

NORTH ISLAND DEER

This report contains the key results from the Ministry of Agriculture and Forestry's 2008 deer monitoring programme. The full Pastoral Monitoring Report 2008 will be available in December 2008.

KEY POINTS

- › The 2007/08 cash operating surplus of \$51 000 showed only a marginal increase in dollar terms on 2006/07. This was the result of significant farm operating cost increases in feed-related and fuel-related expenditure.
- › The 2007/08 net cash income of \$155 000 was four percent higher than for the previous year. Net cash income would have been significantly higher if not for velvet returns being well below earlier expectations.
- › Venison prices are steadily improving and deer sales in 2007/08 were up 26 percent on 2006/07.
- › The peak of the venison schedule was higher in 2007/08 than 2006/07 and again held for a greater time period than in 2006/07. This provided good returns for venison producers and allowed late sellers to be rewarded by increasing prices.
- › 2007/08 was a disappointing season for velvet. Pre-season optimism was not realised with average per kilogram velvet prices down around 25 percent.
- › Inconsistency in velvet pricing, industry marketing issues and the age of the average deer farmer has started to impact on farm decisions with some farmers reducing their velvetting herds in favour of venison production.
- › The North Island deer model farm forecast for 2008/09 is for increased returns, as further gains in venison prices and similar velvet prices are expected.

TABLE 1: KEY PARAMETERS, FINANCIAL RESULTS AND FORECAST FOR THE NORTH ISLAND DEER MODEL

Year ended 30 June	2004/05	2005/06	2006/07	2007/08	2008/09 forecast
Effective area (ha)	140	140	140	140	140
Opening deer stock units	2 184	2 197	2 197	2 197	2 198
Mixed age breeding hinds (head)	440	440	440	440	440
Rising 2-year hinds (head)	100	100	100	100	110
Rising 1-year hinds and stags (head)	446	454	454	454	486
Rising 2-year stags (head)	25	25	25	25	25
Rising 3-year plus stags (head)	80	80	80	80	57
Stocking rate (stock units/ha)	15.6	15.7	15.7	15.7	15.7
Fawning ¹ Farm average (%)	86	86	86	85	83
Velvet					
Average price (\$/kg)	44	44	100	75	80
Farm average (kg/stag)	2.2	2.3	2.5	3.6	3.6
Carcass weights					
2-year-old stags (kg)	69	69	70	72	73
Yearling stags (kg)	55	55	56	57	58
Income					
Net cash income (\$)	103 363	110 632	148 688	155 043	185 440
Farm working expenses (\$)	75 404	86 661	98 322	103 828	108 330
Farm profit before tax (\$)	3 985	233	23 390	23 523	53 280
Farm surplus for reinvestment ² (\$)	-36 754	-53 622	-34 140	-14 748	16 627

Notes

1 Fawning percentage is live calves available for sale as a percentage of hinds mated.

2 Farm surplus for reinvestment represents the cash available from the farming business, after meeting living costs, which is available for investment on farm or for principal repayments. It is calculated as discretionary cash less off-farm income and drawings.

