

# MACALISTER RESEARCH FARM CO-OPERATIVE LIMITED

## ANNUAL REPORT 2005

### Notice of Annual General Meeting

Notice is hereby given that the 46<sup>th</sup> Annual General Meeting of the Co-operative will be held at the Macalister Research Farm, Boggy Creek Rd, Riverslea on Wednesday October 12<sup>th</sup>, 2005 at 10.00 am

#### Agenda

1. Confirm the Minutes of the 45<sup>th</sup> Annual General Meeting of the Macalister Research Farm Co-operative Ltd. held on October 28<sup>th</sup>, 2004.
2. Receive and consider the Reports of the Chairman and Directors.
3. Receive and consider the Financial Reports and Auditor's Report for the year ended June 30<sup>th</sup>, 2005.
4. Election of Directors.
5. Fix remuneration.
6. Any other business or resolution that the Chairman may permit.

By order of the Board,  
R. Pitman, Secretary.

#### Directors

# Dr M. Larcombe - Chairman

# Mr T. Henry

\* Mr B. Walker - Deputy Chairman

\* Mr T. Platt

# Mr J. Berryman

\* Mrs M. Stewart

\* Mr G. Green

# Retire 2005 \* Retire 2006

Auditors: Armitage Downie, Sale

Bankers: Commonwealth Bank

### Notice of Annual Field Day

The Macalister Research Farm's Annual Field Day will be held at the Farm, immediately after the AGM, commencing at 10.30 am on Wednesday October 12<sup>th</sup>

#### Field Day Programme

1. Analysis of MRF's physical and financial performance in 2004/5
2. Future options for MRF
  - Is the Research Farm still relevant to MID dairyfarmers?
  - If so, what fields of demonstration and/or research should it pursue?
3. Farm inspection
4. Light luncheon – provided by MRF

**All visitors will be welcome to both the AGM and Field Day**

## **MACALISTER RESEARCH FARM CO-OPERATIVE LIMITED**

### **CHAIRMAN'S REPORT**

It is with disappointment that I report that your Co-operative again operated at a loss during the last financial year despite the improved prices for milk paid last year. The loss reported for the year 2004/05 was \$9,815. This compares with a loss of \$56,225 in 2003/04 and a loss of \$145,655 in 2002/03. As I indicated last year, the Board and Management are very aware that the Co-op must be returned to profitability and the farm must be placed in a position that will enable it to generate sustainable profits into the future.

The Board and Management identified four major strategies to adopt if long term sustainable profits are to be generated by the Co-op, and these were implemented during the second half of the year. The Board budgeted on a profit at the beginning of last season and the farm ran on budget until March. However, two of the strategies implemented in the autumn resulted in higher costs and lower profitability during the last quarter of the year contributing to the reported loss.

The first strategy implemented to improve the long term viability of the farm was to enter into a lease arrangement on 53 hectares of land adjacent to the farm. The Co-operative is highly geared and the losses reported in previous seasons reflect the vulnerability of the farm to drought and shortages of irrigation water. It was decided that the farm needed to secure an additional 154 ML of water so that the whole of the home farm could be irrigated when 100% of water right was available. When additional "opportunity" water was available while Glenmaggie was spilling or later in the season, it could be used to irrigate the lease block to generate fodder reserves for the winter, and perhaps carry some replacements. The aim of the lease block was to provide water security, and winter feed for the herd.

The Board's analysis of leasing land indicated that this was the least cost option for improving the water security of the farm. The strategy would only yield a small increase in profitability; however by increasing the land and water assets available to feed the herd, a substantial reduction in risk was achieved. The additional land lease was taken on early in the autumn, and a large part of the land was renovated to improved pastures. This added significantly to the costs during the last quarter, and the benefits are only now being realised.

The second strategy adopted by the Board and Management was to continue the pasture improvement program for the home farm. We have concluded that maximising pasture production from the inputs of water and fertiliser is one strategy that will contribute to sustainable long term profits. However, in retrospect, the area renovated last autumn was too great resulting in pasture shortfalls during May, June and July that increased the demand for supplementary feed. While this reduced the farm's profitability during the autumn, we are hopeful that the improved pastures on the farm during the coming year will be reflected in an improved bottom line.

