AGFIRST

Leading a smarter, sustainable, high performing primary sector

Waikato-Bay of Plenty Dairy Financial Survey 2026

This report summarises the results of a financial survey of dairy farms across the Waikato and Bay of Plenty regions, carried out by AgFirst throughout June 2026.

AGFIRST

AgFirst is New Zealand's largest independent agribusiness consultancy, which is made up of over 60 consultants throughout New Zealand. Our focus is improving farm profitability and sustainability.

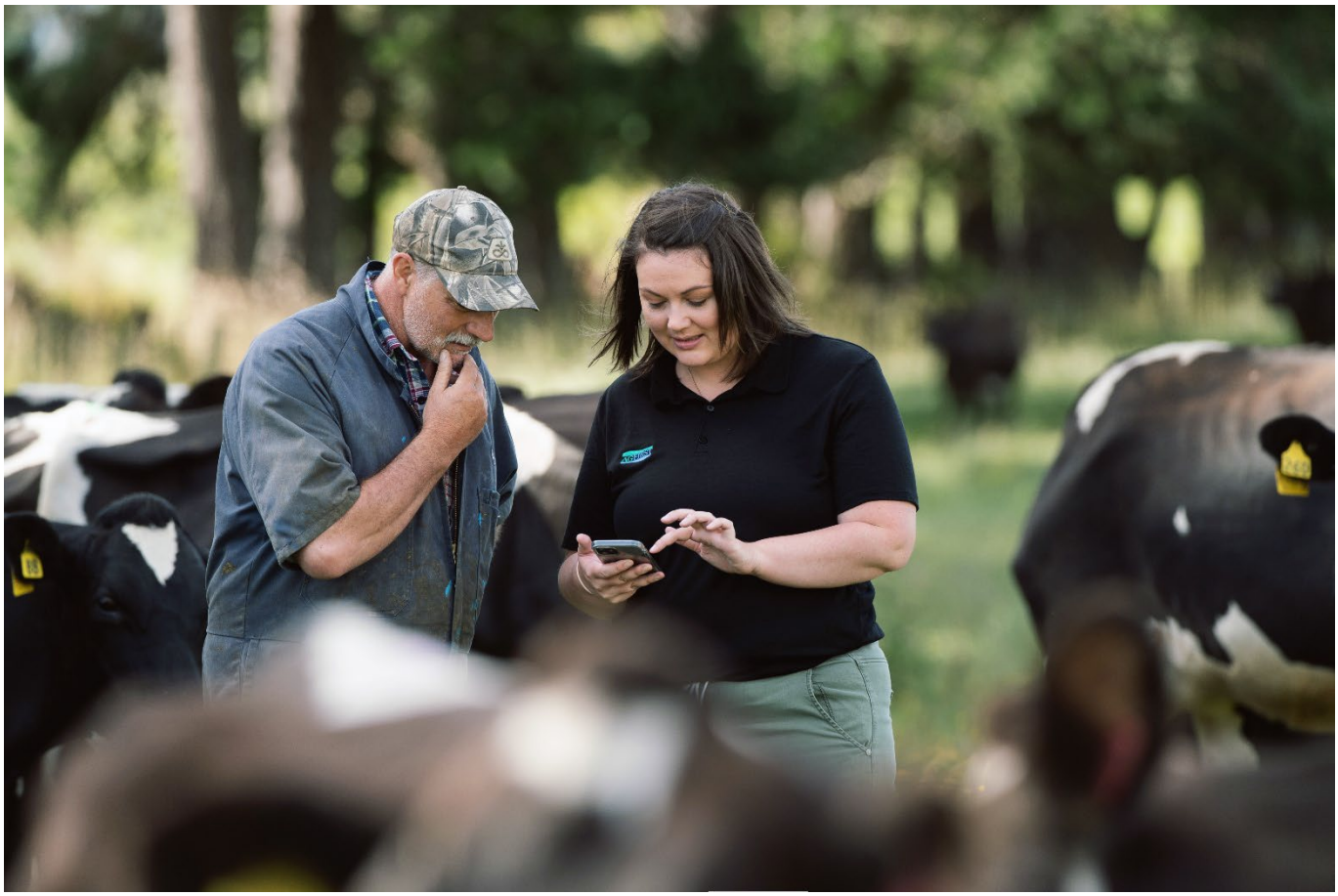
We work alongside farmers, growers, and agribusinesses throughout the country, and are experienced in implementing new technology on farms and orchards, property supervision, economic analysis, and agricultural engineering.

