



# BROWNS PASTORAL LIMITED PARTNERSHIP

## Quality that pays;

- **A solid Southland property.** 20 km from Winton, 500 cows on 158 effective Ha; good improvements; productive soils.
- **Good purchase price.** \$33,527/ha plus Fonterra shares; 32.75/kgMS including Fonterra shares
- **Consistent returns.** The budget provides for annual cash returns to investors of approx. 6% after year one.
- **Superior improvements.** 40 bale rotary, feed pad, excellent effluent system, three dwellings.
- **Low risk, dividend payment focus.** Debt of only 21% of assets, monthly dividends targeted.

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## Key Points of Proposal

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### The investment

Browns Pastoral Limited Partnership (BPLP) is a quality 500 cow, well located Central Southland dairy farm bought at a good price with the ability to generate strong cash surpluses. MyFarm is seeking \$6.25 million of investment capital from the minimum number of investors, investing no less than \$250,000.

**Good location** – The property is on Hokonui School Rd, 20 km from Winton in Central Southland. The Winton area is known to be one of New Zealand's most productive farming areas with production in excess of 1250 kilograms of milk solids per hectare (kgMS/ha) typically achieved where modern farming practices are adhered to.

**Good basic attributes** – Central Southland has a good climate suitable for dairying; the scale of 168 Ha makes it both easy to operate and marketable in future; soils are productive and fertile Pukemutu silt loams; improvements include a very well maintained 40 bale rotary cowshed, a feed pad and a modern low application rate effluent system. The property includes three acceptable houses although some maintenance will be required.

**Value for money** - The purchase price is \$6.55 million and includes the purchase of 200,000 Fonterra shares. The price equates to a competitive \$33,527/ha (excluding Fonterra shares) or \$32.75/kgMS (including Fonterra shares) on existing production.

**Cash cow** – Browns Pastoral is a dairy farm investment focused on delivering cash returns. The quality of the farm, the realistic purchase price and the plan to have minimal debt, results in the investment providing a rate of return to partners of 3.5% in year one and 6% thereafter. Cash returns are forecast at 6% – 7% p.a. once the business is established.

**Conservative budget** – The budget has a conservative cost structure with total operating costs estimated at \$3.64/kgMS. This compares with costs on other similar Southland properties syndicated by MyFarm (operated by AGInvest) of between \$3.40 and \$3.50/kgMS. A \$0.20/kgMS reduction in costs would increase farm surpluses by \$40,000 p.a. or 0.67% on shareholder capital.

**Low risk** – In addition to the quality of the farm and the purchase price, risk is minimized in this investment through utilising minimal levels of debt. The proposed \$1.67 million of debt is below 21% of assets (\$9/kgMS).

**Proven management** – AGInvest, an associate company of MyFarm, currently manages twelve Southland farms milking 7,700 cows and producing 3.0 million kgMS per annum. The Company has a 20-year track record of successfully managing syndicate investments in dairying throughout New Zealand.

MyFarm has a number of quality potential equity managers looking for this type of position. The preferred candidate will be recommended to the investor group prior to this contract becoming unconditional.

A contract to manage the farm for an initial two year period is available with AGInvest Limited.

### The property

Browns Pastoral is a regularly shaped 168 Ha dairy farm with a cowshed and facilities that are located centrally on the property; walking distance to the most distant paddock is approximately than 900 metres.

The Pukemutu silt loam soils that feature on the farm are productive and fertile. Whilst they can be affected by wet conditions, MyFarm (AGInvest) has successfully managed farms with these soils in the past. It is noted that the feed pad on the farm will help reduce soil compaction and improve supplement utilisation.

The 40 bale rotary cowshed which, although built in 1998, has a preferred concrete platform, is very well maintained and includes a molasses feeding system.

Houses include a 4 bedroom homestead, a two bedroom cottage and a three bedroom cottage with garaging.

This is a highly productive, very well presented farm which is not over capitalised.

### Business plan

The business plan recommended for Browns Pastoral has one primary focus – efficient management to maximise cash returns for investors.

Cost control will be achieved through a focus on margins and profit as well as production, through building operating budgets from 'the bottom up' and a monthly review process involving all the decision makers (farm manager, supervisor and directors).

By 2012/13 the objective is to have a dairy system producing more than 1,300 kgMS/ha and generating a regular 7% cash return on investor's funds.

### Investment returns

It is proposed half of the investor capital is as units in Browns Pastoral Limited Partnership and half is in interest bearing loans with the interest rate on this loan set at 6% per annum, thereby giving partners a minimum cash return of 3% on their total investment in the first year. This would be set by investor preference as either monthly or quarterly payments.

By year two budget forecasts indicate the minimum return on total investment could be set at between 5% and 6% per annum (on partner approval). Further dividends would be made from time to time on the direction of partners.

Over five years the value of investor equity is expected to increase as land and Fonterra shares appreciate in value by between 3 – 5% p.a.

MyFarm forecasts an average cash rate of return of 6.7% p.a. In addition farm values are forecast to increase by 2.9% p.a. above inflation.

### Offer

**Equity capital of \$6.250 million is sought from, a minimum number of Eligible Persons (s5(2CC)) or those excepted as being members of the public as defined in s3(2)(a) of the Securities Act 1978.**