Grain is the Co-op's largest expense. The grain crushing system at the dairy could not cope with providing a reliable and adequate supply of crushed grain to the herd. This resulted in the need to purchase pellets and pre-crushed grain during the season. With a target herd size of 450 to 500 cows, and an expected throughput of 600 to 800 tonnes of grain per year, the Board decided that a new crushing system should be installed to capture the savings available through purchasing bulk grain. It was concluded that the renovation and expansion of the crushing system would pay for itself over two years, and leave the farm in a stronger financial position in the future. The improvement of the grain feeding system also enables the herd to be fed a

pellet containing appropriate buffers and minerals. This means that the farm has the capacity to feed heavily when stocking rates, milk prices, and grain prices dictate such an approach.

The farm is now operating on a 50% share farming arrangement, where all running costs of the farm are shared with the Managers. This means that the Co-op must meet its “personal” obligations of approximately \$30,000 per annum and fund its debt of \$909,000 from an effective herd of 200-250 cows. It is the Board’s view, that under such conditions there is little prospect of the commercial farm generating substantial surpluses that can be used for extension activities for many years to come. Any surpluses generated should be directed to appropriate capital improvement and debt reduction when they are available.

The Board has implemented a policy that any extension work conducted on the farm must come at no cost to the commercial enterprise. With this policy in place, the Board will continue to seek opportunities to obtain external funding for small scale projects and appropriate extension. However, previous experience would suggest that obtaining funding without seed funding for writing funding applications, and without matching funding for projects, makes it difficult to obtain. It is likely that the farm will only be capable of providing small scale reporting as its extension effort in the coming years.

With the generous support of Genetics Australia, which contributed \$7,300 to the farm’s extension program, and the continued administrative support provided by Gippsland Herd Improvement, the Co-op has been able to continue to provide informative articles in the local paper, GHI Farmer, and continuing our reporting on ABC radio. We thank Richard Churchly for his efforts in providing this reporting.

The Board revised the goals and objectives of the Co-op during the year. It confirmed the mission of the farm is "To demonstrate to dairy farmers, the benefits and costs of implementing techniques that will potentially improve the returns to their labour and capital in a manner that is sustainable and manageable". The Board will continue to review the most appropriate methods available to the Co-operative in order to achieve that mission. I have included a copy of the Board’s current policy and position paper in this report to expand on this.

Managing the co-operative is a challenging and difficult task at present and I thank my fellow directors for the enthusiasm and dedication that they show towards this task. All the members of the Board are busy running their own dairy enterprises, and despite the pressures of time make a significant contribution to the Co-operative. With limited resources, the Board relies heavily on our managers, Peter and Jenny Rosenberg, and I sincerely thank them for their efforts. We can all identify the improvements they have made to the farm, and I congratulate them on the independent and professional manner in which they manage our business. We also rely heavily on Bob Pitman who completes all our administrative duties and I thank Bob again for his continued support.

The Co-op is still vulnerable, as the production system employed last season was still not capable of generating a profit. The Board and Management are confident that the steps taken during the autumn will put the farm in a position of profitability in the coming year, and will move the farm towards a position where it can weather the next downturn in milk price, or the next drought when it arrives.

