

Investment News

MYFARM™
Syndicate Farm
Investments

AUTUMN 2011

Southland returns average above 9% p.a.

Dairy is doing well with record high milk prices; sheep meat, wool and even beef are also going through a renaissance due to supply and demand factors.

The effect of this on farmland returns and the NZ economy were well described in a report recently released by the Reserve Bank¹ which concluded; "the price outlook for New Zealand's commodity exports is therefore one where prices remain elevated for some time, driven by industrialisation and urbanisation in Asia".

Since 2009 we've been saying; "Take advantage of lower land prices and a good outlook for dairy." With the outlook for higher prices we're refining that message to; "Invest Now for 8% cash returns and a secure asset that performs well during periods of inflation."

So, how are MyFarm syndicates performing? Southland is one of our preferred investment destinations and a market where we now have a good footprint, with 27 farms now under MyFarm management. That enables us to make some financial performance comparisons.

2009/10 was a reasonable production season with most farms within 5% of target production; Figure 2 shows average Southland returns were 5.9% on a Net Profit Before Tax basis⁵ (NPBT) equivalent to \$1.35 per kilogram of milksolids.

Returns for MyFarm syndicates ranged from 2.5% to 8.3%p.a. The lower returns tended to be on properties bought later in the cycle (2008) or where there were higher levels of

debt. Higher returns were achieved on farms bought in early 2007, or prior, due to a favourable combination of asset prices, higher production levels and business performance.

The 2010/11 (current season) data is based on actual results to the end of March 2011 plus forecasts for the remainder of the year. The very favourable autumn Southland is currently experiencing offsets the tough early spring conditions and may result in final returns being even higher than these forecasts.

The average of 9.4% cash return in 2010/11 represents an excellent result with NPBT returns averaging \$2.13 per kilogram of milksolids. Returns varied from 6.1% to 13.1%.

Our forecast for 2011/12 (next season, starting 1 June) is for a slightly lower income from the advance rate; however with strong deferred payments and a proportion of the 2011/12 season's production pre-sold income of above \$7/kg milksolids is forecast to be achieved.

On the basis of these figures average returns of 8 - 9% per annum are likely to be achievable. Given the steady flow of positive news from the market and the reliability of quality Southland dairy farms, the good times are set to continue.

Investors snap up Southland syndicate investments - story on page 4.

Figure 1: Income from Fonterra (c/kg milksolids)

	2009/10	2010/11	2011/12 (forecast)
Advance ² rate	500	600	530
Deferred ³ price	47	110	150
Dividend ⁴	48	27	28
Total	595	737	708

Figure 2: Southland MyFarm property returns

	2009/10	2010/11
Average NPBT	5.9%	9.4%
Lowest NPBT	2.5%	6.1%
Highest NPBT	8.3%	13.1%

¹ 'The outlook for commodity prices and implications for New Zealand monetary policy'.

To view report visit: <http://www.rbnz.govt.nz/research/econresearch/4363112.html>

² Income received from 1 June to 31 May in any one year

³ Income received after 31 May paid on the previous season's production

⁴ Paid on fully paid Fonterra shares

⁵ Before depreciation (minimal on a dairy farm) but after interest

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Southland Management team expands to meet growth

MyFarm is increasing its management capability in Southland with the appointment of two new farm supervisors.

From next season Matt Harrington (sales) and Terry Carr (supervisor) will be joined at the Invercargill office by administrator, Phillippa McTavish and new supervisors, Wayne Taylor and Stephen Blyth. Investors and farm managers are welcome to call in for a chat at 142 Spey St, phone 03 218 7989.

Wayne Taylor

Wayne joined MyFarm in April, fresh from two years of managing 1150+cow dairy farm operations in Southland. He brings a breadth of work and travel experience to his new role.

In his 20's he spent six years travelling extensively across Asia, Europe, Sth and Nth America in between working on farms in Australia, the UK and USA. He returned to NZ and a role as a Farmwise dairy farm consultant at Taranaki for four years, followed by three years managing a 600-cow dairy



Wayne Taylor

farm in southern Hawkes Bay. In the early 2000's he met his wife-to-be, Katie, moved to town and over the next six years completed a building apprenticeship and worked as a builder in Hawkes Bay.

Wayne says in 2009 he and Katie decided to return to the dairy industry and moved to Southland.

"This is a great time to be in dairying in Southland, it's very dynamic."

