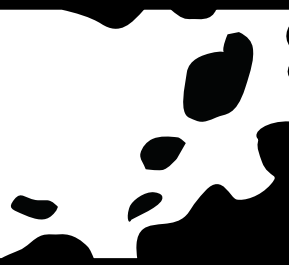


SIDF
SOUTH ISLAND DAIRY FARMERS LTD
SPRING 2011



Herd the Latest

Udder **FACTS**

Paul Brown
MANAGING DIRECTOR

Volatility is still an appropriate word for our industry as this season kicks into full swing. The highest pay-out ever has finally hit our bank accounts and the uncertainty of this season's payout caused by European - and in fact world economic uncertainty, currently being balanced with a rising and falling NZ dollar and falling milk production figures in the US, are some factors that make this industry exciting to be in!

The European / World economic situation simply translates for the dairy industry as: can these countries afford NZ milk products or as with the fish industry, some shipments into certain European countries are being blocked at the borders by unofficial trade tariffs? Other examples are available around the world in other industries but they all translate into reductions in spending. This problem does affect food products and will continue until economic pressure relaxes.

Yet here in the South Island, a very different mindset exists as a large number of conversions are occurring for August 2012 calving. This is injecting optimism into most communities where employment opportunities continue to develop strongly. The conversions volume has lifted the price of livestock significantly above last year's levels and there are possible shortages ahead of good quality cows as the number of herds for sale appears to be very low in relation to demand. There is however plenty of time to buy cows but the difference this year is that buyers may need to be quick in securing their cows as there are not enough cows coming onto the market and choice is limited.

The banks don't appear to be attempting to influence the cow prices as yet this year, which is good, as market signals from around the World / Fonterra etc are probably enough to keep prices in check. It was interesting to note that when the US needed to pass the bill for their extra borrowing and the politicians were "horse-trading", with the world holding its breath, most, if not all, herd trading stopped within NZ as both vendors and purchasers waited to see the outcome before making decisions. There will be more of these decisions to come this season and each will affect the cow market somehow.

Udderly **IMPORTANT**



GRAZING - Hidden Effects

As more and more farms convert to dairying the need for support blocks increases. I feel we are reaching an

interesting balance in parts of the South Island where it is becoming difficult to secure good, consistent, reliable grazing blocks for young stock. Many of the grazing blocks are now moving into dairying themselves which only adds to the problem. Coupled with better returns for sheep and beef especially - grazing needs to "compete" for its place on farms if need be. Ultimately this means grazing prices will rise but note that the payouts are high so the industry can afford a small increase to compete with sheep gross margins. Also the industry has to look at historical "fringe" areas to graze which inevitably brings the "runoff" back into question!

To help avoid uncertainty of both long term and winter grazing, one can now see the advent of forward sale contracts between dairy farmers and winter grazers so they can sow the crop with a commitment that it will be eaten. Over the last two winters there has been surplus feed around so dairy farmers haven't seen the need for this but now with other viable options to eat this feed, dairy farmers will have to start looking at hedging their requirements.

Take a look at the lamb drop - it's been very good with high survival in most areas. So theoretically, coupled with potentially poor autumn 2012 growth and / or a wet winter, feed could be at a premium. It works for both sides to forward contract some of the winter requirements and "certainty" has its price for both sides. Within Canterbury more often than not now we need to move replacements away from their immediate areas to find suitable grazing and I believe this is the start of what could become normal.

Udder **FACTS**

BREEDING BULLS

This year there has been widespread acceptance of the blood testing and vaccination for BVD. The blood tests now needed are EBL, BVD - antigen only - followed by 2 vaccinations for BVD at least 1 month apart and the last vaccination should be 2 weeks prior to bulls going out with heifers or cows

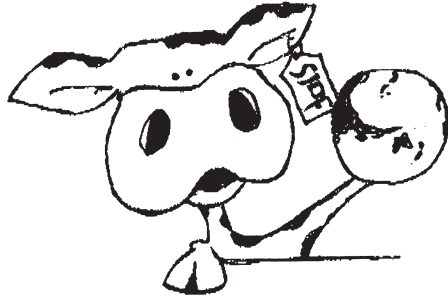
Once again there are plenty of bulls around this season. The surplus yearlings last year have created a surplus of 2 year Jersey bulls this season and a number of farmers have reduced the usage of yearling Jersey and replaced them with 2 year Jersey. Therefore 1 bull can be used over both classes - yearling heifers and cows, thereby reducing the cost of bulls.

