

Slide 1

MIntyre Dick & partners

**ASB**

# YOUR FINANCIAL WOF

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**ASB**

MIntyre Dick & partners

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Slide 2

### Purpose of our presentation

1. Contract Milking and LOSM are valid farm ownership pathways
2. 5 Points to get you started
3. Having a game plan (What are the core financial/planning skills you need to be successful)
4. How do you get started? A real example
5. Common pitfalls you want to avoid

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Slide 3

### Sharemilking vs. Wage

Benefits

- Be your own Boss
- Higher Income
- Develop business skills and knowledge
- Challenge and Job Satisfaction
- Industry & Family progression

Risks

- Lower Income
- Compliance – Environment Southland / Inland Revenue / Employer

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Yes... I am the Boss

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Slide 4

### Sharemilking vs. Wage

Lower Order Sharemilkers/Contract Milkers	2011	2012	2013
Average farm size in hectares	221	198	237
Cows peak milked	634	583	658
Income	\$407,000	\$327,000	\$360,000
Farm working expenses	\$190,000	\$177,000	\$185,000
Interest	\$16,000	\$19,000	\$15,000
<b>Net Trading Profit</b>	<b>\$201,000</b>	<b>\$131,000</b>	<b>\$160,000</b>
Personal expenses	\$82,000	\$69,000	\$71,000
Plant replacement	\$50,000	\$12,000	\$36,000
<b>Available for Debt repayment/capital growth/tax</b>	<b>\$69,000</b>	<b>\$50,000</b>	<b>\$53,000</b>


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Slide 5

### Before you Sign

THE BIG 5

1. The Farm
2. The Owner/s
3. Farm Equipment
4. Cashflow
5. Compliance


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Slide 6

### What's your Game Plan?

- What is the purpose of what you are doing – Where are you now – Where do you want to be?
- What is your equity? How do you calculate this? How do you grow it and how do you destroy it? Be honest with your assessment.
- Building equity is a choice. If you choose to save (or invest in the right areas) you are getting ahead of those that aren't.  
Key things to consider:-  
 Non depreciating assets: for example - calves / retail property / shares  
 Depreciating assets: for example - new car / TV / i-pad / lounge suite  
 Hire Purchase / Debt - avoiding these is crucial at the start of your career
- Write down your business plan – even if on A4 bit of paper. If you don't write it down it never happened!





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Slide 7

**How do you get started – an example**

Basic Plant & Equipment required

- Motorbikes for staff & yourself
- Farm Ute
- Calf Trailer
- Temporary fencing equipment
- Calf rearing equipment
- Small tools – (Chainsaw etc)
- Shed Chemicals
- Computer
- Wet weather gear for staff
- Other.....



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Slide 8

**How do you get started -get input from your team:-**

**Accountant**

- What is tax deductible?
- Registering for GST
- Tax picture
- Drafting a cashflow or reviewing what you have done (do it yourself)
- What structure / business entity is best?
- ACC
- Employment agreements

**Bank**

- Finance / Cashflow requirements – Pre Approval etc
- Insurance needs
- Building a track record
- Securities



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Slide 9

**How do you get started - Excel picture 1**

**\$90k required**

Refer to example.



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Slide 10

How do you get started - Excel picture 2  
\$30k required

Refer to Example



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Slide 11

How do you get started - Negotiating this outcome with owner

Points to negotiate on: Must be "Win-Win"

Prepayment of cashflow

In exchange for:-

- Work on the runoff during the season
- Pay for a tractor service
- Capital improvement on the property – provide labour etc



Go the "Extra Mile" – prove yourself!

There is usually something you can agree on to make things work.



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Slide 12

Common Pitfalls



- Changing the plan without communicating it to your team
- Personal and HP debt – Don't buy it if it isn't a cash purchase

The IRD:

- PAYE
- GST
- Income Tax



- Poor Record Keeping – your Accountant can help
- Reviewing actuals vs. budget – are you on track with the plan (E.g. can you repay the \$60k you pre loaded?)
- Signing contract before having finance and fully understanding \$\$ required



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Slide 13

**Conclusion**

- Contract Milking and LOSM are legitimate progression pathways
- Do your homework – it saves headaches and heartaches.
- Get a game plan – Where are you now – Where do you want to be.
- If you are knowledgeable and prepared Farm owners & Professionals will be willing to help you.
- Communication/Monitoring/Record keeping are vital
- Relationships & Networks can get you around financial roadblocks



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Slide 14




M<sup>o</sup>Intyre Dick & partners

YOUR FINANCIAL WOF QUESTIONS???



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M<sup>o</sup>Intyre Dick & partners

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