

EASTBOURNE DAIRY FARM LIMITED

Farm Update

29th September 2014

Dear Shareholder

Hello and welcome to your new investment, Eastbourne Dairy Farm. Over the course of the year I will be keeping you updated with quarterly reports. The first report covering June July and August is enclosed. Your next reports will be December, March and the end of season report in June.

I would like to welcome our Sharemilkers Ben Worker and Penny Timmer-Arends. Their first few weeks at Eastbourne have been spent familiarising themselves with the farm and carrying out a substantial amount of repairs and maintenance, all setting the farm up for the new season.

Eastbourne's production for the 2014-2015 season was set at 217,500kgms. Predicted milk production for August was 5178kgms, Ben and Penny exceeded this to achieve 5792.3kgms. September's Production was just short of the target of 23496kgms by 199kgms, however, season to date production is 4% ahead of target. This is a great start to the season given we have a new herd with new staff. There is plenty of feed on the farm and the cows are generally in very good condition.

Open Country Dairy CD advise "Global supply and demand conditions continuing to put downward pressure on pricing. This has been further impacted by Russia's ban on dairy products from a number of significant exporting countries. This surplus volume, coupled with the continuation of muted demand, as well as a stubbornly high exchange rate has put considerable further pressure on the full season outlook".

OCD have provided an update on the milk price for this season of \$5.20 - \$5.40. This is in line with the Fonterra announcement on 24th September of \$5.30.

This is disappointing news, especially since the last revision to \$6 was also a significant drop. We are therefore adjusting our budgets and reviewing the farm expenditure accordingly. The drop in payout will affect the profitability of the farm however, given that Eastbourne has no debt the farm is in a position to weather the drop in payout.

You may have seen or read recently about cows in Southland suffering ill health or mortality from grazing HT (herbicide tolerant) swedes and been wondering whether Eastbourne Dairy Farm has been affected by this. Eastbourne has a swede crop and recently had the cows grazing on swedes and baleage until they calve.

At this stage there may be a couple of affected animals at Eastbourne. Two of the later calving cows went down with suspected milk fever and died over the last week. This is unusual as there have been very few cases of milk fever evident this season and certainly not serious enough to cause mortality.

The vet took liver samples from the cows and the livers were showing some fibrosis which is consistent with liver damage being seen on other farms due to grazing HT swedes. The vet's results showed no abnormalities and he has put the death down to milk fever as suspected.

The later calving cows were on swedes longer than the early calvers which could be why we are only now seeing the odd animal now that may be affected.

Overall Southland farmers have now lost over three hundred cows to this mystery illness, with many others being affected to varying degrees including liver damage and sensitive and peeling skin. There may also be ongoing effects on animal health and production.

The toxicity is believed to be a result of a mild winter in Southland which has caused the swede plants to retain high levels of glucosinolate which in small quantities is beneficial but becomes toxic in larger doses. Animal health issues arise when dairy cows are shifted from a sweeter crop such as fodder beet to HT swedes near the end of the season when the swede is changing and becoming more bitter. The cows are reluctant to eat the swede bulbs due to the bitterness, so consume more leaf with the high glucosinolate levels.

Research is ongoing and a joint working group with representatives from a range of industry sector groups has been set up to seek more information on the incidence of the toxicity and to identify any patterns, causes and effects with a view to being able to provide Southland farmers with consistent advice as to how the situation is best managed.

Ben and Penny have certainly proven their worth over the past few months. Their dedication and passion for the dairy industry is showing tenfold in their achievements so far this season. It is a pleasure to work with such a passionate couple.

You will find enclosed the farm report and correspondence from our sharemilkers. These reports have been uploaded onto the Eastbourne pages of our website and the link emailed to those with for whom we have email address.

http://www.rogerdickie.co.nz/Our_Forests_Farms/Farms/Eastbourne_Dairy_Farm_Southland

Regards



Michelle O'Neill

Eastbourne Dairy Farm

June 2014 Farm Report

Interpreted information covering the opening feed supply & stock on hand at the start of the season taken from the Farmwise Report

COVER

Area/Cover Summary					
	Total	Effective	Grass	Kale	Swede
Dairy Farm (ha's)	170	163	163	0.0	0.0
Runoff (ha's)	71.24	70	50	15	5
Total (ha's)		233	163	0.0	0.0

If growth and covers stay high we could delay the Nitrogen application or reduce the rate it is applied. Soil testing will be done late July to confirm requirements.

	ACTUAL	TARGET
Average Cover	2350	2300
Pre Graze	3600	3100
Growth	10	>5

Key

Kgdm = kgs of dry matter
Kgms= kgs of milk solids
Ha = hectare
R1's = Rising 1 year olds
R2's = Rising 2 year olds
MA = Mixed age cows
Total Farm Area = 350ha
Effective area = 309ha

The above excludes the 394 poor quality bales of baleage left on farm by the previous owner.

