



Leading a
smarter, sustainable,
high performing
primary sector

AGM – Farm Operations Report

Prepared for
Ngaati Hauaa Tribal Trust

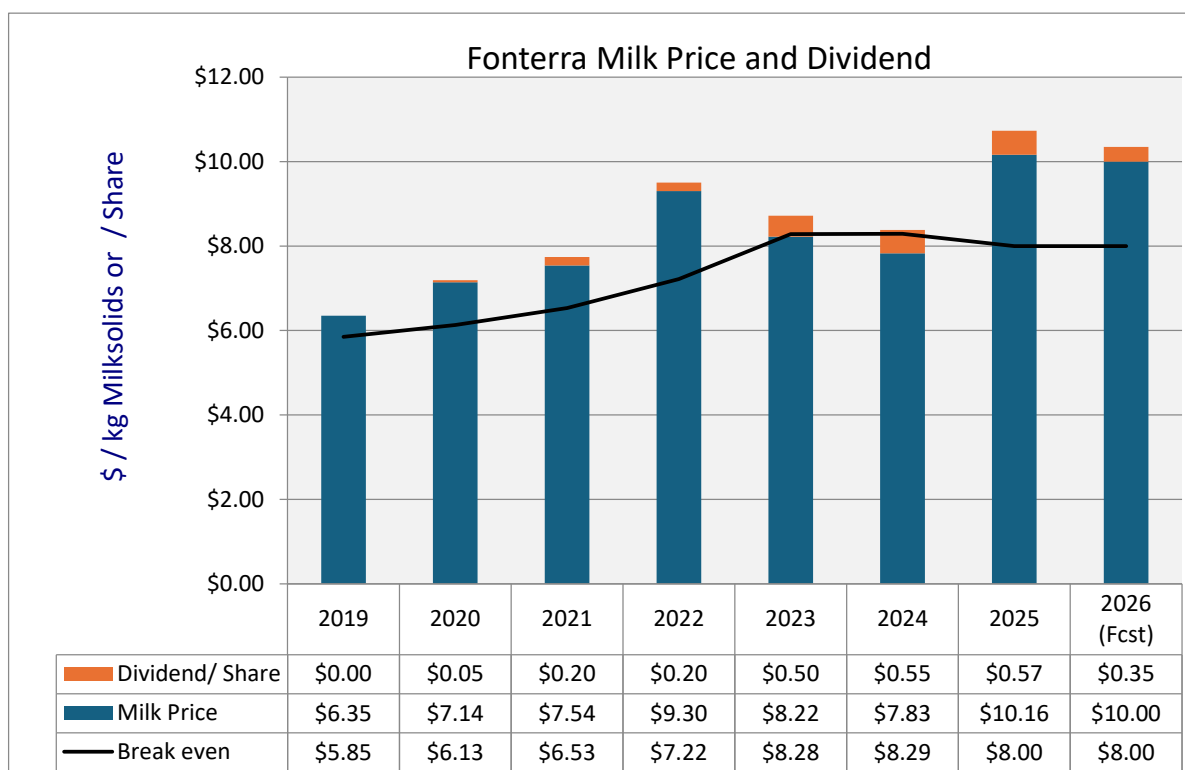
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1.0 BACKGROUND

- This report focusses on the bigger picture of the dairy industry in New Zealand as well an update on the journey that the Trust is on with Mamakumarū.

2.0 DAIRY INDUSTRY OVERVIEW

- The dairy industry is having a period of strong stability in recent years, and the milk payout has been gradually lifting. The trend since 2019 has seen the milk price lift from around \$6.00 / kg MS up to levels to the record season in 2025 of \$10.16 / kg MS as shown below:



