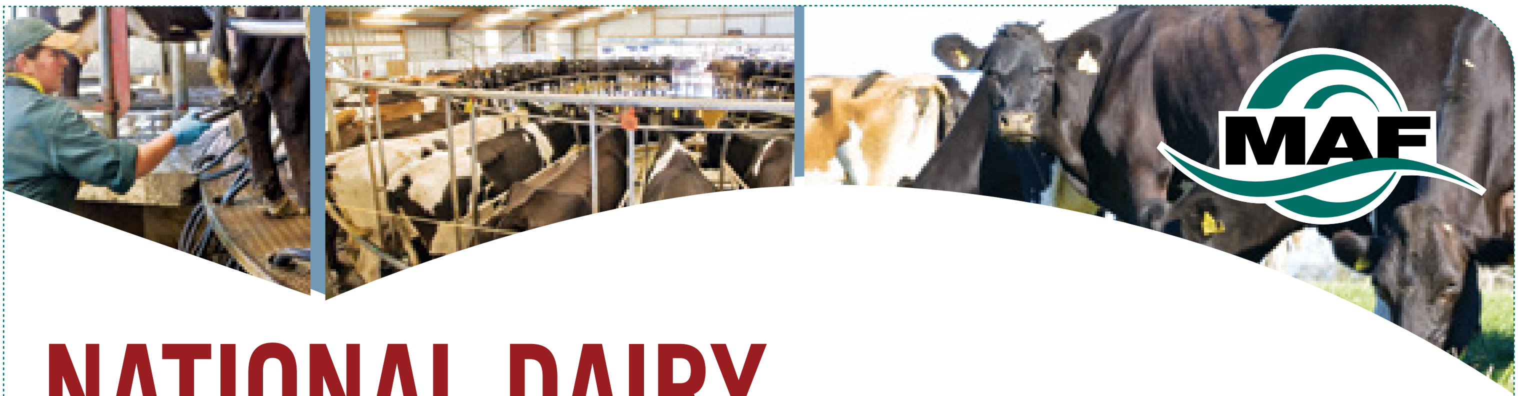


NATIONAL DAIRY

KEY RESULTS FROM MAF'S 2011 DAIRY MONITORING PROGRAMME. Please note that several budget parameters have changed between 2009/10 and 2010/11. Caution should be taken when comparing this year's publication to previous years. Refer to the budget table footnotes for more detail.

The national dairy budget depicted below has been constructed via a weighted average of the MAF dairy farm monitoring models. The weighting is based on the number of dairy cows in each region from the 2010 Livestock Improvement Corporation survey. The weightings, on the model basis, are as follows:

- Northland 7.5%
- Waikato/Bay of Plenty 39.6%
- Taranaki 11.5%
- Lower North Island 9.9%
- Canterbury 17.4%
- Southland 14.0%

KEY POINTS

2010/11

- 2010/11 was a variable year climatically, with a wet and cold spring, a drought in the upper North Island through the late spring/early summer, followed by a very mild later summer/autumn.
- Despite the variable weather, milksolids production nationally was up approximately 4 percent.
- An improving milk payout throughout the season, to $7.50 per kilogram of milksolids, coupled with the increased production saw milk income lift by 20 percent compared with 2009/10. With the addition of increased cattle returns and the first full year of dividend payments, net cash income at $1.146 million rose 23 percent in 2010/11 compared with the previous year.
- Farm working expenditure increased by 17 percent compared with 2009/10, largely due to expenditure on bought-in feed and general price increases across most items. On a per kilogram of milksolids basis, farm working expenditure increased from $3.50 in 2009/10 to $3.93 in 2010/11.
- The model's profitability improved markedly compared with 2009/10, itself an improvement over 2008/09. Farm profit before tax increased 70 percent, to $345 400 in 2010/11, and the farm surplus for reinvestment increased to $227 000, up 68 percent from 2009/10. Many farmers will likely face an increased tax liability as a result of the improved profitability.
- The improved profitability was very welcome, with debt repayment and further on-farm spending a priority for many farmers.

2011/12

- The very mild autumn has seen most farms go into the 2011 winter with good pasture covers and cows in good condition.
- Farmers are buoyed by Fonterra's initial 2011/12 forecast milk price payout of $6.75 per kilogram of milksolids, plus a dividend of up to 30 cents per share. Although this payout is lower than 2010/11, an expectation of a 3 percent increase in production saw the budgeted net cash income for the national model on a par with 2010/11.
- Farm working expenditure is budgeted to increase 3 percent to $593 900; while farmers remain cautious on spending, they expect unit price increases on most items.
- Farm profit before tax is predicted to be down 7 percent on 2010/11 to $322 900, while farm profit after tax at $199 200 is expected to be down 27 percent, due to farmers budgeting for much higher tax payments flowing through as a result of increased profitability in 2010/11.
- Many farmers are again budgeting for further debt reduction, and overall, the model is budgeted to finish the year with a cash surplus of $45 100 and a farm surplus for reinvestment of $164 100.
- While optimism within the industry has improved in line with the increased forecast payout, farmers are still cautious given recent payout fluctuations.