INFORMATION ABOUT THE MODEL

The Waikato/Bay of Plenty Dairy Model represents approximately 4,100 dairy farms across the Waikato and Bay of Plenty regions. The model is a seasonal supply farm based on an average property of 137 hectares, milking 375 cows and producing around 150,000 kg MS in a normal season. Heifers are grazed off the farm for 17 months.

The model is created from information drawn from 22 surveyed dairy farms and a cross section of agribusiness representatives. The aim of the model is to typify an average dairy farm for the Waikato/Bay of Plenty region. The model is assumed to supply Fonterra. The income and expenditure shown is on a cash in/cash out basis.

For more information on the model contact: waikato@agfirst.co.nz



KEY POINTS

- The 2025/26 season was an outstanding one for pasture growth, resulting in a 4% lift in overall milksolids production. A wet spring resulted in lower pasture quality, and many farmers fed a high energy supplement to compensate. A wet summer saw pasture growth and milk production continue, and many farmers made baleage/silage on-farm in late summer. This was followed by a mild autumn and 2026 winter.

- Going into the new season, most farms are in good heart physically; cow condition is reasonable (but could be better), pasture covers are at target levels or better, and supplementary feed inventories are also high.

- Financially, 2025/26 has been outstanding, on the back of a high payout and the capital return by Fonterra from the sale of its consumer division. Much of this capital return has been spent on-farm, with a significant proportion used for debt reduction. Many farms are currently sitting on a significant cash surplus, waiting to see how 2026/27 turns out.

- Currently, farmers are budgeting for a reduction in revenue for the 2026/27 season on the back of a return to more normal milksolids production and a reduced payout. Coupled with farm working expenses budgeted to increase across the board, the farm actually runs at a cash deficit, offset by dividend payments. In noting this, the farm does make a nett cash profit (ex the dividend), which is likely to be held in reserve until the outcome for the season is clear.

- The current budgeted breakeven payout for 2026/27 is $8.98/kg MS. If debt repayment plus development expenditure is included, then the model needs a payout of $9.73 to fully operate.

- Currently farmer morale is high. Physically, farms are going into the new season in good shape, the season just finished has been very good financially, and despite concerns around the geopolitical situation and reduced payout, spirits are high.

Table 1: Key Parameters, Financial Results and Budget for the Waikato/Bay of Plenty Dairy Model

Year ended 30 June	2022/23	2023/24	2024/25	2025/26	2026/27 Budget
Effective area (ha)	133	136	137	137	137
Cows wintered (head)	378	379	383	383	383
Replacement heifers (head)	71	71	73	73	73
Cows milked 15th December (head)	367	368	372	375	375
Stocking rate (cows/ha)	2.8	2.8	2.8	2.7	2.7
Total milksolids (kg)	142,965	142,841	148,878	154,833	151,736
Milksolids per ha (kg/ha)	1,075	1,050	1,087	1,130	1,108
Milksolids per cow milked (kg/cow)	390	388	401	413	405
MS advance to end June ($/kg)	$6.75	$6.55	$8.75	$8.15	$7.75
MS deferred payment ($)	$1.70	$1.47	$1.28	$1.41	$1.55
Net cash income ($)	1,230,468	1,202,578	1,524,523	1,572,779	1,516,489
Farm working expenses ($)	790,625	785,456	850,634	972,225	1,048,007
Farm profit before tax ($)	157,110	105,280	442,865	399,446	252,307
Farm surplus for reinvestment[1] ($)	79,064	37,185	228,458	215,618	122,460

Note:

1 Farm surplus for reinvestment is the cash available from the farm business, after meeting living costs, which is available for principal repayments, capital expenditure, and further farm development.