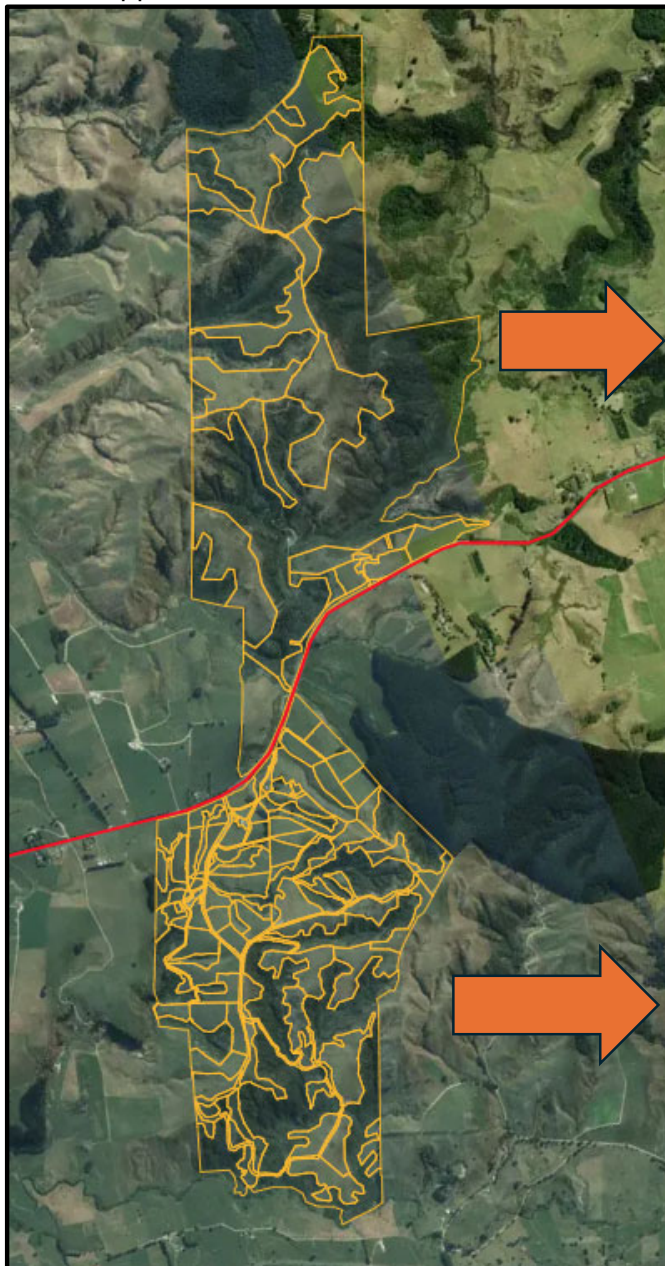
- Importantly there are strong global demand fundamentals that are supporting this level of payout in the foreseeable future highlighted by the current season forecast also being at \$10.00 / kg MS.
- On top of this has been the strong performance by the overall Fonterra business which has seen the dividend payments lifting in recent years to providing valuable extra income the Trust. The last year saw this return a record \$0.57 / share which was a far cry from 2018 when this return was nil. The share price has been “up and down” over the years but on current price these shares are now providing a 10-15% return on investment so they are a valuable addition to your asset base.
- A key of the above data however has been the breakeven milk price, and this has shown a steady rise in recent years as the cost of doing business has constantly lifted. Where the breakeven payout was around \$6.00 / kg MS just five years ago,

this has now risen to be above \$8.00 / kg MS which means that while payouts have been lifting, true profitability for the industry has been tight.

- This does mean that, like all farm systems, we need to be very focused on profit rather than production as the rising cost of inputs such as feed, fuel, fertiliser have meant that some strategies that were profitable, even two years ago, may not be now.
- While there has been further improvement in the organic milk price since the decision to remove the organic status, the decision has remained the right one.

3.0 LAND AREA

- The total of 539ha of Mamakumaru is split by Arapuni Road with 245ha on the Southern side where the dairy operation is and 294ha on the Northern side where the support land is located. This is broken down as follows:



North Side (Hectares)

Support Pasture	101ha
<u>Reversion / Retired</u>	<u>193ha</u>
Total	294ha

South Side (Hectares)

Milking Platform	85ha
Support Area	40ha
<u>Reversion / Retired</u>	<u>120ha</u>
Total	245ha

- The Reversion / Retired areas are a mix of native bush, steeper gullies and also gorse that has grown since the harvest of the eucalypt trees.
- The focus for the Trust at the time of the harvest and conversion of land back to pasture was to have all of the “better” land contour put back into pasture and the balance of the land was reviewed for other land uses such as forestry. This still presents an opportunity for the Trust for alternative planting, carbon farming etc.
- The focus for the last year has been on improving and developing the land on the South side (the “dairy farm”) and once this is running to the required standard, the focus will shift to the North side.

4.0 Mamakumar Dairy Operation

4.1 Sharemilkers

- As was discussed at the previous AGM, the Trust was embarking on a journey of significant change. The long-term Sharemilking Agreement was discontinued, and the plan was to invest in the farm to improve the asset, purchase a dairy herd and embark on taking on a Contract Milker to run the farm.
- What transpired was a challenging and changing time in the industry. The significant increase in dairy payout lifted cow prices to new highs and the number of herds on the market were slim. Finding the right herd for the right money was very difficult.
- Linked to this was the challenge of finding the right labour to run the farm through the development process.
- In early 2025, there was a review of the process and a change of focus for the Trust where the decision was made to engage a 50:50 sharemilker to run the farm (the same model as previous), but with far different criteria than prior.
- A key part of this decision change was the saving of approximately \$750,000 to buy a herd and the associated machinery. The revised plan was discussed with the bank, and they were supportive of the move.
- As of 01 June 2025, this led to the engagement of Jim and Lizzie Tauroa as new 50:50 Sharemilkers. They have bought a quality herd, local experience and dairying expertise to the operation.