TABLE 1: NATIONAL DAIRY MODEL BUDGET

	2010/11			2011/12 BUDGET		
	WHOLE FARM ($)	PER COW ($)	PER KG OF MILKSOLIDS ($)	WHOLE FARM ($)	PER COW ($)	PER KG OF MILKSOLIDS ($)
REVENUE						
Milksolids	1 048 128	2 532	7.15	1 039 107	2 504	6.86
Dividend on wet shares	39 704	96	0.27	43 993	106	0.29
Cattle	60 536	146	0.41	59 548	143	0.39
Other farm income	2 570	6	0.02	2 870	7	0.02
LESS:						
Cattle purchases	4 820	12	0.03	4 582	11	0.03
Net cash income	**1 146 118**	**2 768**	**7.82**	**1 140 936**	**2 749**	**7.53**
Farm working expenses	**576 403**	**1 392**	**3.93**	**593 914**	**1 431**	**3.92**
Cash operating surplus	**569 715**	**1 376**	**3.89**	**547 022**	**1 318**	**3.61**
Interest	197 345	477	1.35	185 806	448	1.23
Rent and/or leases	0	0	0.00	0	0	0.00
Stock value adjustment	12 049	29	0.08	467	1	0.00
Minus depreciation	39 067	94	0.27	38 790	93	0.26
Farm profit before tax	**345 352**	**834**	**2.36**	**322 893**	**778**	**2.13**
Income equalisation	6 892	17	0.05	2 871	7	0.02
Taxation	67 063	162	0.46	120 807	291	0.80
Farm profit after tax	**271 398**	**656**	**1.85**	**199 214**	**480**	**1.31**
ALLOCATION OF FUNDS						
Add back depreciation	39 067	94	0.27	38 790	93	0.26
Reverse stock value adjustment	−12 049	−29	−0.08	−467	−1	0.00
Drawings	71 408	172	0.49	73 473	177	0.48
Farm surplus for reinvestment[1]	**227 008**	**548**	**1.55**	**164 064**	**395**	**1.08**
REINVESTMENT						
Net capital purchases	34 476	83	0.24	34 761	84	0.23
Development	31 145	75	0.21	30 407	73	0.20
Principal repayments	65 634	159	0.45	53 835	130	0.36
Farm cash surplus/deficit	**95 753**	**231**	**0.65**	**45 060**	**109**	**0.30**
OTHER CASH SOURCES						
Dividend on dry shares	186	0	0.00	777	2	0.01
Introduced funds	0	0	0.00	0	0	0.00
New borrowings	0	0	0.00	0	0	0.00
Off-farm income	6 466	16	0.04	6 211	15	0.04
Net cash position	**102 406**	**247**	**0.70**	**52 048**	**125**	**0.34**
ASSETS AND LIABILITIES						
Farm, forest and building (opening)	5 093 137	392	34.73	5 196 323	12 521	34.30
Plant and machinery (opening)	162 375	1 953	1.11	161 727	390	1.07
Stock valuation (opening)	808 538	1 685	4.76	820 587	1 977	5.42
Dairy company shares	697 520	1 685	4.76	674 521	1 625	4.45
Other farm related investments (opening)	497	1	0.00	497	1	0.00
Total farm assets	**6 762 067**	**16 333**	**46.11**	**6 853 655**	**16 515**	**45.23**
Total liabilities (opening)	2 778 735	6 712	18.95	2 717 194	6 547	17.93
Total equity (assets-liabilities)	**3 983 332**	**9 622**	**27.16**	**4 136 461**	**9 967**	**27.30**

Note

1 Farm surplus for reinvestment is the cash available from the farm business, after meeting living costs, which is available for investment on the farm or for principal repayments. It is calculated as farm profit after tax plus depreciation plus stock adjustments less drawings.

Please note that several budget parameters have changed between 2009/10 and 2010/11. These changes have been made to better reflect the financial position of the farm. New and adjusted definitions include farm surplus for reinvestment, farm cash surplus/deficit and net cash position. Caution should be taken when comparing this year's data to previous years.