PHYSICAL FACTORS

The winter of 2025 was virtually a re-run of winter 2024, apart from a wider variation in cow condition. But pasture covers going into winter were high, with many over the 2,200kg DM/ha target and with a mild winter, pasture growth was good. Which meant the start of the season was off with a rush and calving proceeded relatively smoothly.

Overall, the 2025/26 season was an excellent one for pasture growth, but with a few ups and downs throughout the season. Total rainfall in 2024/25 was only 1,053 mm, with a dry summer, whereas rainfall for 2025/26 was 1,484 mm, with a wet summer, against a long-term average of 1,216mm. Rainfall over September – November was well above average so while pasture growth was good, pasture quality, especially DM and ME values were low, and many farms fed high energy supplements (i.e. maize silage) in order to compensate for the lower quality. This did have an effect on mating, and a number of farms saw a drop in their 6-week in-calf rate.

Hot dry spells over the summer were interspersed with good rainfall events, which kept the pastures growing and cows milking, and many farms made haylage/baleage/silage in late summer. The autumn continued this trend, albeit with a relatively dry May. All this meant that overall, milk production was up 4% across the region compared with 2024/25.

The good finish to the season, again coupled with the high payout, also saw many herds milk longer than normal, with some implications for body condition score heading into the new season. Unfortunately, despite the good pasture growth conditions, replacement young stock are in variable condition and many below target weights on return from grazing - a bit of “out of sight, out of mind”.

The wet spring presented some problems for growing maize, and while a number of farmers/growers managed to plant at the normal time, equally many were caught by the wet weather, with crops planted much later from mid-November to mid-December. Notwithstanding this late planting, the hot wet weather over the summer was ideal, with yield generally up 2-3 T/ha on average. The wet weather over autumn also created problems with harvesting, but in the end, all was completed. The price also increased, with standing maize selling between 25-33c/kg DM, and “in the stack” prices around 42c/kg DM.

Animal health issues have been relatively few, flowing on from the good feeding levels over the season. Lameness due to the wet weather was a feature on some farms, compounded by heavy rain washing off fine particles on races, meaning resulting surfaces were much rougher. There was also some increase in the incidence of mastitis, with some farms moving away from using dry cow therapy. In noting this, overall somatic cell counts were down on the previous season due to less stress on cows. Some farms also suffered from nitrate poisoning on newly sown pastures due to the rapid growth.

There was some incidence of the need for increased weed and pest control – the warm/wet weather encouraged weed growth as much as pasture growth, and there were some incidences around the region of cutworm or armyworm, mostly on crops.

Heading into the 2026/27 season, cow condition is reasonably good, and pasture covers on most farms are very good, well above the target of 2,200 kg DM/ha. The winter to date again has been quite mild, with current soil temperatures at or above 12^{o}C, meaning very good pasture growth. Coupled with very good supplementary feed supplies on hand, the new season is starting off on a very positive note.

The good physical conditions, combined with the outstanding financial situation in 2025/26, and expectation of another reasonable payout in the coming season, have definitely buoyed farmer morale.

FINANCIAL PERFORMANCE 2025/26

Revenue Up Slightly

Net cash income for the model is much the same (up 1%) compared with 2023/24. This was driven by a number of factors. While milksolids production was up 4%, the within season milksolids payment was well down (47c/kg MS) on 2024/25, meaning overall income for milksolids was 1% down on the previous season. Returns from cattle sales was well up (50%) due to the high beef schedule, which helped to offset the slight drop in milksolids return.