4.2 Farm Development

- The development of the dairy operation has been a significant undertaking to improve the overall performance of the farm.
- At the last AGM, this work was underway but as reminder this included:
 - Applying capital fertiliser to improve soil fertility,
 - Undersowing 85ha of the farm to introduce higher performing species and improve pasture production,
 - Commence spraying of gorse and improve the effective area of the farm,

- Upgrade the dairy races to improve access around the farm, in some cases there was no races in place.
- Replace a number of the old fences on the farm, including fencing off key waterways,
- Improve water reticulation and effluent,
- Upgrade / update the dairy shed to improve functionality,
- Replace the old calf shed with a fit for purpose structure,
- Upgrade housing to ensure quality dwellings for staff.
- This development was forecast to be just under \$1.0million and largely this has tracked well with only a few overruns.
- One of these overruns has been the effluent system for example that will cost around \$70,000 more than first intended, but the system being installed will ensure the farm is future-proof for any possible increase in cows numbers – something that is looking very likely.

4.3 Progress to Date

- The farm development is progressing well but is by no means finished. The major works still to be completed are:
 - Installation of a new water reticulation system (November 2025)
 - Installation of the new effluent system (November / December 2025)
 - Further dairy race improvements (November 2025),
 - Further gorse control.
- By the time this calendar year has finished much of the major work will have been completed.
- However, the development continues to evolve and already we are seeing opportunities to utilise more of the land for milk production (potentially more once a day milking) and lower costs by bringing some of the heifers out grazing back to the farm on the northern side. This was work that we had planned to investigate further in the next one to two years, but we have all been encouraged by what we have seen to date.
- There is much to do but the change in the farm over this short period has been significant, led by the investment from the Trust but also from the work on the ground by the new Sharemilkers. It has been a real team effort to bring all this together.
- Alongside this, we are seeing current milk production being significantly ahead of previous years and well on track to meeting the targets that the Trust has in place for improving the overall performance of the farm.
- The most exciting comment that sums up the journey from a number of people that have come in the gate is that *“it looks like a dairy farm now”*.

4.4 The Future

- The key focus for the coming years is to ensure that all of the available pasture land is productive and being utilised in the most efficient manner. This includes the land on the northern side of the road that will be able to be used for pasture supply (hay and silage) and grazing of livestock.
- This will mean that the farm will be a fully self-contained operation and performing at the required level. The farm is not easy by any means, and the variable contour (hills!) cannot be changed which will mean it will only ever perform in line with an average Waikato dairy farm (productivity). However, what we have already learnt in the last six months, with some dedicated investment and focussed management, the farm is a great asset to the Trust.
- The control of the gorse and other weeds will always be a challenge on the farm, further confirming that keeping the organic status would have been very difficult. However, the focus is on establishing clear boundaries between productive pasture land and steeper land, will mean that it is much clearer to define the future land use opportunities.
- There will be some additional opportunities for the steeper, retired land, and this will cost some capital that the Trust will need to consider. Planting natives for example has significant merit, but this is very costly. And in the short term, this cash is better invested in ensuring the dairy farm profitability is maximised – this will create opportunities down the track.
- It was not that long ago that the dairy industry was having tougher times with only moderate profitability for farmers, and at that time the Trust was weighing up if the development of Mamakumarū was the right use of cash and capital. The current turn around has proven that this has most definitely been the right call.

5.0 SUMMARY

- We have seen a turn in fortunes for the primary sector which will bode well for the Trust for the next few years, and all parties can have confidence that the development has been the right one.
- All parties remain open minded as to the future management structure of the farm and we will review, where appropriate, if retaining the 50:50 Sharemilking model or buying a herd of cows is the right one – the focus will be on sustainable profitability.
- This has been an exciting journey to help the Trust achieve a marked turn around in the Mamakumarū operation and the potential and vision is starting to become clearer by the day.

OUR WHAT

Leading a
smarter,
sustainable,
high performing
primary sector

OUR HOW

Using the best
people and greatest
ideas for the benefit
of our clients

OUR WHY

We believe in
creating a vibrant
future for the
primary sector



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