TABLE 2: NATIONAL DAIRY MODEL EXPENDITURE

	2010/11			2011/12 BUDGET		
	WHOLE FARM ($)	PER COW ($)	PER KG OF MILKSOLIDS ($)	WHOLE FARM ($)	PER COW ($)	PER KG OF MILKSOLIDS ($)
FARM WORKING EXPENSES						
Permanent wages	77 373	187	0.53	84 210	203	0.56
Casual wages	14 747	36	0.10	12 494	30	0.08
ACC	3 059	7	0.02	3 528	9	0.02
Total labour expenses	**95 179**	**230**	**0.65**	**100 232**	**242**	**0.66**
Animal health	32 265	78	0.22	34 353	83	0.23
Breeding	17 632	43	0.12	18 276	44	0.12
Dairy shed expenses	9 350	23	0.06	9 800	24	0.06
Electricity	21 383	52	0.15	24 093	58	0.16
Feed (hay and silage)	56 570	137	0.39	66 362	160	0.44
Feed (feed crops)	3 832	9	0.03	4 355	10	0.03
Feed (grazing)	52 965	128	0.36	57 598	139	0.38
Feed (other)	70 257	170	0.48	47 708	115	0.31
Fertiliser	69 297	167	0.47	76 728	185	0.51
Lime	3 337	8	0.02	3 354	8	0.02
Freight (not elsewhere deducted)	4 917	12	0.03	5 529	13	0.04
Regrassing costs	7 088	17	0.05	7 383	18	0.05
Weed and pest control	4 109	10	0.03	4 287	10	0.03
Fuel	12 800	31	0.09	13 839	33	0.09
Vehicle costs (excluding fuel)	15 593	38	0.11	14 974	36	0.10
Repairs and maintenance	47 046	114	0.32	47 594	115	0.31
Total other working expenses	**428 442**	**1 035**	**2.92**	**436 234**	**1 051**	**2.88**
Communication costs (phone & mail)	3 536	9	0.02	3 285	8	0.02
Accountancy	5 582	13	0.04	5 835	14	0.04
Legal and consultancy	4 555	11	0.03	4 263	10	0.03
Other administration	4 082	10	0.03	4 445	11	0.03
Water charges (irrigation)	2 286	6	0.02	2 372	6	0.02
Rates	12 875	31	0.09	13 465	32	0.09
Insurance	9 536	23	0.07	11 160	27	0.07
ACC Employer	4 635	11	0.03	4 914	12	0.03
Other expenditure[1]	5 695	14	0.04	7 709	19	0.05
Total overhead expenses	**52 782**	**127**	**0.36**	**57 447**	**138**	**0.38**
Total farm working expenses	**576 403**	**1 392**	**3.93**	**593 914**	**1 431**	**3.92**
CALCULATED RATIOS						
Economic farm surplus (EFS[2])	459 151	1 109	3.13	425 142	1 024	2.81
Farm working expenses/NCI[3]	50%			52%		
EFS/total farm assets	6.8%			6.2%		
EFS less interest and lease/equity	11.5%			10.3%		
Interest+rent+lease/NCI	17.2%			16.3%		
EFS/NCI	40.1%			10.3%		
Wages of management	83 546			83 557		
PHYSICAL PARAMETERS						
Effective area (ha)	141			143		
Cows milked	414			415		
Milksolids (kg)	146 642			151 513		

Notes

1 Includes Dairy Insight levy and 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.

TABLE 3: KEY PARAMETERS, FINANCIAL RESULTS AND BUDGET FOR THE NATIONAL DAIRY MODEL

YEAR ENDED 30 JUNE	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 BUDGET
Total milksolids revenue/cow ($)	1 488	2538	1 788	2 160	2 532	2 504
Kg milksolids/ha	1 034	992	1 014	1 020	1 040	1 060
Kg milksolids/cow milked	361	342	349	348	354	365
Milksolids advance to end June ($/kg)	3.65	6.62	4.15	5.15	6.20	5.60
Milksolids deferred payment ($/kg)	0.50	0.81	1.00	1.05	0.95	1.30
Cattle income ($)	40 004	55 854	50 025	45 457	60 536	59 548
Other farm income ($)	2 347	2 690	5 842	2 229	2 570	4 582
Net cash Income ($)	577 858	1 021 886	749 977	931 703	1 146 118	1 140 936
Farm working expenses ($)	369 084	468 449	528 625	492 162	576 403	593 914
Cash operating surplus	208 774	553 438	221 351	439 541	569 715	547 022
Farm profit before tax ($)	70 014	384 034	–6 329	202 800	345 352	322 893
Farm surplus for reinvestment[1]	1 677	263 472	–50 416	134 935	227 008	164 064
EFS[2] per cow ($)	300	1 175	244	788	1 109	1 024
FWE[3]/NCI (%)	63	45	71	53	50	52
EFS/total farm assets (%)	2.1	7.5	1.1	4.8	6.8	6.2