TABLE 2: NORTH ISLAND DEER MODEL BUDGET

	2007/08			2008/09 forecast		
	Whole farm (\$)	Per ha (\$)	Per deer stock unit (\$)	Whole farm (\$)	Per ha (\$)	Per deer stock unit (\$)
Revenue						
Deer sales	146 101	1 044	66.50	174 358	1,245	79.32
Velvet (per stag stock unit)	25 706	184	37.61	27 530	197	42.91
Other farm income	0	0	0.00	0	0	0.00
Less:						
Deer purchases	16 764	120	7.63	16 448	117	7.48
Net cash income	155 043	1 107	70.57	185 440	1,325	84.36
Farm working expenses	103 828	742	47.26	108 330	774	49.28
Cash operating surplus	51 215	366	23.31	77 110	551	35.08
Interest	18 461	132	8.40	17 920	128	8.15
Rent and/or leases	0	0	0.00	0	0	0.00
Stock value adjustment	- 2 279	- 16	-1.04	0	0	0.00
Minus depreciation	6 953	50	3.16	5 910	42	2.69
Farm profit before tax	23 523	168	10.71	53 280	381	24.24
Taxation	9 302	66	4.23	3 217	23	1.46
Farm profit after tax	14 220	102	6.47	50 063	358	22.78
Add back depreciation	6 953	50	3.16	5 910	42	2.69
Reverse stock value adjustment	2 279	16	1.04	0	0	0.00
Off-farm income	28 875	206	13.14	28 875	206	13.14
Discretionary cash	52 327	374	23.82	84 848	606	38.60
Applied to:						
Net capital purchases	10 000	71	4.55	0	0	0.00
Development	800	6	0.36	640	5	0.29
Principal repayments	8 653	62	3.94	10 034	72	4.57
Drawings	38 200	273	17.39	39 346	281	17.90
New borrowings	10 000	71	4.55	0	0	0.00
Introduced funds	0	0	0.00	0	0	0.00
Cash surplus/deficit	4 673	33	2.13	34 828	249	15.84
Farm surplus for reinvestment¹	- 14 748	- 105	-6.71	16 627	119	7.56
Assets and Liabilities						
Farm, forest and building (opening)	2 564 100	18 315	1,167.14	2 564 100	18,315	1,166.51
Plant and machinery (opening)	46 350	331	21.10	39 398	281	17.92
Stock valuation (opening)	320 705	2 291	145.98	318 426	2,274	144.86
Other farm related investments (opening)	0	0	0.00	0	0	0.00
Total farm assets (opening)	2 931 155	20 937	1 334.22	2 921 924	20,871	1,329.30
Total liabilities (opening)	217 185	1 551	98.86	218 532	1,561	99.42
Total equity (assets-liabilities)	2 713 970	19 386	1 235.36	2 703 392	19 310	1 229.88

Note

1 Farm surplus for reinvestment is calculated as discretionary cash less off-farm income and drawings.

TABLE 3: NORTH ISLAND DEER MODEL EXPENDITURE

	2007/08			2008/09 forecast		
	Whole farm (\$)	Per ha (\$)	Per deer stock unit (\$)	Whole farm (\$)	Per ha (\$)	Per deer stock unit (\$)
Farm working expenses						
Permanent wages	0	0	0.00	0	0	0.00
Casual wages	6 400	46	2.91	6 592	47	3.00
ACC	167	1	0.08	156	1	0.07
Total labour expenses	6 567	47	2.99	6 748	48	3.07
Animal health	6 000	43	2.73	6 240	45	2.84
Breeding	900	6	0.41	927	7	0.42
Electricity	3 080	22	1.40	3 172	23	1.44
Feed (hay and silage)	7 696	55	3.50	6 926	49	3.15
Feed (feed crops)	4 175	30	1.90	3 758	27	1.71
Feed (grazing)	0	0	0.00	0	0	0.00
Feed (other)	3 500	25	1.59	1 750	13	0.80
Fertiliser	23 321	167	10.62	29 045	207	13.21
Lime	1 656	12	0.75	2 190	16	1.00
Freight (not elsewhere deducted)	900	6	0.41	1 035	7	0.47
Regrassing costs	2 134	15	0.97	2 561	18	1.17
Weed and pest control	1 600	11	0.73	1 792	13	0.82
Fuel	10 000	71	4.55	11 500	82	5.23
Vehicle costs (excluding fuel)	5 500	39	2.50	5 610	40	2.55
Repairs and maintenance	6 900	49	3.14	6 900	49	3.14
Total other working expenses	77 362	553	35.21	83 406	596	37.94
Communication costs (phone and mail)	2 500	18	1.14	2 550	18	1.16
Accountancy	2 700	19	1.23	2 754	20	1.25
Legal and consultancy	1 100	8	0.50	1 133	8	0.52
Other administration	0	0	0.00	0	0	0.00
Rates	5 880	42	2.68	6 174	44	2.81
Insurance	3 450	25	1.57	3 450	25	1.57
Water charges (irrigation)	0	0	0.00	0	0	0.00
Other expenditure	4 268	30	1.94	2 115	15	0.96
Total overhead expenses	19 898	142	9.06	18 176	130	8.27
Total farm working expenses	103 828	742	47.26	108 330	774	49.28
Wages of management	60 312	431	27.45	60 219	430	27.40
Depreciation	6 953	50	3.16	5 910	42	2.69
Total farm operating expenses¹	171 092	1 222	77.88	174 459	1 246	79.41
Calculated Ratios						
Economic farm surplus (EFS ²)	41 983	300	19.11	71 200	509	32.39
Farm working expenses/NCI ³	67%			58%		
EFS/total farm assets	1.4%			2.4%		
EFS less interest and lease/equity	0.9%			2.0%		
Interest + rent + lease/NCI	11.9%			9.7%		
EFS/NCI	27.1%			38.4%		