Expenditure Also Up

Farm working expenses are, overall, up by 13% compared with 2024/25. Virtually all categories saw an increase, with the main ones being:

- Total labour costs up 13% driven largely by the ongoing shortage of labour and the need to retain staff, plus increased use of casual labour
- Total feed costs up 12% due largely to increased cost rather than increased volume.
- Fertiliser expenditure increased by 24% due to the rapid escalation in costs in the autumn
- Fuel and vehicle expenditure increased by 20% and 11% respectively, driven largely by the increase in fuel costs in the autumn.
- Administration/standing charges expenditure increased by 5.5% largely driven by increases in rates and insurance
- Wearables have been included for the first time. While not quite half the monitored farms use wearables, it was included given it is increasingly used on farms

Offsetting these increases to some degree is a significant reduction (33%) in debt servicing, driven by the large reduction in interest rates, plus the good cashflow throughout the year significantly reduced overdraft levels.

Net Result

The overall net impact of the relatively static income and increased costs results in the farm profit before tax decreasing by 10% compared with 2024/25.

Further expenditure was:

- Tax liability decreases by 15%, due to the lower farm profit
- Personal drawings have increased by 12% driven in part by the capital return (discussed below)
- Capital expenditure on plant and machinery replacement increased by 12%, again driven by capital return
- Development expenditure lifts by 304%, again driven by the capital retune
- Debt repayment. The model shows a full principal repayment, with a significant additional payment from the capital return on the Fonterra shares.

While the cash surplus for the farm shows negative $172,100, this is readily offset by the dividend and capital return from Fonterra. Much of which was spent on the farm, hence the negative farm cash surplus. Overall, the farm business shows a nett cash position of $220.600 – the expectation is this will either go into further debt reduction, off-farm investment, or very likely held until the outlook for the 2026/27 season is much better understood.

Capital Repayment

A key feature of the financial year was Fonterra's capital return in April of $2.00 per share, following the sale of its consumer brands to Lactalis, along with a special dividend of $0.18/share.

Table 2: Distribution of $2/share capital return across monitored farms

Category	Proportion of the $2 capital return allocated by the monitored farms	Average across the monitored farms	Model	Model $
Debt Repayment	6 farms @100%, 1@ 90%, 2@ 50%, 3 farms @ 33-44%	48%	54%	$153,533
Farm Improvements	1 farm @100%, 4 @ 50%. 4 @ 25-33%	21%	21%	$58,570
Capital expenditure	2 farms @100%, 1 @33%	12%	12%	$33,123
Personal Expenses	3 farms @ 10-17%	2%	2%	$6,255
Still in Bank Account	1 farm @100%, 4 farms @ 27-57%	12%	12%	$34,118
Land Purchase	2 farms @ 50%	5%		
Shares	1 farm @10%	1%	Total	$285,600

FINANCIAL PERFORMANCE 2026/27

Revenue Down Slightly

There was some variation in the budgeting for milk solids production for 2026/27. But as much as 2025/26 was an outstanding pasture growth year, production for the coming season is budgeted to decrease by 2%. Coupled with the reduction in the expected payout, this reduces milk solids revenue by 3.8%.

Returns from stock sales have been held much the same as for 2025/26, with farmers expecting the beef schedule to remain high. Overall, net cash income for the year is budgeted as a 3.6% decline on 2025/26.

Expenditure Increases

Farm working expenses are budget to increase by 8% overall, driven essentially by expectations of higher prices across most items – driven by a combination of the effects of the international geopolitical situation, and higher domestic inflation.

Again, increases were expected across the board, with the main ones being:

- Total feed costs increase by 12% - while the volume remains the same, there is an expectation of increased prices.
- Fertiliser expenditure is up 8%; again, similar volumes to last year, but higher prices.
- Fuel costs increase by 15%. While prices have retreated from recent highs, the expectation is that they will remain high for most of the season relative to the pre-Iranian war situation.
- Repairs and maintenance expenditure increases by 19%. This very likely contains a component of the $2/share capital return.
- Administration and standing charges increase by 4%, essentially driven by ongoing domestic inflation.

Debt servicing cost increase by 7% due to an expectation of higher interest rates as the Reserve Bank moves to combat inflation.