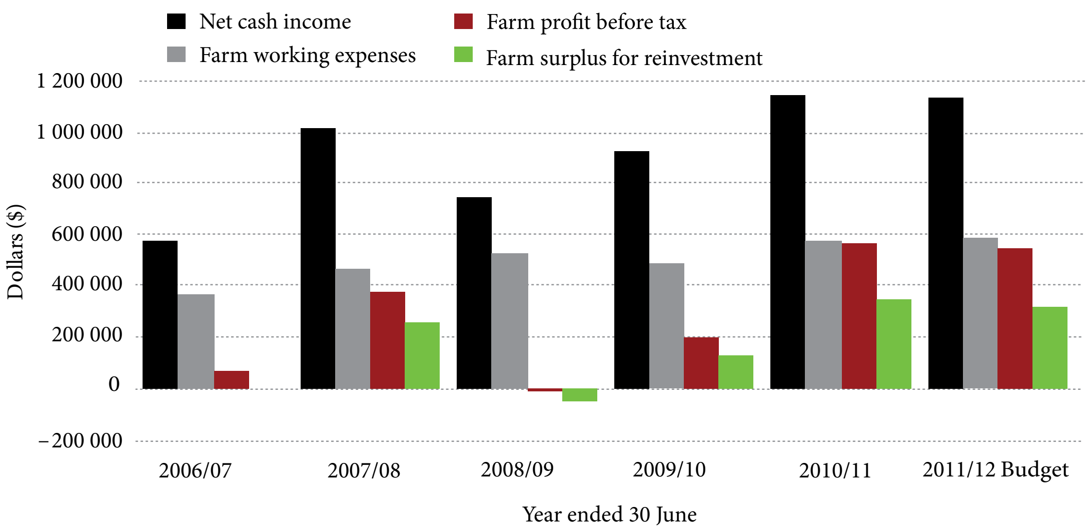
Notes

1 Farm surplus for reinvestment is the cash available from the farm business, after meeting living costs, which is available for investment on the farm or for principal repayments. It is calculated as farm profit after tax plus depreciation plus stock adjustments less drawings.

2 Economic farm surplus.

3 Farm working expenses.

FIGURE 1: NATIONAL DAIRY MODEL PROFITABILITY TRENDS



Notes

The sample of farms used to compile this model changed between 2008/09 and 2009/10. Caution is advised if comparing data between these two years.

Farm surplus for reinvestment is the cash available from the farm business, after meeting living costs, which is available for investment on the farm or for principal repayments. It is calculated as farm profit after tax plus depreciation plus stock adjustments less drawings.

NATIONAL DAIRY PERCENTILE ANALYSIS

The following tables and graphs are based on an analysis of the total national sample of dairy farms monitored as part of the MAF farm monitoring programme. The analysis compares the bottom 10 percent of farms with the top 10 percent, based on their farm profit before tax per hectare for 2010/11.

PERCENTILE ANALYSIS

TABLE 4: PERCENTILE ASSESSMENT OF FINANCIAL DATA FROM MONITORED DAIRY FARMS, 2010/11

	AVERAGE OF					AVERAGE OF		
	BOTTOM 10% ($)	BOTTOM 25% ($)	BOTTOM 25–50% ($)	MEAN ($)	MEDIAN ($)	TOP 50–75% ($)	TOP 25% ($)	TOP 10% ($)
REVENUE								
Milksolids	807 518	906 640	878 831	1 105 541	866 923	1 096 617	1 563 274	1 686 663
Dividend on wet shares	31 239	34 316	32 141	40 583	32 431	39 706	57 136	61 476
Cattle sales	77 830	77 364	55 057	74 318	58 145	68 948	96 540	102 475
Other revenue	7 767	4 217	3 585	3 389	0	2 624	3 378	561
Cattle purchases	5 094	18 988	11 559	13 949	3 390	10 301	15 110	13 753
Net cash income	**918 934**	**1 005 202**	**955 749**	**1 208 745**	**945 118**	**1 194 007**	**1 705 153**	**1 838 247**
Farm working expenses	**527 281**	**573 352**	**512 678**	**601 241**	**469 390**	**571 356**	**764 444**	**763 881**
Cash operating surplus	**391 654**	**431 851**	**443 071**	**607 504**	**459 283**	**622 651**	**940 709**	**1 074 366**
Interest	274 820	240 422	167 787	198 974	164 958	173 339	220 600	203 625
Rent/Lease	27 901	23 093	6 094	15 636	0	17 598	21 626	8 837
Stock value adjustment	–20 753	–8 469	20 676	10 595	1 895	18 031	19 428	16 717
Depreciation	60 795	66 202	44 074	47 059	35 231	40 523	38 696	46 088
Farm profit before tax	**7 384**	**93 665**	**245 792**	**356 430**	**258 375**	**409 221**	**679 214**	**832 533**
Tax	11 567	9 730	19 377	34 861	15 500	31 516	75 660	81 912
Farm profit after tax	**–4 183**	**83 936**	**226 415**	**321 569**	**233 014**	**377 705**	**603 554**	**750 620**
Add back depreciation	20 753	8 469	20 676	10 595	1 895	18 031	19 428	16 717
Reverse stock value adjustment	60 795	66 202	44 074	47 059	35 231	40 523	38 696	46 088
Drawings	58 858	58 528	65 701	73 783	63 671	70 888	98 283	73 434
Farm surplus for reinvestment	**130 789**	**216 541**	**258 402**	**410 266**	**246 900**	**410 465**	**747 247**	**885 381**
Capital purchases	15 618	13 514	18 075	61 148	8 900	71 805	137 076	206 830
Development	107 959	89 152	59 824	50 695	0	34 017	17 503	11 345
Principal repayments	20 135	72 453	36 202	99 497	31 413	86 213	196 846	233 717
Farm cash surplus/deficit	**3 986**	**44 052**	**143 498**	**162 852**	**113 381**	**208 113**	**264 039**	**372 524**
Introduced funds	3 844	2 288	171	3 116	0	9 756	0	0
New borrowings	108 438	114 175	74 118	122 902	0	71 400	222 707	178 824
Dividend on dry shares	2 829	2 610	2 619	2 062	1 483	2 158	1 163	1 122
Off-farm income	16 044	10 426	8 411	8 086	0	6 358	6 612	6 085
Net farm profit before tax per hectare	**12**	**579**	**1 842**	**2 411**	**2 314**	**2 886**	**4 285**	**5 137**