Steve Blyth

When this newsletter went to print Steve was in the midst of autumn calving as a variable order sharemilker on a 530 cow dairy farm in Manawatu. Steve brings more than 12 years practical dairy farm management experience

to the job, progressing to 50/50 sharemilking and then choosing to realise their equity and invest in a syndicate three years ago. In 2008, Steve and his wife Rebecca sold their 300 cow herd and invested in 'Waipango' a 550 cow Southland dairy farm equity partnership with MyFarm Director, Grant Rowan.

"I'm looking forward to growing my skillset - I've got good practical experience and I think that'll help with people for example I know what you can feel like in the middle of spring."

At Queen's Birthday Steve and Rebecca, who is a consultant town planner, and their 3.5year old twins will move to Invercargill and Steve will begin his new role as a MyFarm supervisor.



Steve Blyth

MyFarm Administration news BY SANDRA PHIPPEN, MYFARM OFFICE MANAGER

Did you know you can access your farm investment's financial progress online?

CashManager Rural Online is the software we use for all MyFarm managed properties and shareholders can be assigned access to their farm's information. This means you can view actual expenditure and monitor cashflow versus budget in your own time. There is no cost involved but a high speed internet connection and Windows XP or Vista are required as an application is downloaded on your PC.

If you are interested in this, visit the Cash Manager website www.CRSsoftware.co.nz for further information or email me and I can organise read only access to your database.

Are you receiving Farmlink?

Fonterra's monthly update, Farmlink is excellent reading for dairy investors. Each edition includes a piece from both the Chairman and CEO as well as payout schedules. If you are a shareholder in a MyFarm syndicate and you would like to receive Farmlink (via post) contact me on sandra@myfarm.co.nz.

Our growing team

We have welcomed several new faces into our Feilding office this year. Jodie Chubb is the friendly new voice and face of reception. Jennifer Haldane and Wendy Hill have joined the farm administration team. Both Jennifer and Wendy have extensive dairy farming and administrative experience and ideal communication skills for working with investors and farm managers. We will be sad to see current Feilding team member Philippa McTavish go to Southland in May but she will be an excellent addition to our Invercargill office.



MyFarm receptionist, Jodie Chubb

MILK IT!

We're looking forward to meeting all Contract Milkers, Sharemilkers and Managers of MyFarm syndicates at our Annual Farm Management Conference, MILK IT at the Ascot Park Hotel, Invercargill 6-7 July. For more information about our excellent line up of speakers and presentations contact Jenny Hampton jenny@myfarm.co.nz



The MyFarm Administration Team (from left to right) Jodie Walker, Philippa McTavish, Wendy Hill, Deb Washington, Jennifer Haldane, Sandra Phippen

High quality managers on board BY GARETH EVANS

18 MyFarm managed syndicates will begin next season with newly recruited farm managers. The calibre of candidates has been high this year, thanks to the hard work of our new recruitment team.



MyFarm management administrator, Jenny Hampton

The recruitment process is managed by MyFarm management administrator, Jenny Hampton, who is a former sharemilker and more recently an administrator at the Livestock

Improvement Corporation (LIC) Awahuri EU Semen Collection Centre. Jenny manages the database for recruitment and is the first point of contact for applicants. She is currently busy organising the two day 'Milk It' MyFarm Management Conference in July which will focus on introducing MyFarm processes and reporting expectations as well as giving the farm managers an opportunity to network and socialise.

The assistance of HR consultant, Mary Cooper in the screening phase of recruitment has also been invaluable this year. Mary is currently working on a DairyNZ funded project to investigate the factors that influence decision making in applying for and committing to Equity Management positions. It was noticeable this year that many applicants still list 50/50 sharemilking as their favoured position, when the reality is that this structure is increasingly rare.

The project questionnaire, which was completed by several MyFarm position applicants, asks sharemilkers to rank the factors influencing their career decisions such as family stability; land ownership; size of operation; relationship with investors and risk profile. It explores where applicants obtain their information about equity management and whether there is sufficient information available for candidates considering the switch from sharemilking. The project also delves into the

perceptions surrounding equity partnerships and how successfully they can operate.

The findings of the DairyNZ project, which we expect to see later this year, will be very useful to farm owners wanting to recruit Equity Managers/equity sharemilkers.



There was a high calibre of applicants for farm management positions this season

Why MyFarm's growth is good for you BY CLIFF KING

At MyFarm we pay close attention to customer satisfaction.

There are 300 investors and over 2000 individuals interested in farm investment on our database so a wide variety of investment needs require our attention. The goal is to consistently deliver carefully selected, well managed quality farm investments and then regularly communicate their performance to investors.

At the start of the 2011/12 dairy season MyFarm will be managing 37 farm syndicates milking 27,685 cows on 10,000 hectares both in New Zealand and Australia. This business growth demands that we work hard to meet our management and reporting goals, hence the appointment of three new supervisors (two in Southland, one in Canterbury) and beefing up the Feilding based administration and farm recruitment team. As a result of these appointments we expect to be able to provide an even better service in the coming season.