Overall, farm profit before tax decreases by 33%, driven in large part by the lower income and higher farm working costs.

Net Result

Budgeted taxation payments reduce significantly in light of the lower farm profit. Drawings are held at the 2025/26 level, while capital purchase, development, and debt repayment return to pre-capital return levels.

Overall, the farm is expected to run a cash deficit of $51,100, which is then offset by the dividend payment from Fonterra. The nett cash position for the season is positive $29,800, and farmers are likely to hold this until they see how the season turns out.

Figure 1: Waikato/Bay of Plenty Dairy Model Trends in Profitability

Breakeven Payout

A calculation is shown below of the "breakeven" milk solids payout required to meet basic expenditure requirements for the model, covering farm working expenditure, debt servicing, living expenses, taxation, and capital replacement.

Table 3: Breakeven payout estimate ($/kgMS)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Budget 2026/27
Farm Working Expenses	$4.26	$4.39	$5.32	$5.74	$5.50	$5.86	$6.28	$6.91
Interest	$1.20	$1.00	$1.11	$1.61	$1.79	$1.48	$0.93	$1.01
Drawings	$0.66	$0.64	$0.71	$0.76	$0.75	$0.79	$0.82	$0.84
Depreciation	$0.46	$0.45	$0.47	$0.44	$0.39	$0.36	$0.37	$0.41
Tax	$0.10	$0.55	$0.79	$0.24	$0.12	$0.80	$0.75	$0.45
	$6.68	$7.03	$8.39	$8.79	$8.55	$9.29	$9.14	$9.60
(less) Cattle Income	$0.35	$0.29	$0.43	$0.40	$0.34	$0.47	$0.62	$0.63
Breakeven Payout	$6.33	$6.73	$7.96	$8.40	$8.21	$8.82	$8.52	$8.98
Within season payment	$7.17	$7.78	$9.34	$8.45	$8.02	$10.01	$9.51	$9.33
Difference	$0.84	$1.04	$1.38	$0.05	-$0.19	$1.19	$0.99	$0.35
Difference as % of within season payment	13.3%	15.5%	17.4%	0.6%	-2.4%	13.4%	11.6%	4.0%

[While depreciation is not a cash cost per se, it represents a real cost of maintaining plant and equipment on farm]

This shows the breakeven level reaching a relatively high level, driven largely by the increase in farm working expenditure. If development and debt repayment is added in, the model needs a payout of $9.73/kg MS to breakeven.

ISSUES

- Finding skilled labour is an ongoing issue, with a relatively small pool of skilled people available, and farmers need to get in early to sign up good staff or sharemilkers. High expectations from farmers, and wider issues, e.g. accommodation, time off, and effective hourly rates, are also crucial elements of employment that challenge the sector.

- There is some concern that grazing management skills are reducing, and that the (often) large amounts of supplement bought in are directly substituting for much cheaper pasture. If farmers are not closely monitoring their feed levels and pasture covers, then buying in supplement is an easy escape if a shortage occurs, albeit at a cost. Work by AgFirst shows that one of the key features of top performing farms is that they are harvesting upwards of an extra 2 tonne pasture DM/ha compared to an average farm.

- Wearables, e.g. electronic collars, are becoming much more common, with an estimation of up to 20-25% of farms now using them. In recognition of this, a "wearable cost' is now included in the model budget. A side issue from this, relating to the increasing use of technologies on-farm, is the need for a higher level of education to understand and operate this technology.

- While the last two season have been very good financially, a breakeven payout around the $9/kg MS mark is of concern, especially if the payout drops further.

- Overall, farmer morale is high. The 2025/26 season was an outstanding one, both physically and financially, and while there is general concern around the upcoming election, wider geopolitical situation, and the potential for a decrease in the payout, farmers are heading into 2026/27 in good spirit.