DAIRY FARM

	298.0ha's		kgdm	Kgdm/ha
Pasture Cover	163.0 grass ha's		383050	2350
Baleage	350 bales@	200	70000	429
			453050	2779

Eastbourne is in a very strong feed situation and an option to use shed fed supplies for milker's or if conditions are dry we could use baleage.

STOCK ON HAND

	Mixed Age Cows	Carry Over's	R2 Heifers	Total
Pregnant	333	24	115	472
Slipped	4	0	1	5
TOTAL STOCK	337	24	116	477

With a total of 523 cows supplied, 46 were returned due to lameness and under body score condition. This left Eastbourne with a shortfall in cow numbers.

PRODUCTION

Production has been set at 217500kgms for the 2014 -2015 season.

Month	Target %	Target kgs	Year to Date kgs	Actual kgs	Actual Year to Date	Variance Month	Variance Year to Date
August	2.5%	5438	5438	5792.3	5792.3	12%	12%
September	9.5%	20663	26100				
October	13.5%	29363	55463				
November	14.0%	29363	84825				
December	12.5%	28275	113100				
January	12.0%	26100	139200				
February	10.5%	22838	162038				
March	10.5%	22838	184875				
April	9.0%	19575	204450				
May	6.0%	13050	217500				
	100%	217500					

Form a well set up and managed Southland farm it is realistic to produce 217500kgms for this season.

Fertilizer

Target is to apply: **Non Effluent Area**

Aug -Sept 40kgs Nitrogen per ha from around mid August to early September.
Sept - Oct 30kgs Nitrogen post grazing mid September to mid October (until growth exceeds demand).
Oct - Dec 30kgs Nitrogen On 50% of farm per round from when grass growth exceeds demand. This is around mid to late October post mower(50% ha's grazed).
Dec - Feb 30kgs Nitrogen 50% of farm subject to growth rates & moisture.
Feb - April 30kgs Nitrogen 100% of farm to build wedge for Autumn.
April - May 30kgs Nitrogen 100% of farm to keep growth going and set wedge for winter.
190kgs

If Nitrogen is applied in moist conditions we hope to get the maximum benefit and response. This would mean to apply while raining or apply later in the evening to make the most of the evening dew.



Eastbourne Dairy Farm

July 2014 Farm Report

Interpreted information of a Feedflo Budget for calving taken from the Farmwise Report

Jack Ballam (Farm Wise Consultant) visited Eastbourne on the 4th July 2014 and developed this plan to help control the pasture management and round lengths. The first round will start on the 5th August and will be 49 days. The effective area is 163ha, average paddock size is 3ha, cows wintered is 520 and the stock rate is 3.2 cows/ha.

Predicted calving spread

	Date (start of week)	No. Cows calving	Percentage of cows to calve	Total Cows Calved	Cows on Farm	Average Milking cows	Average Dry cows
Week 1	5-Aug	110	21%	110	110	38	55
Week 2	12-Aug	110	21%	220	220	148	55
Week 3	19-Aug	110	21%	330	330	293	55
Week 4	26-Aug	45	9%	375	375	438	23
Week 5	2- Sept	40	8%	415	415	548	20
Week 6	9-Sept	35	7%	450	450	620	18
Week 7	16-Sept	18	3%	68	68	688	9
Week 8	23- Sept	16	3%	484	484	740	8
Week 9	30-Sept	14	3%	498	498	778	7
Week 10	7-Oct	12	2%	510	510	810	6
Week 11	14-Oct	10	2%	520	520	833	
Total		520	100%	520	520	840	

Predicted Dry & Springing Cows

	Average dry cow	Area/cow/day M2	Pre grazing cover	Residual cover	Pasture Intake (kgdm)	Supplement (kgdm)	Total Intake	Area Grazed Per week
Week1	55	30	3600	1400	6.6	5.4	12.0	1.2ha
Week 2	55	30	3600	1400	6.6	5.4	12.0	1.2ha
Week 3	55	30	3600	1400	6.6	5.4	12.0	1.2ha
Week 4	23	30	3600	1400	6.6	5.4	12.0	0.5ha
Week 5	20	30	3600	1400	6.6	5.4	12.0	0.4ha
Week 6	18	30	3600	1400	6.6	5.4	12.0	0.4ha
Week 7	9	30	3600	1400	6.6	5.4	12.0	0.2ha
Week 8	8	30	3600	1400	6.6	5.4	12.0	0.2ha
Week 9	7	30	3600	1400	6.6	5.4	12.0	0.1ha
						Total Area Grazed	5.2ha	