TABLE 5: PERCENTILE ASSESSMENT OF PRODUCTION DATA FROM MONITORED DAIRY FARMS, 2010/11

	AVERAGE OF BOTTOM 10% ($)	AVERAGE OF BOTTOM 25% ($)	AVERAGE OF BOTTOM 25–50% ($)	MEAN ($)	MEDIAN ($)	AVERAGE OF TOP 50–75% ($)	AVERAGE OF TOP 25% ($)	AVERAGE OF TOP 10% ($)
PHYSICAL PERFORMANCE DATA								
Milking area (ha)	144	151	131	144	129	142	157	160
Opening cow numbers	413	425	386	449	384	458	549	576
Closing cow numbers	403	421	400	456	395	466	562	582
Total opening stock numbers	525	530	486	561	485	572	687	714
Total closing stock numbers	513	523	499	568	493	588	700	727
Cows in milk (15 December)	385	394	365	425	367	430	529	551
Total milk production (kgMS)	112 055	126 391	123 478	155 198	123 747	153 905	220 214	237 471
Milksolids per hectare (kg/ha)	791	847	929	1 049	1 053	1 075	1 339	1 436
Milksolids production per cow	278	309	332	352	350	355	406	419
Stocking rate (cows/ha)	2.8	2.7	2.8	3.0	2.9	3.0	3.3	3.4
Opening assets	5 978 004	6 140 155	6 432 899	6 984 739	5 955 406	6 896 014	8 539 994	9 463 360
Opening debt	3 661 848	3 261 658	2 482 141	2 875 941	2 337 851	2 578 422	3 291 357	3 240 058
Equity (%)	37%	44%	64%	59%	62%	63%	62%	66%
FWE/kgMS	4.63	4.47	4.08	3.87	3.78	3.61	3.36	3.17
Debt servicing/kgMS	2.59	2.03	1.30	1.32	1.23	1.05	0.90	0.75
Total debt/KgMS	35.29	27.69	19.24	19.05	18.85	15.59	14.00	13.02
Drawings/kgMS	0.67	0.58	0.71	0.60	0.52	0.55	0.52	0.39
Economic farm surplus/hectare	1 963	2 105	2 500	3 382	3 138	3 680	5 205	5 856

BREAKEVEN ANALYSIS

The table below shows the "breakeven" point (covering farm working expenditure, debt servicing, depreciation, and personal drawings) for the mean and median farm for 2010/11. The figures for the bottom and top 10 percent are also illustrated.

TABLE 6: BREAKEVEN ANALYSIS OF PRODUCTION DATA FROM MONITORED DAIRY FARMS (DOLLARS PER KILOGRAM OF MILKSOLIDS)

	MEAN	MEDIAN	BOTTOM 10%	TOP 10%
Farm working expenses	3.87	3.78	4.63	3.17
Debt servicing	1.32	1.23	2.59	0.75
Depreciation	0.37	0.31	0.59	0.24
Drawings	0.60	0.52	0.67	0.39
Total	**6.15**	**5.84**	**8.48**	**4.56**

DEBT AND DEBT SERVICING

Figure 2 shows the distribution of debt for the 160 monitored farms, with a mean debt level of $19.05, and median debt level of $18.85 per kilogram of milksolids.