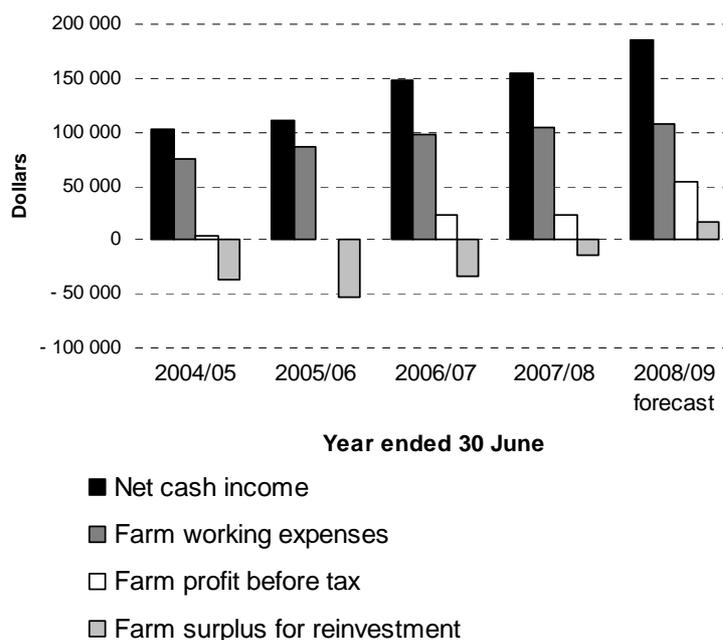
Notes

1 Includes employers ACC.

2 EFS (or earnings before interest and tax) is calculated as follows: net cash income plus change in livestock values less farm working expenses less depreciation less wages of management (WOM). WOM is calculated as follows: \$38 000 allowance for labour input plus 1% of opening total farm assets to a maximum of \$85 000.

3 Net cash income.

FIGURE 1: NORTH ISLAND DEER MODEL FARM PROFITABILITY TRENDS



INFORMATION ABOUT THE MODEL

The North Island deer model farm is a small stand-alone deer farm that is big enough to support a family, does not run sheep or beef cattle and is theoretically situated in the central North Island/East Coast/Hawkes Bay region.

Note: Prior to 2008 the theoretical location of this model farm has been near Rotorua but incorporated survey data from the Waikato and Bay of Plenty.

Weaner hinds and stags are all carried over the winter and sold to slaughter. Half of the breeding hinds are mated to a crossbred stag. The farming programme aims to get yearling stock to target slaughter weights in late spring when market prices for chilled venison traditionally peak. Each year 25 selected yearling stags are retained as replacements to enter the velveted herd of 80 mixed age stags.

The model is created from information drawn from 20 deer farms and a wide cross section of agribusiness representatives. The aim of the model is to typify an average stand alone-deer farm for the North Island. Budget figures are averaged from the contributing properties and adjusted to represent a real deer farm. Income figures include off-farm income, new borrowing, and other cash income.

For more information on the model contact Deborah.Hackell@maf.govt.nz

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