this season, and were 16% ahead of last year at the end of January. Myriad factors contribute to milk production, and we haven't done anything special to chase production this season. Our focus has been on getting the basics right; correct pasture allocation every day, fully feeding the cows, and not pushing them to eat too low (using the mower to control quality not the cows). Jack Ballam's system looks after the cows, and they look after us.

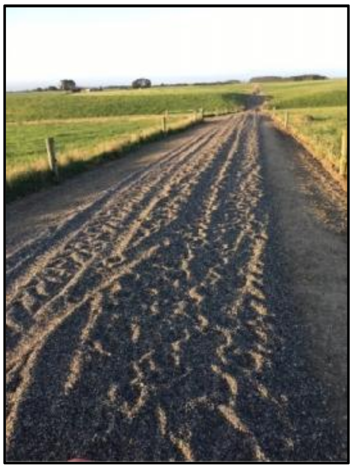
On the 27th of January we shifted to 3-in-2 milking. Rather than milking twice a day, we milk the cows at 5am and 5.30pm, then 11.30am the following day.

Farm-Maintenance

We made the most of having extra labour over summer, which freed up Ben to assist contractors in getting farm maintenance done. We also put Rebekah to use on the spray-bike. With a 250cc quad bike and a 70L spray tank she's done the majority of spraying the lanes, boundary fences, areas of gorse and broom, the creek at the runoff and our garden. Some 240Ha covered over a few months.

The macrocarpa and blue gum hedges were trimmed for the first time in 6 years. It was a big job as the trees had been allowed to grow unchecked for far too long. Next year it should be a simple job to shave off a few centimetres of regrowth, as opposed to cutting hunks of branches off.

Southern Trenching and Excavating repaired a few sections of particularly damaged lanes on the farm. We prioritised fixing the 'high traffic lanes', which the cows frequently walk on and noticed an almost immediate reduction in lame cows. We used the piles of excess clay scraped off the lanes to fill in trenches around troughs. Some were so badly rutted out the cows struggled to reach the water in the trough. Tidying up these areas will improve water intake (less water = less milk) and help to reduce lameness as the cows won't be stepping into puddles where they can't see to avoid sharp stones.



Clear Drains have blown out all the existing drains at the run-off, and Ben worked with Jason & Brent to replace broken tiles and novoflow to get them running again. We hope to see a difference in spring, with increased grass growth, less pasture damage and the ability to get crop paddocks back into grass faster.

We've made a start on clearing the drains at the home farm, but were only able to clear out half given the payout and budget. Where Brent dug to uncover broken tiles, Ben used the opportunity to build soak holes in some particularly wet paddocks. The main drain in paddock 35, where the majority of the lines drain to, is already running faster. We're looking forward to seeing how the farm performs in spring with working drainage.

Youngstock

Replacement heifers are the future of the herd. As the chief calf rearer I track their progress and ensure the health plan is followed. Well grown heifers are better able to compete in the herd, produce more milk in their first lactation, and get back in-calf for the following season.

All 106 2015 born calves are at the run-off, dining out on the new grass paddocks and gaining weight rapidly. Growing replacement heifers in Southland can be challenging as they always take a growth check over their first winter. Our aim is to get them well above target weight prior to winter, so they can better cope with the cold and still meet their target weight at mating in November. Our girls were 156kg on 29 January, 20kg ahead of target. We'll weigh them again this week to monitor growth and take any remedial action if required.

The 111 2014 born heifers, weighed were on average 415kg on 17 February, 23kg ahead of target. They'll come home on 1 May, and be wintered on kale and balage at the run-off. When they calve in spring they'll be trucked to the milking platform for their first season.

Regards

Ben Worker & Penny Timmer-Arends