Table 4: Monitored Farm Expenditure ($/kg MS)

2025/26	**Mean**	**Median**	**Lowest**	**Highest**
FWE	$6.60	$6.53	$4.47	$8.73
Interest	$0.90	$1.08	$0.01	$3.36
Feed	$2.23	$2.14	$1.58	$3.25
2026/27	**Mean**	**Median**	**Lowest**	**Highest**
FWE	$6.80	$6.51	$4.47	$8.11
Interest	$0.85	$1.10	$0.01	$2.65
Feed	$2.27	$2.23	$1.54	$3.27

Table 5: Waikato/Bay of Plenty Dairy Model Budget

	2025/26			2026/27 Budget		
	Whole Farm ($)	**Per Cow ($)**	**Per kg of milk solids ($)**	**Whole Farm ($)**	**Per Cow ($)**	**Per kg of milk solids ($)**
Revenue						
Milk solids	1 471 808	3 925	9.51	1 415 949	3 776	9.33
Cattle	107 771	287	0.70	107 740	287	0.71
Other farm income	5 200	14	0.03	5 600	15	0.04
Less:						
Cattle purchases	12 000	32	0.08	12 800	34	0.08
Net cash income	**1 572 779**	**4 194**	**10.16**	**1 516 489**	**4 044**	**9.99**
Farm working expenses	**972 225**	**2 593**	**6.28**	**1 048 007**	**2 795**	**6.91**
Cash operating surplus	**600 554**	**1 601**	**3.88**	**468 482**	**1 249**	**3.09**
Interest	143 780	383	0.93	153 421	409	1.01
Rent and/or leases	0	0	0.00	0	0	0.00
Stock value adjustment	0	0	0.00	0	0	0.00
Minus depreciation	57 328	153	0.37	62 753	167	0.41
Farm profit before tax	**399 446**	**1 065**	**2.58**	**252 307**	**673**	**1.66**
Income equalisation	0	0	0.00	0	0	0.00
Taxation	113 655	303	0.73	65 100	174	0.43
Farm profit after tax	**285 791**	**762**	**1.85**	**187 207**	**499**	**1.23**
Allocation of funds						
Add back depreciation	57 328	153	0.37	62 753	167	0.41
Reverse stock value adjustment	0	0	0.00	0	0	0.00
Drawings	127 500	340	0.82	127 500	340	0.84
Farm surplus for reinvestment[1]	**215 618**	**575**	**1.39**	**122 460**	**327**	**0.81**
Reinvestment						
Net capital purchases	90 000	240	0.58	60 000	160	0.40
Development	60 000	160	0.39	40 000	107	0.26
Principal repayments	237 707	634	1.54	73 595	196	0.49
Farm cash surplus/deficit	**- 172 089**	**- 459**	**-1.11**	**- 51 135**	**- 136**	**-0.34**
Other cash sources						
Dividend on shares	107 100	286	0.69	80 947	216	0.53
Capital Repayment	285 600	762	1.84	0	0	0.00
Introduced funds	0	0	0.00	0	0	0.00
New borrowings	0	0	0.00	0	0	0.00
Off-farm income	0	0	0.00	0	0	0.00
Net cash position	**220 611**	**588**	**1.42**	**29 812**	**79**	**0.20**
Assets and Liabilities						
Farm, forest and building (opening)	6 531 196	17 417	42.18	6 570 383	17 521	43.30
Plant and machinery (opening)	358 046	955	2.31	394 339	1 052	2.60
Stock valuation (opening)	1 177 944	3 141	7.61	1 177 944	3 141	7.76
Dairy company shares	676 872	1 805	4.37	668 879	1 784	4.41
Other farm related investments (opening)	0	0	0.00	0	0	0.00
Total farm assets	**8 744 057**	**23 317**	**56.47**	**8 811 545**	**23 497**	**58.07**
Total liabilities (opening)	**2 809 812**	**7 493**	**18.15**	**2 577 105**	**6 872**	**16.98**
Total equity (assets-liabilities)	**5 934 245**	**15 825**	**38.33**	**6 234 440**	**16 625**	**41.09**

[1] Farm surplus for reinvestment is the cash available from the farm business, after meeting living costs, which is available for investment on the farm or for principal repayments. It is calculated as farm profit after tax plus depreciation plus stock adjustments less drawings.

