

Farming Return on Investment

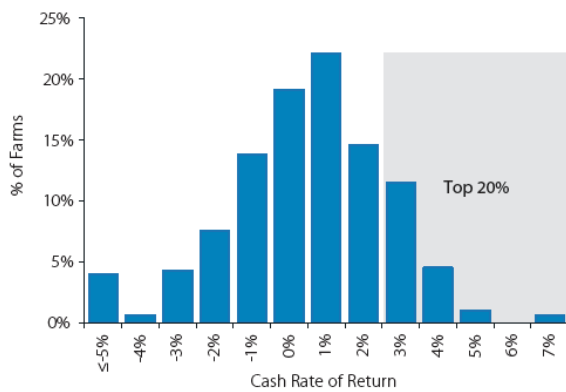
THE SECRETS OF TOP-PERFORMING RED MEAT FARMERS - ANZ

TABLE 1: COMPARISON OF AVERAGE RED MEAT FARMING RETURNS BY FARM TYPE OVER LAST FIVE YEARS

Farm Type	EBITRm (\$/ha)		ROR (%)	
	Average	Top 20%	Average	Top 20%
S.I. Hill Country	136	321	1.0	3.1
N.I. Hard Hill Country	263	454	2.2	4.4
N.I. Hill Country	389	666	1.6	3.5
N.I. Intensive	498	1,041	1.0	3.1
S.I. Finishing Breeding	340	794	0.8	2.2
S.I. Intensive	607	942	0.8	2.2

Source: ANZ, Beef + Lamb New Zealand.

FIGURE 3. DISTRIBUTION OF CASH RATES OF RETURN FOR RED MEAT FARMING IN 2015/16



Source: ANZ, Beef + Lamb New Zealand.

Forestry Return on Investment

Radiata Pine

Assumptions

Land at Productive cost per ha

Standard tending and full management costs

Revenue bands at age 28 years

Assumes reasonably clean land for planting

Assumes 100ha plus and measured for Carbon in Table 2 (Timber/Carbon returns will be lower for areas of forest below 100 ha in Table 2 as carbon yields will be lower)

Real Rates of Return

IRR - Timber Return Only

Table 1

		<u>Land Value (\$ per ha)</u>			
		<u>\$4,000</u>	<u>\$6,000</u>	<u>\$8,000</u>	<u>\$10,000</u>
<u>EBIT</u>	<u>\$10,000</u>	1.5%	1.2%	1.0%	0.9%
<u>Harvest at 28 yrs (\$per ha)</u>	<u>\$30,000</u>	5.2%	4.5%	4.0%	3.7%
	<u>\$40,000</u>	6.3%	5.5%	5.0%	4.5%
	<u>\$50,000</u>	7.1%	6.3%	5.7%	5.3%
	<u>\$60,000</u>	7.8%	7.0%	6.4%	5.9%

IRR - Timber and Carbon Return

Table 2

(\$25 Carbon price, Averaging for 18 Years)

Land Value (\$ per ha)

		\$4,000	\$6,000	\$8,000	\$10,000
<u>EBIT</u>	\$10,000	10.5%	8.5%	7.2%	6.2%
Harvest at 28 yrs (\$per ha)	\$30,000	11.7%	9.9%	8.7%	7.7%
	\$40,000	12.2%	10.4%	9.2%	8.3%
	\$50,000	12.7%	10.9%	9.7%	8.7%
	\$60,000	13.0%	11.3%	10.1%	9.1%

**Cashflow from 1 hectare of Radiata - Lookup Carbon
Canterbury**

Carbon Price	Radiata	Less than 100ha		
\$25.00	Increment per ha	Carbon Value	Timber	Nett
Year	Lookup	per ha		Cashflow
0	0	\$0	\$1,700	-\$1,700
1	0.2	\$5	\$100	-\$95
2	0.8	\$20	\$100	-\$80
3	1	\$25	\$100	-\$75
4	3	\$75	\$100	-\$25
5	10	\$250	\$100	\$150
6	16	\$400	\$100	\$300
7	22	\$550	\$100	\$450
8	23	\$575	\$100	\$475
9	25	\$625	\$100	\$525
10	24	\$600	\$800	-\$200
11	14	\$350	\$100	\$250
12	11	\$275	\$100	\$175
13	8	\$200	\$100	\$100
14	12	\$300	\$100	\$200
15	16	\$400	\$100	\$300
16	19	\$475	\$100	\$375
17	21	\$525	\$100	\$425
18	23	\$575	\$100	\$475
19	0	\$0	\$100	-\$100
20	0	\$0	\$100	-\$100
21	0	\$0	\$100	-\$100
22	0	\$0	\$100	-\$100
23	0	\$0	\$100	-\$100
24	0	\$0	\$100	-\$100
25	0	\$0	\$100	-\$100
26	0	\$0	\$100	-\$100
27	0	\$0	\$100	-\$100
28	0	\$0	\$20,000	\$20,000

**Cashflow from 1 hectare of Radiata - Measured Forest
(100ha plus) Canterbury**

Carbon Price	Radiata	100ha Plus		
\$25.00	Increment per ha	Carbon Value	Timber	Nett
Year	Measured	per ha		Cashflow
0	0	\$0	\$1,700	-\$1,700
1	0.2	\$5	\$100	-\$95
2	1.3	\$33	\$100	-\$68
3	2.5	\$63	\$100	-\$38
4	9.5	\$238	\$100	\$138
5	18.7	\$468	\$100	\$368
6	28.9	\$723	\$100	\$623
7	38.7	\$968	\$100	\$868
8	48.1	\$1,203	\$100	\$1,103
9	54.3	\$1,358	\$100	\$1,258
10	58.5	\$1,463	\$800	\$663
11	47.1	\$1,178	\$100	\$1,078
12	47.3	\$1,183	\$100	\$1,083
13	47	\$1,175	\$100	\$1,075
14	46.7	\$1,168	\$100	\$1,068
15	46.7	\$1,168	\$100	\$1,068
16	46.4	\$1,160	\$100	\$1,060
17	46.2	\$1,155	\$100	\$1,055
18	45.9	\$1,148	\$100	\$1,048
19	0	\$0	\$100	-\$100
20	0	\$0	\$100	-\$100
21	0	\$0	\$100	-\$100
22	0	\$0	\$100	-\$100
23	0	\$0	\$100	-\$100
24	0	\$0	\$100	-\$100
25	0	\$0	\$100	-\$100
26	0	\$0	\$100	-\$100
27	0	\$0	\$100	-\$100
28	0	\$0	\$20,000	\$20,000