

Highlights

What's Causing Volatility?

Going Mobile – Latest Farming Smartphone Apps

Public Holidays

Professional Feature – Stephen Canny, Venture Southland

"Off the Cuff"



Increased volatility in the dairy sector has been predicted for several years and it looks like it will be a normal part of farming going forward. There are many things you are unable to control. What's important in keeping your farm profitable is to spend time on the things you can influence. The two most prominent are ensuring efficient up-to-date on-farm practices and wise financial management.

In this newsletter we have prepared a short article on the global factors causing volatility. We also step outside the sphere of work we do as accountants and have included articles on some of the latest farming technology in LIC and DairyNZ's farming smartphone apps. Our professional feature looks at the new FarmTune farm efficiency programme being rolled out by Venture Southland and DairyNZ.

From a financial perspective, it is particularly important in the volatile environment to regularly update farm budgets and monitor how things are tracking. Most of our farming clients do this. We have provided a number of papers on ways you can

manage your farming finances on our website. These are under the Free Stuff/Other Resources tab. I recommend watching the video Strategies for Managing a Fluctuating Payout and implementing the concept of creating a Debt Buffer as proposed in the video when the payout improves.

Heading into Christmas and the summer, I hope you find time to spend with family and friends.

All the best for the festive season.
Peter and the Team.



Cuffs on Facebook

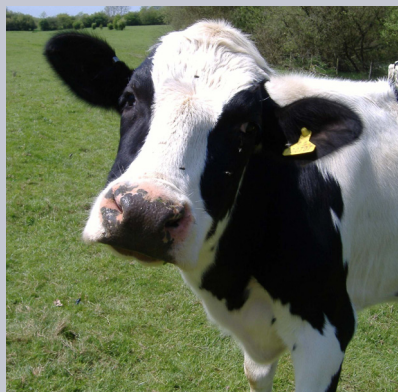
Like our page at
cuffsaccountants
We will be regularly
posting useful information
& happenings on our page.

Peter Cuff



WEST COAST/TOP OF THE SOUTH DAIRY INDUSTRY AWARDS

Cuffs are again a Tier 1 sponsor of the awards. The important dates to circle on the calendar are 7 April for the awards evening at Shantytown and 21 April for the field day at the winning farmers property. We wish all entrants well for the judging and look forward to the awards evening.



JOKE:

It was just before Christmas and the Judge was in a happy mood. He asked the prisoner who was in the dock, 'What are you charged with?'

The prisoner replied, 'Doing my Christmas shopping too early.'

'That's no crime,' said the Judge.

'Just how early were you doing this shopping?'

'Before the shop opened,' answered the prisoner.



Melanie goes Virtual



The Anderson family are moving to Nelson, but we're not saying farewell to Melanie. The technology changes we've adopted, particularly with the VOIP phone which is run through the internet and most accounting packages being online, make this all possible. As a result Melanie will be working basically the same way, but from Nelson.

VOIP allows Melanie's phone to be connected into the office system and all client and internal calls put through as normal. Clients can ring her existing direct dial number to get hold of her like they do now.

According to Melanie, "With the speed of the connections it will be like I am in another office in the same building, not in another city. Using Facetime and Skype I will also have the ability to have face-to-face contact with my clients."

The benefits of adopting technology are really coming through now at Cuffs. It's a real win/win. For Melanie, leaving a job and clients she enjoys working with and the stress of looking for new employment is avoided. For Cuffs, we don't lose a valuable senior team member and the costs and loss of productivity through recruiting a new staff member are not encountered. More importantly for Melanie's clients, they will have the confidence and continuity of having the same accountant who knows their business, working with them.

We wish Melanie and her family all the best in Nelson, even though she will be in the office "virtually" every day. The only real challenge for Cuffs is finding the technology so she can join in the end of month drinks.

What's causing the current economic volatility?

With increased volatility in the global market and the dairy price rollercoaster set to continue, we thought it timely to provide a very brief overview of why this is happening.

Historically, dairy commodity price movements were small with an upward long-term trend and volatility, or the degree to which prices fluctuate over time, was low. In recent years the fluctuations have increased, as is indicated by the graphs below. These levels of fluctuation are a guide to the future trends in the sector and, given these graphs and the increasing frequency they reveal, farmers can expect volatility not to diminish in the short term.

Many factors lead to increased volatility. These include changes in supply and demand for dairy products; global economic uncertainty; changes in intervention stock levels in both the US and EU and the structure of global dairy markets. Increasing the flow of information and the global dairy auctions are also likely to be factors.

The international dairy market consists of the United States (US), Europe (EU), and the 'global' market in which New Zealand is a player. The US and EU are the largest and account for the majority of domestic milk produced. The US only use the international market spasmodically to manage their domestic surpluses.

Historically, international trade only accounts for 5% of cow's milk produced. A small change in global milk production has a magnified effect on the global supply. If global supply or demand shifts by as little as 1%, the product shortage or surplus equates to 14% of internationally traded product.