The returns for bulls at the end of mating should be much better this year as the meat schedules are significantly higher and it appears the schedules could hold at these levels through into next year.

Udderly INTERESTING

EXPORT

Once again very high prices are being paid for calves and now rising 2 year heifers that are suitable. This is likely to continue at least for this season. The paper work and blood testing continues to be problematic but if we want the high price, we must complete this.



By selling calves from weaning to possibly 1 May, the blood tests can be avoided with SIDF, so only the paper work – profiles and farmer declarations - need to be filed. It is a way to sell the lower BW's for very good money while keeping the best recorded calves, as there is no BW level requirement. Any numbers will be considered and the price alters often so it pays to ring one of my Team for an on-going update.

Anudder PROFILE

Fay Watson BBS, CA

GENERAL MANAGER



I joined SIDF as General Manager early this year. As a Chartered Accountant, my background includes 25 years corporate management, project management and IT from previous roles at Ashburton Licensing Trust - and its Charitable Foundation - Ashburton Trading Society and Gabites Ltd Chartered Accountants.

I thoroughly enjoy the buoyancy of the stock transactions flowing daily through Head Office and have real pleasure in leading the tightly knit team at SIDF - our agents in the field and the administration ladies at SIDF Head Office. Working with SIDF Directors Paul and Julie Brown is giving me wide scope to apply my governance and management skills.

A North Islander originally, I've lived and worked in Canterbury for 30 years. My outside business interests include being an elected board member of the Ashburton Licensing Trust, a member of the Tinwald Domain Board, and a member of the Ashburton Lion Foundation Grants Distribution Committee.

I have two grown children and my husband, Tony and I love the life at Lake Hood where we've lived for 7 years. Our leisure time is gardening, reading and relaxing or most preferably driving the motor home to any remote South Island location. The family property in the Marlborough Sounds is most often our holiday destination and escape.

Udderly IMPORTANT

PRICES as at 25 October 2011

\$/HEAD +GST

MIXED AGED COWS

In-milk	1,800 – 2,300
1 June delivery BW >70	2,200 – 2,350
BW <70	2,000 – 2,200

CARRYOVER COWS

BW 70 – 110	1,700 – 1,750
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IN CALF HEIFERS

Delivery now BW >100	1,500 – 1,600
Delivery now half and non-recorded	800 – 900
Delivery 1 May BW >100	1,800 – 1,900
Delivery 1 May half and non-recorded	1,200 – 1,300

CALVES

At weaning BW >100	700 – 800
Half and non-recorded	350 – 400
Export (depending on numbers in line)	900+

BULLS

2yr J and J / Fr (fully blooded & vaccinated)	1,200 – 1,400
2yr J and J / Fr – Lease	300 – 450
2yr Beef / Dairy	1,200 – 1,400
2yr Hereford, Angus, pure beef	1,600 – 1,800

GRAZING

Grazing prices fluctuate too much between areas to accurately list prices. Prices also depend upon farm size, facilities, dryland / irrigated, grass types, climate, topography and grazier's experience as just some of the variances.

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"SIDF Head Office"

Geradeine Christine Julie Fay Jude

MID / NORTH CANTERBURY

Grant McIlroy 0273 459 262
Chris Thrasher 0274 705 273
Eelke Dijkstra 0275 900 096

MID CANTERBURY

Lee McDonald 0274 552 079
Paul Brown 0274 330 486
Gordie Cawte 0272 330 486



HEAD OFFICE

P - 03 308 1639 F - 03 308 6788
E - info@sidf.co.nz www.sidf.co.nz

EASTERN SOUTHLAND

David Duncan 0273 148 833

CENTRAL / WESTERN SOUTHLAND

Glen Morrison 0272 352 235

SOUTH CANTERBURY / NORTH OTAGO

Dave Bradley 0272 302 025