



**FarmRight**  
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# Conversion Considerations

SIDE Presentation  
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## About FarmRight

FarmRight Ltd is an independent dairy farming company offering a full range of innovative management solutions for the dairy industry.

FarmRight Ltd are specialists in dairy farming.

Our staff have an extensive range of experience including specialised dairy consultancy, farm management, development and administration.

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## FarmRight and Conversions

FarmRight has managed the conversion of 15 dairy units over the past 5 years and is currently managing 47 dairy businesses, including 29 equity partnerships, over the South Island.

Experience has proven that given the large investment being made in these projects, initial planning, management of contractors and timing is crucial to the overall success of the project.

FarmRight's role may involve the full conversion project or different segments that make up the project. It can also involve redevelopment work on an existing dairy unit.

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## Factors To Consider When Looking At Converting:

- Costs
- Finance
- Lifestyle change
- Compliance issues
- Skills
- Management of daily operations

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## Conversion Costs – An Example

### Scenario

- 160 ha effective
- Southland location
- 485 cows
- Budgeted 165,000kgMS in the first year of operation
- 54 bail rotary
- 1 house is required to be built
- Development costs also include re-fencing the property and installing a water system

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## Conversion Costs – An Example

Land - 160ha x \$29,000/ha	\$	4,640,000	
Milking Shed - 54 bale rotary	\$	900,000	(includes site & effluent)
Water - bore & water system	\$	98,000	
House – 3 Bedroom brick with garage	\$	206,000	
Farm Buildings	\$	2,200	
Tracks	\$	100,000	
Fencing	\$	40,000	
Fonterra Shares - 160,000 @ \$7.01	\$	1,156,650	
Electricity	\$	33,000	
Regrassing & Fertiliser	\$	90,000	
Administration	\$	52,000	
<b>Total</b>	<b>\$</b>	<b>7,317,850</b>	<b>\$44.35/kgMS</b>
Or land @ \$17,500/ha			\$33.20/kgMS
Or production 1,100kgMS/ha			\$41.58/kgMS

- Work? Interest?

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## Finance

The percentage of debt to assets has historically been sustainable at 50-60%, today 45-55% is the sustainable level.

## Lifestyle Change

- Debt
- Work
- People
- Stress
- Educational

All these factors can be positive or negative depending on you.

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## Compliance Issues

- Dairy Company Requirements
- Local Authority Requirements
  - Discharge Permits
    - Dairy shed effluent
  - Water Uptake
    - Surface water
    - Bore or well
  - Land Use
    - Putting down a new bore or well
    - Placing any structure over or in the bed of any stream or river (eg culverts & bridges)
    - Extracting gravel

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## Skills

- Who can do what?
- What can be contracted in?
- What skills can you employ?

## Management of daily operations

There are a number of management arrangements that can be used including:

- Sharemilker
- Owner/operator
- Owner/Manager
- Management Company

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## Summary

When considering a conversion remember:

- It is a big business.
- You know what you want but others may see it differently.
- To seek advice and assistance from a number of people with a variety of expertise.
- To make your own decisions based on the facts.
- Every business is different.

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