Michael Larcombe  
Chairman

**FINANCIAL PERFORMANCE OF THE COMMERCIAL FARM**  
(assuming it to have been owned and operated by a single operator)

<b>Farm production:</b>	<b>04/05</b>	<b>03/04</b>
Irrigated hectares	120	120
Milking cows	420	405
Litres	2,335,150	2,000,555
Fat	99,945	85,870
Protein	79,540	67,410
Fat %	4.28	4.29
Prot %	3.41	3.37
Litres per cow	5,560	4,940
Kg fat per cow	238	212
Kg protein per cow	189	166
<b>Supplementary feed purchases:</b>		
Grain/pellets (t)	501	454
Grain by-products (t DM)	325	0
Hay (t)	370	104
Silage (t DM)	72	
Nitrogen (t)	51	30
<b>Fertiliser applications:</b>		
Phosphorus (t)	9	6
Potassium (t)	7	4
Sulphur (t)	8	3
<b>Milk Price</b> (cents per litre)	33.37	26.99
(\$ per kg solids)	4.34	3.52
<b>MILK INCOME (\$)</b>		
Milk Sales	779,235	539,851
<b>TOTAL MILK INCOME</b>	<b>779,235</b>	<b>539,851</b>
<b>FARM OPERATING COSTS (\$)</b>		
<b>Feed Costs</b>		
<b>Supplements</b>		
Agistment	48,999	48,279
Conservation	2,924	10,186
Grain	136,965	111,808
Hay	58,890	17,193
Grain by-products	48,395	
Nitrogen	55,128	30,736
<b>Total Supplements</b>	<b>351,301</b>	<b>218,202</b>
<b>Other Feed</b>	<b>04/05</b>	<b>03/04</b>
Fertiliser	27,738	16,997
Fuel and Oil	11,408	4,594
Irrigation	40,186	33,825
Cropping	14,583	237
Rented land	11,597	
<b>Total Other Feed</b>	<b>105,512</b>	<b>55,653</b>
<b>Total Feed Costs</b>	<b>456,813</b>	<b>273,855</b>
<b>Herd Costs</b>		
Semen	7,300	11,430
Insemination	2,651	2,946
Miscellaneous Breeding Costs	2,874	1,551
Calf Rearing	12,099	3,805
Herd Test	3,550	4,217
Mastitis	4,874	7,100
Herd Health	20,595	13,593
<b>Total Herd Costs</b>	<b>53,943</b>	<b>44,641</b>
<b>Shed Costs</b>		
Detergents and Supplies	5,786	3,576
Power	3,172	6,567
Rubberware	950	893
<b>Total Shed Costs</b>	<b>9,908</b>	<b>11,035</b>

<b>Labour Costs</b>		
Sharefarmer's share of income	389,617	
less Sharefarmer's share of costs	(261,665)	
Contract Manager (Feb-June)	0	51,902
Manager (July - Feb)	0	37,941
Farm Workers	0	33,259
WorkCover for Farm Staff	596	5,182
<b>Total Labour Costs</b>	<b>128,548</b>	<b>128,283</b>
<b>TOTAL FARM OPERATING COSTS</b>	<b>649,211</b>	<b>457,815</b>
<b>TOTAL FARM OPERATING SURPLUS</b>	<b>130,024</b>	<b>82,036</b>
<b>ADDITIONAL FARM INCOME</b>	<b>04/05</b>	<b>03/04</b>
Cattle Trading - Gross Profit	26,467	24,460
Calf Sales	7,871	5,888
Rebates	3,602	1,506
Sale of surplus machinery	42,900	
Dairy Adjustment Package	14,388	14,388
Interest Subsidy	0	0
<b>Total Additional Farm Income</b>	<b>95,227</b>	<b>46,242</b>
<b>ADDITIONAL NON FARM INCOME</b>		
Interest Received	0	0
Dividends Received	6,506	3,103
House rental	0	2,400
<b>Total Additional Non Farm Income</b>	<b>6,506</b>	<b>5,503</b>
<b>TOTAL ADDITIONAL INCOME</b>	<b>101,733</b>	<b>51,744</b>
<b>OVERHEAD COSTS</b>		
Depreciation	41,495	53,012
Repairs and Maintenance	28,750	36,509
Pasture Renovation	7,295	5,294
Occ. Health and Safety	325	442
Rates	4,864	5,472
Administration	1,324	1,774
UDV Subscription	420	720
Insurance	2,980	2,604
Rent of four-wheelers	2,022	3,536
<b>TOTAL OVERHEAD COSTS</b>	<b>89,475</b>	<b>109,362</b>
<b>FINANCE COSTS</b>		
Bank Fees	1,120	931
Borrowing Costs	0	1,138
Interest - New Farm Loan (Comm Bank)	46,058	44,584
Interest - Tractor loan (NAB)	4,095	2,091
Interest - DAP Loan (Bank of Melb)	2,540	3,203
Interest - Short Term Loan (Murray Goulb)	0	1,810
Interest - Cattle Loan (Suncorp)	6,354	4,270
Interest on overdraft	6,039	847
<b>TOTAL FINANCE COSTS</b>	<b>66,206</b>	<b>58,873</b>
<b>TOTAL FARM INCOME</b>	<b>880,968</b>	<b>591,596</b>
<b>TOTAL FARM COSTS</b>	<b>804,892</b>	<b>626,051</b>
<b>NET FARM INCOME</b>	<b>76,076</b>	<b>(34,455)</b>