The US and EU markets are highly regulated by import tariffs, production quotas, regulated prices, export subsidies, government storage programmes and other political interventions. This distorts prices between these and the global markets. Generally any measures taken by the US and EU regulators disadvantage New Zealand dairy farmers where no producer support strategies exist.

Another factor impacting on the market is the increase in demand for protein (meat, eggs and milk) from changes in diet driven by rising income levels in emerging Asian markets, particularly China. In recent years the demand for infant formula into China has also developed.

Geopolitics is a further dynamic that has a significant effect on volatility. The current example is that of Russia, one of the largest global importers of dairy products, blocking product from the EU

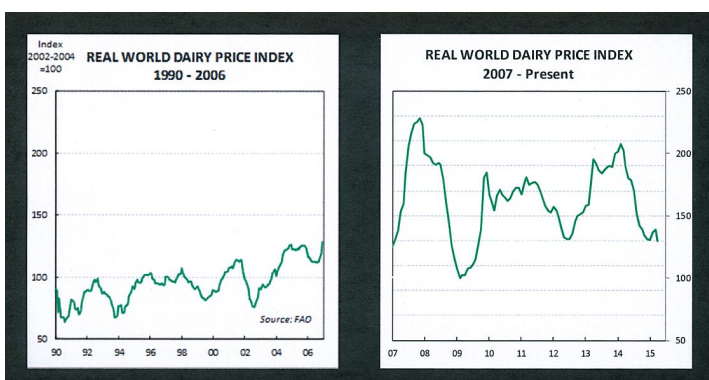
in response to sanctions placed over the crisis in the Ukraine. These producers have to turn to other global markets to sell their displaced product.

Further, the global financial situation, availability of credit, overall growth in supply as the industry expands and seasonal changes in output impact on volatility.

One method used to reduce the impact of volatility from the price of milk is through trading it on the futures market. This is where a futures contract is established that allows buyers to purchase milk at a price set today for delivery sometime in the future. Hedging, as it is known, gives certainty to both the buyer (speculator) and seller (hedger). These contracts are a way of controlling and capping volatility. In an economic environment where prices are more volatile and credit and interest rate uncertainty increases, buyers are less likely to enter long term contracts that provide market price stability and reduce the volatility, preferring shorter term contracts and reduced risk.

Another measure of control is government storage programmes. When internal supply exceeds demand, excess product is either placed in storage or enters global markets adding to market volatility. Releasing the stocks held has a moderating effect on market prices. When prices are too low stock is purchased and stored. When prices rise product can be released, increasing the supply and bringing the price down.

There are many international economic dynamics at play in the market and even analysts are struggling to understand this fragile market. The underlying message is that volatility is likely to be here for the long term. While farmers have little control over this, their focus should be on future-proofing farms through prudent financial management and adopting lean, efficient on-farm processes.



Public Holidays

When an employee works on a public holiday and it is a day that they would normally work, you must pay them time and a half and allow them to take a paid day off later at a later date (alternate day). If it isn't a day that the employee normally works, or the employee is a casual worker, you must still pay them time and a half. However, they are not entitled to a paid day off at a later date.

This Christmas season two of the public holidays, Boxing Day and January 2, fall on Saturdays. For employees who don't work weekends or whose rostered days off (RDO's) fall on the Saturday, the Monday will become the Public Holiday. Employees do not get paid for Public Holidays on

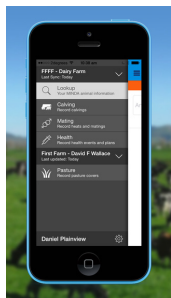
the Saturday AND the Monday, only one of these days.

Examples:

Bob works 9 days on and 3 days off; his 3 days off are Friday 25th to Sunday 27th, as Friday is Bob's Rostered Day Off he isn't entitled to a Public Holiday for that day, however the Saturday will be transferred to the Monday and he must be paid time and a half and given an alternate day.

Mary works 11 days on and 3 days off; her first day of work is the 24th of December and her last day is the 3rd of January. Mary must get paid time and a half for the 25th, 26th, 1st and 2nd and must also get 4 alternate days.

Going Mobile – Latest Farming Smartphone Apps



LIC's MINDA App

June saw the release of LIC's new MINDA app. Downloaded free on most smartphones, the app is LIC's digital solution for herd and event recording and a gateway to a smarter way of doing dairying.

The app incorporates all four existing MINDA apps into one easy-to-use solution.

These are:

- MINDA Calving used to record calving on-the-spot;
- MINDA Lookup that provides information on individual cows;
- MINDA Pasture to record pasture cover and feed data and
- MINDA Mating to record mating information.

Used by hundreds, if not thousands of farmers, these have proved popular because of their simplicity, accessibility and immediacy. These mobile apps have replaced reliance on manual pen-and-paper and laborious data-entry duplication when farmers get back to the house.