Table 6: Waikato/Bay of Plenty Dairy Model Expenditure

	2025/26			2026/27 Budget		
	Whole Farm ($)	**Per Cow ($)**	**Per kg of milk solids ($)**	**Whole Farm ($)**	**Per Cow ($)**	**Per kg of milk solids ($)**
Farm working expenses						
Permanent wages	91 352	244	0.59	91 421	244	0.60
Casual wages	23 225	62	0.15	22 760	61	0.15
ACC	3 057	8	0.02	3 460	9	0.02
Total labour expenses	**117 634**	**314**	**0.76**	**117 642**	**314**	**0.78**
Animal health	60 750	162	0.39	63 000	168	0.42
Breeding	34 500	92	0.22	35 250	94	0.23
Dairy shed expenses	21 375	57	0.14	21 750	58	0.14
Electricity	26 813	72	0.17	27 750	74	0.18
Feed (hay and silage)	99 000	264	0.64	113 400	302	0.75
Feed (feed crops)	36 000	96	0.23	40 000	107	0.26
Feed (grazing)	82 342	220	0.53	83 512	223	0.55
Feed (other)	108 600	290	0.70	129 600	346	0.85
Fertiliser	86 016	229	0.56	93 268	249	0.61
Lime	0	0	0.00	0	0	0.00
Freight (not elsewhere deducted)	9 000	24	0.06	9 375	25	0.06
Regrassing costs	17 250	46	0.11	17 250	46	0.11
Weed and pest control	7 875	21	0.05	8 625	23	0.06
Fuel	18 000	48	0.12	20 625	55	0.14
Vehicle costs (excluding fuel)	33 750	90	0.22	34 500	92	0.23
Repairs and maintenance	69 375	185	0.45	82 500	220	0.54
Total other working expenses	**710 646**	**1 895**	**4.59**	**780 405**	**2 081**	**5.14**
Communication costs (phone, mail)	3 945	11	0.03	4 125	11	0.03
Accountancy	11 201	30	0.07	11 625	31	0.08
Legal and consultancy	10 500	28	0.07	10 875	29	0.07
Other administration	18 506	49	0.12	19 875	53	0.13
Wearables	17 550	47	0.11	17 625	47	0.12
Rates	25 500	68	0.16	27 000	72	0.18
Insurance	23 250	62	0.15	24 375	65	0.16
ACC Employer	4 618	12	0.03	4 618	12	0.03
Other expenditure[1]	28 875	77	0.19	29 842	80	0.20
Total overhead expenses	**143 946**	**384**	**0.93**	**149 960**	**400**	**0.99**
Total farm working expenses	**972 225**	**2 593**	**6.28**	**1 048 007**	**2 795**	**6.91**
Calculated Ratios						
Economic farm surplus (EFS[2])	433 226	1 155	2.80	295 728	789	1.95
Farm working expenses/NCI[3]	62%			69%		
EFS/total farm assets	5.0%			3.4%		
EFS less interest and lease/equity	4.9%			2.3%		
Interest + rent + lease / NCI	9.1%			10.1%		
EFS/NCI	27.5%			19.5%		

[1] Includes DairyNZ levy, and M. Bovis levy.

[2] EFS (Economic Farm Surplus) is calculated as follows: net cash income plus change in livestock values less farm working expenses less depreciation less wages of management (WOM). WOM is calculated as follows: $55,000 allowance for labour input plus 1 percent of opening total farm assets to a maximum of $110,000.

[3] Net cash income.

AgFirst Waikato
Waikato Innovation Park,
PO Box 9078, Hamilton 3240
Ph: 07 839 2683

AgFirst Central
ANZ House, Level 1
PO Box 976, Rotorua 3010
Ph: 07 349 4333