## FIVE YEAR FARM PERFORMANCE SUMMARY

	2004/5	2003/04	2002/03	2001/02	2000/01
Irrigated hectares	120	120	120	80	80
Milking Cows	** 420	* 405	370	308	307
<b>Litres – total</b>	<b>2,335,150</b>	<b>2,000,555</b>	<b>1,600,855</b>	<b>1,909,601</b>	<b>1,816,690</b>
litres/cow	5,560	4,940	4,327	6,200	5,918
litres/ha	19,460	16,671	13,340	23,870	22,709
<b>Fat - total kg</b>	<b>99,945</b>	<b>85,870</b>	<b>66,506</b>	<b>81,981</b>	<b>78,192</b>
kg/cow	238	212	180	266	255
kg/ha	833	716	554	1,025	977
<b>Protein - total kg</b>	<b>79,540</b>	<b>67,410</b>	<b>51,434</b>	<b>64,318</b>	<b>61,990</b>
kg/cow	189	166	139	209	202
kg/ha	663	562	429	804	775
Milk Income \$	779,235	539,851	392,823	619,513	570,428
Cattle Trading Profit \$	26,467	24,460	11,630	63,744	32,056
Calf Sales \$	7,871	5,888	3,170	9,249	4,862
<b>Total Farm Income \$</b>	<b>880,968</b>	<b>591,596</b>	<b>439,515</b>	<b>722,350</b>	<b>632,269</b>
<b>Grain tonnes</b>	<b>*** 826</b>	<b>454</b>	<b>102</b>	<b>519</b>	<b>568</b>
Grain \$	185,360	110,348	30,400	149,392	132,461
<b>Hay tonnes</b>	<b>370</b>	<b>104</b>	<b>98</b>	<b>167</b>	<b>553</b>
Hay \$	58,890	17,193	18,814	27,330	73,691
<b>Nitrogen tonnes</b>	<b>51</b>	<b>26</b>	<b>43</b>	<b>25</b>	<b>18</b>
Nitrogen \$	55,128	30,736	48,281	25,563	18,397
Supplementary Feed Costs \$	351,301	216,742	158,936	272,141	271,234
Irrigation Water ML	999	898	728	468	540
Irrigation Water \$	40,186	33,825	25,028	12,214	14,912
<b>Total Feed Costs \$</b>	<b>456,813</b>	<b>273,855</b>	<b>192,963</b>	<b>293,076</b>	<b>302,186</b>
Feed Costs/cow	1,088	676	522	952	984
<b>Total Herd Costs \$</b>	<b>53,943</b>	<b>44,641</b>	<b>42,677</b>	<b>40,943</b>	<b>40,816</b>
Herd Costs/cow	128	110	115	133	133
<b>Total Shed Costs \$</b>	<b>9,908</b>	<b>11,035</b>	<b>9,355</b>	<b>11,359</b>	<b>10,880</b>
Shed Costs/cow	24	27	25	37	35
<b>Total Labour Costs \$</b>	<b>128,548</b>	<b>128,283</b>	<b>122,045</b>	<b>111,286</b>	<b>106,359</b>
Labour Costs/cow	306	317	330	361	346
Finance Costs \$	66,206	58,873	67,783	14,142	10,882
<b>Total Farm Operating Costs \$</b>	<b>649,211</b>	<b>457,814</b>	<b>367,041</b>	<b>457,339</b>	<b>460,718</b>
Farm Operating Costs/cow	1,546	1,130	992	1,485	1,501
<b>Total Farm Operating Surplus \$</b>	<b>130,024</b>	<b>83,496</b>	<b>25,782</b>	<b>162,174</b>	<b>109,710</b>
Operating Surplus/cow	310	206	70	527	357
<b>Feeding Performance</b>					
(Milk Income less Supp Feed Costs)	427,934	323,109	233,887	347,372	299,194
Feed Performance/cow	1,019	798	632	1,128	975
<b>Feed Performance/ha</b>	<b>3,566</b>	<b>2,693</b>	<b>1,949</b>	<b>4,342</b>	<b>3,740</b>

\* This figure includes an additional 80 cows purchased in Nov 2003

\*\* This figure includes an additional 100 cows carried (on loan) in May/June

\*\*\* This figure includes 501 tonnes of grain and 325 tonnes of grain by-products

## PASTURE RENOVATION PROGRAMME

With over half the farm either having been sown to new perennial pastures in the last one or two years or included in a resowing programme this year, the potential for improved pasture production and pasture consumption is increasing all the time. The farm is well on the way to achieving the increased productivity goals set by the Board and the management team early last year.