FIGURE 2: DISTRIBUTION OF TOTAL DEBT BY DOLLARS PER KILOGRAM OF MILKSOLIDS

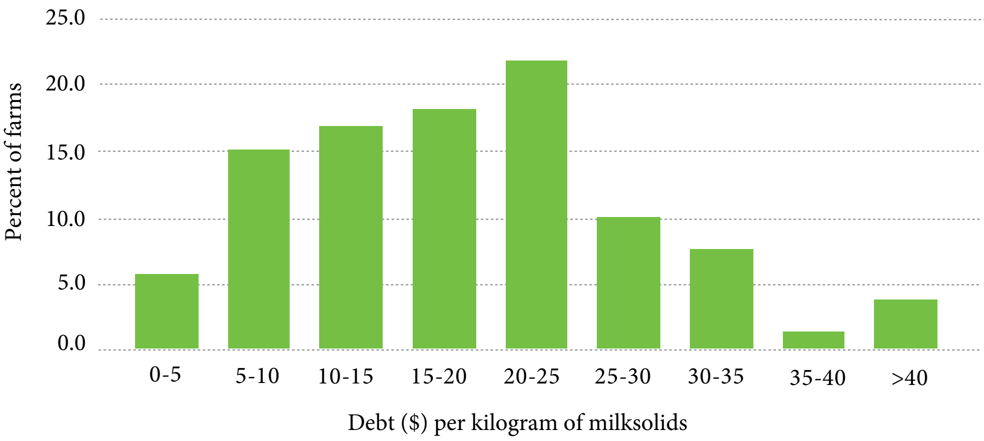


Figure 3 shows the debt servicing distribution for the 160 monitored farms for the 2010/11 season. Within the monitored farms, mean debt servicing was $1.32 per kilogram of milksolids, median debt servicing was $1.23, and the range varied from zero though to $4.62 per kilogram of milksolids.

FIGURE 3: DEBT SERVICING DISTRIBUTION

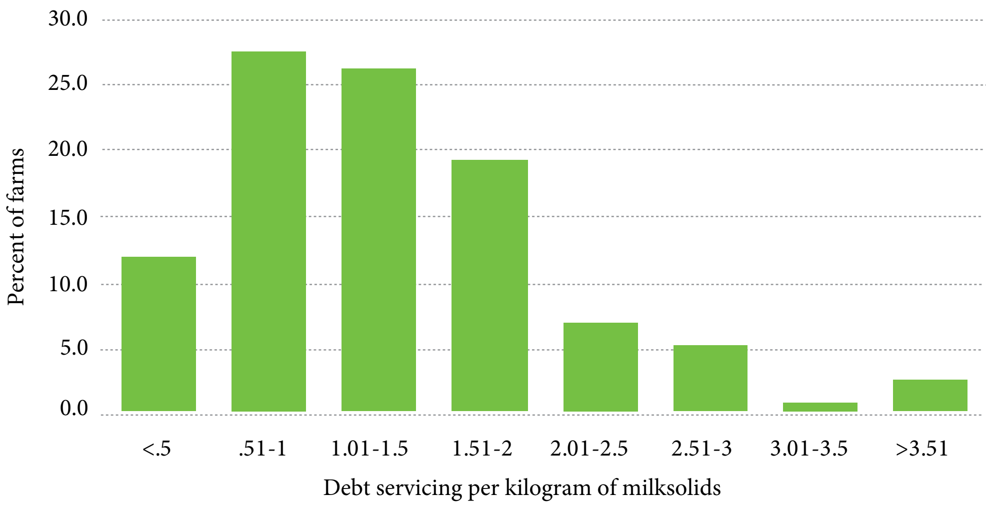
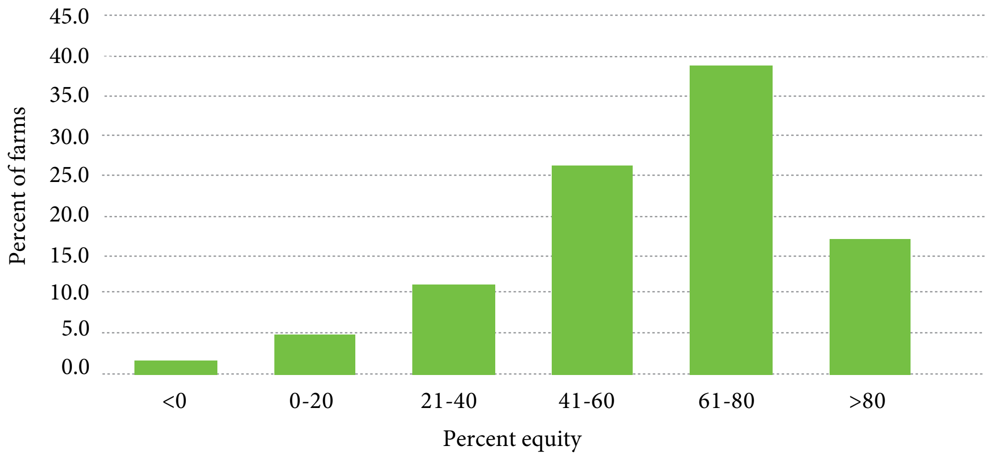


Figure 4 shows the distribution of equity across the monitored farms for 2010/11. Mean equity was 59 percent, with a range of –22 percent through to 100 percent.

