**Mas Titus’s** **Farm**

Situated on the Taieri Plains is 123 (ha) and carries 340 milking cows and wintering 344 cows. He also grows and sells barley. He works an average of two days a week on the farm, overseeing staff, ensuring farm plans are implemented, doing administration and payroll.

**Predicted Income**

* Total milk solids production 130,464 kg at expected payout of $4.00/kgMS
* ****Grain sales from barley 400 tonnes at $400 per tonne

**Predicted Expenses**

**Labour**

Wages 5 full time staff at total cost $360,000 divided equally

ACC payments $3,000

**Working Expenses**

Animal health $29,000

Breeding $16,500

Dairy Shed $7,700

Electricity $16,300

Feed (baleage) $24,000

Feed (grazing) $30,000

Feed (other) $25,000

Fertiliser $50,000

Regrassing $7,000

Weed control $3,000

Fuel $15,000

Vehicle costs $10,000

Repairs & Main $35,000

**Other Expenses**

Communication $3,000

Accounting fees $6,000

Legal fees $3,000

Administration $4,000

Rate $16,000

Insurance $10,000

ACC Employer $4,000

Drawings $60,000

****Other $7,000

**You are to:**

prepare a Cash Flow Forecast based on these figures.

**After two months**, Mas needs to revisit his forecast as a result of:

* A poor spring with less rain has reduced grass growth, and predictions of an El Nino drought means that demand for baleage is predicted to cause price increases. (This year’s forecasted figure was based on last year were Mas used 3000 bales at $80 each.)
* Facial eczema has been an issue, and Mas believes the elevated spore counts will increase costs, if he doesn’t counter this he runs the risk of an increased number of slips
* A milk powder contamination scare in New Zealand’s largest overseas market led to the predicted MS payout dropping for both months
* A glut of milk powder is also being predicted as consumers react to the contamination scare, so the Global Diary Trade auction prices are predicted to fall.

**As a class:**

Discuss what changes Mas needs to make to minimise the effects of the above.

Based on your discussions create a new column in your cash flow to show the figures you have adjusted.



Does Mas still have any cash flow problems or do you need to make more adjustments for him?

Does he need to get extra cash injections? Where can he get cash injections from? Hint: not the vet

Once you have got Mas out of the excrement, create another column for a new Cash Flow Forecast incorporating your changes.

What have you learnt as a result of the above exercise?