The pasture gains have not been without the occasional disappointing result that frequently occurs during any pasture improvement programme. These poorer results highlighted a number of issues that need to be considered to help to achieve success.

Summer cropping has become an integral part of the programme when paddocks have had significant summer weed problems such as distichum. Last summer both sorghum and millet were sown, but as has been shown over the years the Macalister area is marginal for tropical grasses like sorghum. The mild summer and low initial soil temperatures resulted firstly in uneven crop emergence and then in slow growth. This allowed weeds to develop and add further pressure to the crop growth. Another problem with the sorghum was the amount of trash left where growth was good leading to difficulties in seedbed preparation for the pasture after the crop. Forage sorghum is unlikely to be sown again.

The millet crops on the other hand proved to be successful both in terms of dry matter production and feed quality. According to the Macalister Fodder Crop Survey 2005 conducted by Kate Mirams, DPI Maffra, the millet crop produced almost 10 t/ha of dry matter with a feed test indicating 10.2 ME and 21.8% protein. This feed test would have fallen away quickly after February as the crop becomes stemmy and at that time any further growth should be sacrificed to allow an early sowing of the following ryegrass pasture. The millet, which was sown in late November, could have produced more had it been sown earlier. Research at the farm during the 1960's and 70's showed that while millet is sensitive to low soil temperatures, there is a significant yield penalty for every weeks delay in sowing after about the middle of October. If possible the millet will need to be sown earlier this year and the resowing to pasture next autumn will also be earlier to improve on the overall energy production from the paddocks.

Another good lesson was the need to sow pasture early in the autumn. Pastures were sown from early March through to May. The March sown pastures were ready for the first grazing in April while the May sown pasture had its first grazing in August.

While most of the more successful new pastures have been established following spraying with Roundup, a number of paddocks have been oversown without this step. This practice may be successful in open pastures but indications are that the productivity gains in the more weedy pastures are not particularly significant. Low soil fertility will contribute to these failures and this is very evident in several paddocks where although the new seedlings are obvious, there is little growth other than in fertility patches. This highlights the need to address soil fertility issues before undertaking any pasture renovation.

The dominant perennial ryegrass variety being sown at the farm currently is Matrix although often in a mix with either Extreme or Banquet. In the paddock demonstration sown in autumn 2004, where 10 varieties are being assessed, Matrix has consistently been the most productive with the last measurement taken in August showing a 10% greater dry matter production than the next most productive variety, Impact, and over 80% greater growth than the poorest variety, Sierra. Apart from serving as a monitor for variety growth, these side-by-side strips have also been valuable in allowing an assessment of any varietal effect on the ever present problem of ryegrass pulling, particularly in the autumn. The significance of this problem was highlighted in one paddock of Matrix that was sown in the autumn of 2004 and showed very high growth rates over the late winter to late summer period of last year. As a result of the pulling of ryegrass plants this autumn, the Matrix pasture has significant open areas that have contributed to a decline in growth rates measured at this time last year of over 90 kg of dry matter /ha/day and now down to about 60 kg/ha/day. Although the problem was more significant in this paddock than in others, an assessment of the different varieties in the side-by-side strips indicated that all varieties showed similar levels of pulling.

## PASTURE RENOVATION PROGRAMME (cont.)

The problem in the matrix paddock appears to be soil related and possibly influenced by the spring grazing allowing too much pasture residue after grazing. Research suggests that lax grazing at this time will reduce new tiller development and hence reduced root anchorage over the summer and into early autumn.

Richard Churchley  
Consultant

### RESULTS AND OBSERVATIONS FROM RYEGRASS TRIALS AT MRF

10 perennial ryegrasses were planted by direct drilling in late April 2004.  
The end of the paddock was used to run out the drill. The area has been measured 11 times in total.