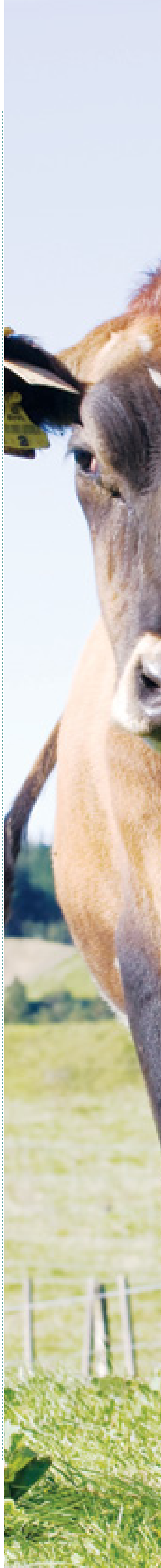
FIGURE 4: FARM EQUITY DISTRIBUTION



FARM WORKING EXPENDITURE

Figure 5 shows the farm working expenditure distribution for the 160 monitored farms for the 2010/11 season. Within the monitored farms, mean farm working expenditure was $3.87 per kilogram of milksolids, median farm working expenditure was $3.78, and the range varied from $1.89 though to $5.85 per kilogram of milksolids.

FIGURE 5: FARM WORKING EXPENDITURE DISTRIBUTION



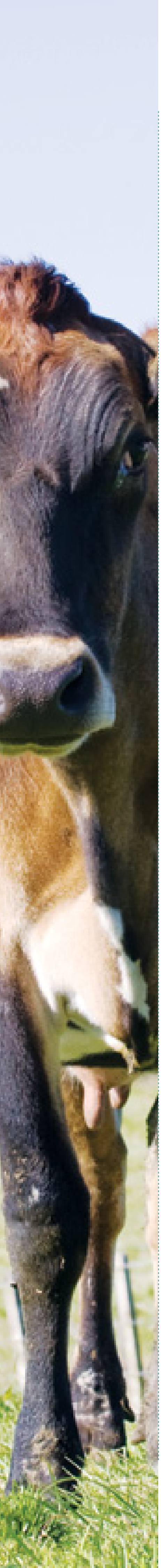
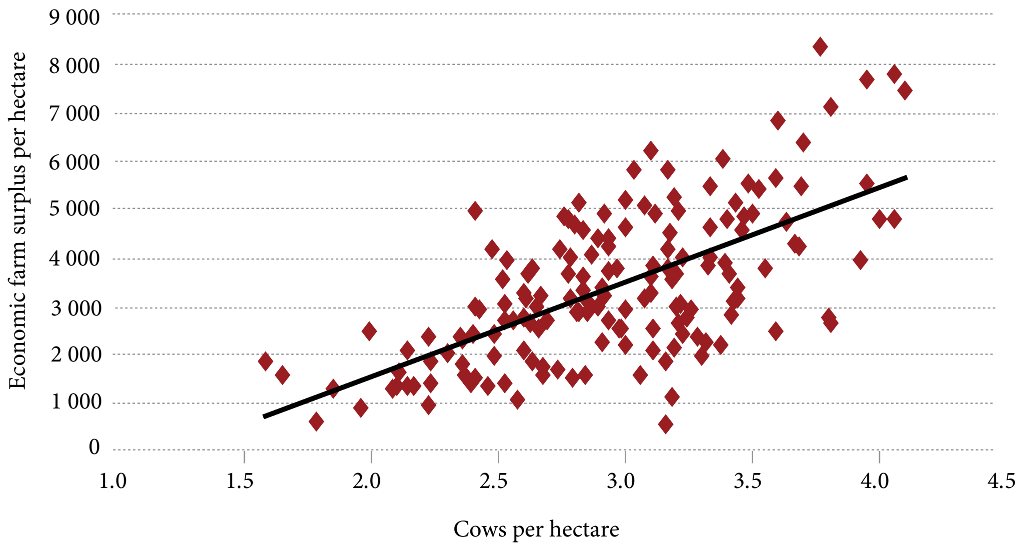


Figure 6 shows the relationship between profitability, as indicated by the economic farm surplus per hectare, and stocking rate, as indicated by cows per hectare. While there is some relationship, it is relatively weak, with the regression line having a R^2 value of 0.41.

FIGURE 6: ECONOMIC FARM SURPLUS VERSUS STOCKING RATE



INDUSTRY ISSUES AND TRENDS

FARMER MORALE

Morale was low through the spring and early summer, due in large part to the very difficult climatic conditions. However, with very favourable autumn weather and prospects of good payouts, farmer morale has definitely lifted. While many farmers remain cautious around spending as a result of previous payout fluctuations, it is almost inevitable that should the 2011/12 be another good season, spending will increase as farmers seek to reinvest in their businesses or expand them.

Morale has also lifted due to farmers' perception and confidence that Fonterra is performing well, its balance sheet has strengthened significantly, the capital restructuring process is on track, and the company as a whole is moving forward.

Another anecdotal indicator of confidence and lift in morale is the number of farms that were previously for sale being withdrawn from the market.

DEBT

While cash surpluses increased and enabled some welcome debt repayment, some fundamental debt issues in the dairy sector have only changed slightly in the past 12 months. In particular, there are still a significant number of farms with a high debt loading. As shown in the previous figures, 18 percent of the farms monitored have an equity level less than 40 percent, and 15 percent have a debt servicing level above $2.00 per kilogram of milksolids. In other words there is a significant 'tail' of dairy farms in a somewhat precarious position due to their debt situation.