Predicted Milking Cows

	Average dry cow	Area/cow/day M2	Pre grazing cover	Residual cover	Pasture Intake (kgdm)	Supplement (kgdm)	Total Intake	Area Grazed Per week
Week 1	55	70	3600	1550	14.4	1.2	15.5	2.7ha
Week 2	165	70	3600	1550	14.4	1.7	16.0	8.1ha
Week 3	275	75	3500	1550	13.7	2.9	16.5	13.5ha
Week 4	353	75	3400	1550	13.9	3.1	17.0	18.5ha
Week 5	395	80	3300	1550	14.0	3.5	17.5	22.1ha
Week 6	433	85	3200	1550	14.0	4.0	18.0	25.7ha
Week 7	459	90	3100	1550	14.0	4.6	18.5	28.9ha
Week 8	476	95	3000	1550	13.8	5.2	19.0	31.7ha
Week 9	491							
						Total Area Grazed		151.2ha

Eastbourne Dairy Farm

August 2014 Farm Report

Interpreted information covering the feed supply & stock on hand taken from the Farmwise Report 25th August 2014

COVER

Area/Cover Summary					
	Total	Effective	Grass	Kale	Swede
Dairy Farm (ha's)	170	163	163	0.0	0.0
Runoff (ha's)	71.24	70	50	15	5
Total (ha's)		233	163	0.0	0.0

If growth and covers stay high we could delay the Nitrogen application or reduce the rate it is applied. Soil testing will be done late July to confirm requirements.

	ACTUAL	TARGET
Average Cover	2020	>2300
Pre Graze	2800	>3000
Growth	9	18

Key

Kgdm = kgs of dry matter
Kgms= kgs of milk solids
Ha = hectare
R1's = Rising 1 year olds
R2's = Rising 2 year olds
MA = Mixed age cows
Total Farm Area = 350ha
Effective area = 309ha

Feed situation is not ideal but with improving ground and weather conditions we can allow paddock feeding to cows. A lot of grass was lost early on in dealing with lame and light cows.

FEED ON HAND

	298.0ha's		kgdm	Kgdm/ha
Pasture Cover	163.0 grass ha's		329260	2020
Baleage	400 bales@	200kgsdm/bale	88000	540
Straw	40 bales	200kgsdm/bale		
Totat			417260	2560

The colostrums cows are being fed 100% diet of baleage on pad to help protect the ground. They can also camp on clean straw in the shed. This is not ideal but it is working well to protect the grass cover and pastures.



STOCK ON HAND

	Milkers	Colostrums'	Springers	Inductions	Crop	Total
Mixed Age & R2 Heifers	240	50	50	18	170	514
Target	Wintered	01-June				525
	Peak Milk	01- Nov	96%			504

Losses to date include 1 death, 5 culls and 5 empty heifer at grazing. In the end all are well wintered and being milked once a day to date and have held condition. Milker's look really good and colostrums were excellent on feed pad getting 100% baleage. Could introduce grass very soon.

Fertilizer

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Eastbourne Downs Dairy Farm

An Email from the Sharemilkers describing the first three months

Ben Worker & Penny Timmer-Arends

Hello

We have had some challenges to our start at Eastbourne. We have been training the herd to walk into the herringbone shed for milking. The herd the farm was purchased from was a rotary shed, so we've add to train all the cows and heifers which made for some long milking's at the start. They're starting to get the hang of it now, but our cow flow still isn't great.

The wet start to August was definitely a challenge, as it was for all farmers in Southland. The rain and extreme cold meant we were picking up calves 3 times a day to get them in the sheds and out of the weather. We only lost a few heifers on the paddock, and with a warm bath, warm milk and a jacket I managed to nurse all the replacements calves that were born through that wet spell.

Tagging all the cows over the first 2-3 weeks of winter was very time consuming. Luckily we were able to walk them between the farm and the run-off so we could use the head bail at the dairy shed to do the tagging.

The calves have been a highlight. While we're down on numbers (82, rather than target of 125) due to low AB conception rate of the cows, the heifers we do have are growing like mushrooms. I haven't had any major issues, the odd case of nutritional scours, and 2 calves with bloat. But the vets that came to treat the calves all said they looked great.

Ben has been working long days to get the fencing work done, he stays out to 10pm some nights with his headlamp on so he can see.

At takeover some paddocks didn't have power, and the ones that did were only 2-3 volts due to all the faults. Now all paddocks are powered by underground cable, and with a new energiser that's actually big enough for the size of the farm, we haven't had any cows break out of paddocks.

The wintering barn/feed pad has been a real asset. We were able to keep the colostrums off grass over the really wet weather in August to prevent pasture damage.

And our somatic cell count has been really low for most of August and all of September. We were sitting on 70,000 a couple of days ago. Got it down to 46,000 last week! The cows are doing 2kgMS/cow/day which we're happy with and so is Jack.

Obviously takeover didn't go smoothly and there's been a lot more R&M than budgeted for. But we're definitely on the up and up!

Penny