The app also includes a new health event function enabling farms to enter details of animals chosen for targeted dry cow therapy, or undergoing mastitis treatment.

As new and improved apps are created they will be incorporated into this one app as updates.

"Good herd records are the foundation of good herd management and are essential for genetic improvement and increasing profitability" according to LIC's Farm Solutions Manager Gavin Schist. "The national dairy herd has been made what it is today by decades of accurately identifying quality animals to breed from, while removing poorer performers."

"The Minda apps are simple to use, don't require cellphone reception and prevent double handling of data entry, thereby saving time. They enable farmers to carry up-to-date

information on their entire herd in their pockets for making quick decisions in the field."

DairyNZ's BCS Tracker App

DairyNZ's new BCS Tracker App was also launched in June. Body condition scoring provides a reasonably accurate measure of a cow's energy levels. This affects dry matter intake, milk production, reproduction and cow health and welfare. Milk production, for example, is optimised when mature cows calve between BCS 4.5 and 5.5. Production levels decrease and health disorders increase with BCS scores above or below this range.

The app allows you to body condition score your cows on your smartphone. Using the DairyNZ's Body Conditioning Score Field Guide, which comes with this free app, you are able to compare the field guide picture with the cow in front of you whilst in the paddock. Each cow's individual progress can be tracked as can the herd as a whole. This allows you to more accurately and consistently score animals without having to remember cow numbers and details. It is all in your pocket and accessible to you while on the farm. "The tracker app is like monitoring movement in pasture cover but in relation to animal health" Ross Bishop Senior Consulting Officer with DairyNZ believes. "It gives farmers the information they need so they know when to take action". Ross believes around 10-15% of West Coast farmers are now actively using apps to help monitor aspects of farm management.

Another app with emerging use is the **DairyNZ Farm Effluent Spreading Calculator**. Available on both Apple and Android phones, this app allows easy and more precise calculation of nutrient loadings and application rates for dairy effluent based on a number of customised inputs. The Quick Calculator caters for spray irrigation systems while the Advanced Calculator has been developed for slurry tankers and muck spreaders.



Professional's Feature:

'FarmTune' Lean Management rolls out through the Dairy Sector.
Stephen Canny – Group Manager Business and Strategic Projects,
Venture Southland

At Venture Southland we have established a partnership with DairyNZ successfully testing the adaptability of Lean Management principles on dairy farms through two pilot and development programmes between 2013 and 2015. Identified by farmers and key industry stakeholders as a true 'game-changer' for the dairy sector, the programme is now being rolled out throughout New Zealand starting with Canterbury, Waikato and again in Southland in 2016.

The FarmTune 11 week programme encourages farmers and their staff to work together to analyse on-farm practices, eliminate practices which don't add value and strengthen those that do. When you define what the value of doing something is, and eliminate the things you are doing which don't add value, it is almost a life changing experience.

The benefits of farmers becoming 'process thinkers' who can hunt out waste, problem solve and make positive, productivity boosting changes to their businesses, are invaluable in the increasingly volatile market this industry is in.

We have seen measurable improvements to workplace efficiency, quality and safety, on-farm productivity, team morale and workplace culture. These have included:

- Less hours worked on farm and reduced milking times
- Reduction in the number of empty cows

- Improved animal health
- Increased milk volumes and more consistent quality results
- Significant reduction in spending and farm inputs
- More efficient use of resources – i.e. water and power
- Less stress, more motivated and engaged team
- Improved focus on health and safety performance

Farmers have reported time savings of up to two hours per day per team member, which results in the farm team having more time to work on other important value adding tasks.

One farm reported a drop from 33 empty cows in 2014 to only 1 this season; this represents a significant reduction in cost and an approximate \$70,000 saving.

Some farms are expecting to save tens of thousands of dollars over the coming season through efficiency gains.

Farmers are encouraged to watch out for this programme and those seeking more information or who are interested in being involved in FarmTune can contact Stephen Canny on 03 211 1400 or steve@venturesouthland.co.nz. Links to the DairyNZ videos and further information on the programme can be found on our website under the Free Stuff/Other Resources/Farming Resources tab.



In & Out of the Office

Tina Alison has taken maternity leave. She and Scott are now proud parents of a daughter, Sienna.

We also welcome Lachlan Havill to the team. Lachlan will be working throughout the University holidays. Having already completed a Bachelor of Science majoring in psychology, Lachlan has just finished his first year of a Bachelor of Commerce with a major in Accounting. A Coaster born and bred, Lachlan is interested in sports, music and the outdoors. He believes the role is a great opportunity to gain work experience. Having an interest in taxation and auditing, Lachlan intends pursuing a career in accounting.



CHRISTMAS HOURS

We will be closed this year for the Christmas break from 12pm on 23 December and will reopen at 8am on Monday 11 January. If you need help on urgent matters over this time please contact Peter on his mobile 027 555 6006.

We wish our clients and colleagues all the best for the holiday period.