While this situation is manageable at high payout levels, these farms are extremely vulnerable should the milk payout drop. As shown in Table 6, the breakeven point for the average farm in 2010/11 was $6.15 per kilogram of milksolids, indicating that if payouts drop below the $6 mark, some significant belt tightening would be required.

DAIRY INDUSTRY LEGISLATION

The biggest issue in this area continues to be the proposed changes to Fonterra's capital structure to allow share trading amongst Fonterra farmers (TAF – Trading Amongst Farmers). The amendment to the Dairy Industry Restructuring Act (DIRA) to accompany TAF is ongoing as government and Fonterra continue to work through regulatory issues. An amendment to DIRA to enable the proposed transfer of the dairy core database from Livestock Improvement to DairyNZ is also being worked on.

Another area of the DIRA legislation creating a lot of debate is the current review of the raw milk regulations. These are the regulations requiring Fonterra to provide up to 600 million litres of milk to competitors. Fonterra farmers are somewhat averse to these regulations and are awaiting the outcome of the review.

ENVIRONMENTAL ISSUES

Resource management and compliance is an ongoing issue in all regions. Effluent management is an issue in all regions and is generally improving. However, farmers are frustrated that non-compliance notices are sometimes being issued for what they feel are minor administration issues. In noting this, there is little farmer sympathy for major or repeat offenders.

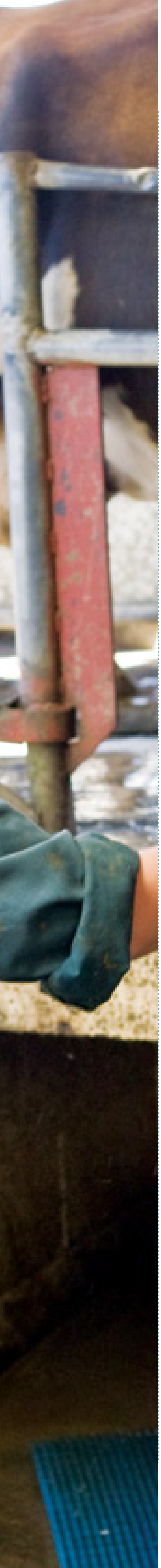
The industry is hoping the new nationwide code of compliance, will help achieve greater consistency of compliance, with Fonterra playing an active role. There continues to be some discontent and confusion amongst farmers with the different effluent management requirements; regional councils appear more concerned with day-to-day management issues and Fonterra intend to put in place a 365-compliance merit system that includes dairy shed and effluent pond inspections, with the latter considered more stringent.

DAIRY FARMING IMAGE

Given the positive rural community and economic impacts of the industry, many dairy farmers are frustrated by what they perceive as the negative views on dairy farming espoused in some parts of the media. Farmers noted that local newspapers appear more balanced and generally supportive, whereas national media seem more likely to portray dairy farmers and the sector in a negative light. Farmers believe that the media gives very little recognition of the significance to the wider economy of high dairy export returns. Farmers said they found the lack of reporting on the examples of good practice evident on many modern dairy farms equally frustrating.

For some years the media has highlighted dairy farming's environmental impact issues, but this year the insinuation of tax avoidance and the domestic milk price setting issues added frustration. The "Farmy Army" and Fonterra's efforts in supplying water and cleaning up some of the damage following the 2011 Christchurch earthquakes is believed to have helped improve the image, but farmers expect the media to continue negatively targeting the dairy sector.

Farmers are aware that the future expansion of the sector depends on mutual trust and acceptance throughout the community and are keen to prevent societal disharmony between dairying and other



sectors of the community increasing any further. An example of this is the need for some level of mutual acceptance for achieving the multiple objectives of the Canterbury Water Management Strategy.

Within Canterbury, the September earthquake showed how the sector and community can pull together to restore operations to sheds that had had platforms dislodged or lost electricity. This had a cost through the season on those affected and those who helped, but the efforts were very much appreciated and lifted morale within the industry.

FARM OWNERSHIP BY OVERSEAS INTERESTS

A hot topic in dairying areas is the level of support for overseas owners of dairy farms. Normally, farmers are protective of their right to sell to the highest bidder, providing they meet all the legislative requirements. However, those with an awareness of overseas drivers, particularly the longer-term strategic positioning for food security and for access to technology, management expertise and industry value, are nervous about the motives of some purchasers. They see greater overseas ownership as something that New Zealand may regret later and once it occurs incrementally is too late to unwind. Currently, the high New Zealand dollar is keeping a lid on some buyer interest.

FURTHER INFORMATION

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Web: www.maf.govt.nz

ISBN 978-0-478-38484-0 (Print)
ISBN 978-0-478-38485-7 (Online)

The report can be downloaded from **www.maf.govt.nz**

Photos by Bob Zuur.

New Zealand Government

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