There are some additional benefits that our growth is creating for investors:

Liquidity

As our database grows so does our pool of potential buyers for shares in existing MyFarm syndicates. So far this year MyFarm has transacted one Southland syndicate share sale and has three other transactions well underway.

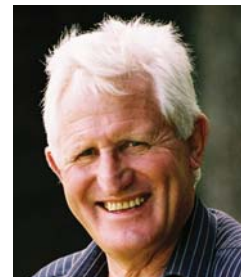
Discounts

MyFarm is able to secure significant bulk buying advantages for its syndicates on a wide variety of goods and services. We pass all of these on to the syndicates who order the goods.

Quality on-farm recruitment

This year our recruitment team has made 18 new equity manager/contract milker appointments. At the height of the recruitment process the vacancies page on our website was

getting 520 hits a week. Our ongoing objective is to provide a preferred career pathway for capable young managers, every year attracting a better calibre of applicant.



Cliff King

Benchmarking

We are appointing an analyst who will have an important role working, amongst other things, with farm performance figures to create regional comparisons that help existing investors to assess their syndicate's progress.

Our success can be measured by your satisfaction. So if you have other ideas on how we can improve your investment experience please do feel free to share them.

INVERCARGILL **MILK IT**
MYFARM MANAGEMENT
CONFERENCE | 6 - 7 | JULY 2011



New opportunities snapped up by keen investors

Increasing investor enquiry in the first four months of 2011 has seen two excellent Southland dairy farm investments syndicated in short order.

Aparima Limited Partnership at Woodlaw Rd in Central Southland is an attractive 630 cow 222 Ha (freehold) dairy farm already performing well. Its low costs of operation and planned low debt levels mean it has a break even milk price of \$4.40 to \$4.54kg MS. Aparima's six investors include an NZX-listed company Chairman, an ex-pat living and working in financial markets in Singapore and a successful Southland businessman.

Rahinga Dairies Limited Partnership is one of the best dairy conversion opportunities MyFarm has brought to the market. This attractive 163 Ha farm is just 20 km from Invercargill with high quality soils, previously used for growing process vegetables, and an ideal layout for conversion to dairy. Rahinga will also have a low break even milk price of \$4.30 to \$4.50 after conversion, including construction of a 54-bale rotary cowshed and two homes. The five investors in Rahinga include two North Island based dairy farmers; an Otago sheep and beef farmer and pilot and a surgeon.

The rapid uptake of shares in these two syndicates reflected increasing investor enquiry this year. Aparima Limited Partnership was purchased just ten days after the initial contract was signed and Rahinga Dairies was fully subscribed within four weeks.

Meanwhile progress is well underway on the new dairy conversion at Peaks Dairy Ltd Partnership near Culverden. This 170 hectare farm has been purchased by a syndicate of 23 investors. It was previously operated as a dairy support block with irrigation. The conversion includes building a new 54 bale rotary cowshed with automatic cup removers; tree removal, re-fencing; re-grassing and extending CP irrigation; installing races and a tanker track and building two new homes, with one of them to be an executive style' home suitable for a manager or a future owner of the property. The project is progressing well with trees cleared; new pastures sown and foundations set for the new cowshed. Peaks is one of 7 dairy conversions MyFarm is managing in Southland and Canterbury in the lead-up to the 2011/12 season.



The site of the new 54 bale rotary cowshed at Peaks Dairy Ltd



Contractors build lanes and tracks at Peaks Dairy



Rahinga Dairies Ltd Pastoral was snapped up by investors because of its high quality soils, previously used for growing vegetables, ideal location and layout for conversion to dairy



The view of the Hurunui river from the site of the new executive home at Peaks Dairy

Invest in proven performers

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MyFarm syndicate share sales offer investors an opportunity to access good returns from businesses that have passed through the establishment phase, at a time of very strong demand for dairy products.

For more information about shares currently for sale visit www.mymfarm.co.nz/sharesale or phone Tracey on 0800 693 276.

Arohena Pastoral Ltd - share sale



- Picturesque 363 Ha dairy farm situated on the banks of the Arapuni river, South Waikato.
- Milking 660 cows on 225Ha.
- 65Ha used for supplementary feed production.
- 24% of shares available; no minimum investment.
- Dynamic, progressive sharemilkers.

'Investment is sought from 'Eligible Persons' and persons otherwise excepted or exempted from being members of the public in terms of S5(2CBA) of the Securities Act 1978'.