#### Yields from measurements taken:

Cultivar	Total DM yield	DM Gain over Nui Kg DM/Ha	\$ Gain
Nui	5,641	0	<b>0</b>
Duo	6,287	646	<b>194</b>
Sierra	7,348	1707	<b>512</b>
Cordoba	7,488	1847	<b>554</b>
Bronsyn	9,856	4215	<b>1264</b>
Impact	10,342	4701	<b>1410</b>
Renovator 850 ARI	10,638	4997	<b>1499</b>
Extreme	10,922	5281	<b>1584</b>
Banquet	11,698	6057	<b>1817</b>
Matrix	12,467	6826	<b>2048</b>

Note. The above gains are estimates only

We have made conservative estimates based on 1 litre of milk per 1 kg of extra Dry Matter consumed.  
Milk Price 30 cents per litre.

In summary, it would be fair to say the growth rates of the lowest yielding four cultivars are not acceptable. At the top end, Matrix out yielded the other perennial ryegrasses in this site, due to its very high tiller density. Although the yield often looked similar to other cultivars, measurements proved Matrix to be the top yielder.

Peter Notman  
Notman Agricultural Services



**MACALISTER RESEARCH FARM CO-OPERATIVE LIMITED**  
**Board Position and Policy Statement – September 2005**

**1. Background to the Board's current policies.**

- MRF is a co-operative, which, since its formation in 1961, has enlisted around 600 shareholders (mostly farmers). Its major purpose has always been and still is to test and demonstrate systems of farming that have the potential for improving farm profitability and sustainability in the Macalister Irrigation District (MID). It does not pay dividends to shareholders and is income tax exempt. Any profits made by the Co-op are directed to research, demonstration and education.
- To achieve its major purpose, MRF owns and operates a commercial dairy farm at Riverslea, near Maffra. To maintain the farm's long term viability, its size has been progressively increased over the years, through strategic purchases of land and cows.
- In its 44 years of operation, MRF has conducted numerous demonstrations and research projects on a wide range of farming systems and practices. As a result, it has done much to enhance the development of dairy farming in the Macalister Irrigation District, as well as elsewhere in Australia.
- Initially, MRF received substantial financial and staffing support from the Victorian Department of Agriculture. In the early 90s, when the Department of Agriculture changed its focus for research and extension, and largely withdrew its support for MRF, the Co-operative used part of its farm income to employ a part-time project manager to continue and further develop its demonstration function.
- In 1998, the Co-op was successful in procuring sufficient short term funds (as matching grants from NHT and DRDC) for the Co-op to employ a full time project manager for three years (from 1999 to 2002) to conduct several major research and demonstration projects, which were (and still are) of considerable relevance to dairyfarmers throughout Australia, as well as MID farmers.
- During the period 1999 to 2002, the farm milked 300 cows as two herds on 80 hectares through a 20 unit swing over dairy. The dairy yard at this time had the capacity to hold 250 cows. At the end of the split herd demonstration, the yard was inadequate to hold the total herd and the 20 unit shed was an inefficient size for two operators. The farm next door also came on the market. The options available were to reduce the herd size and employ a single milker to milk the herd, or to expand the shed to make it efficient for two labour units, purchase additional land, and increase the herd size. The latter option was chosen as reducing the scale of the farm would not have provided sufficient funds in the long term to maintain our extension program.
- Thus, in 2002, MRF purchased an additional 120 acres of land and expanded the dairy yard and shed (to 28 swing-over) so that the farm has the capacity to milk up to 500 cows. Unfortunately, this move coincided with a severe drought in the MID; and the combined effect of the land purchase, shed improvement, and drought was to increase debt load from \$185,000 to \$921,000 over two years.
- The farm is currently milking 400 cows with the labour provided by a share farmer, who provides plant and equipment and operates on a 50 percent share (of both milk income and all running costs, including herd, shed and feed costs).
- The Co-op continues to run a small-scale extension program, which provides informative articles for the local press and radio, and is fully funded from grants received.

**2. MRF's Mission**

To demonstrate to dairyfarmers, the benefits and costs of implementing techniques that will potentially improve the returns to their labour and capital in a manner that is sustainable and manageable.

**3. Objectives**

To achieve the above Mission, MRF will:

- Operate a commercially viable and profitable business;
- Regularly seek out alternative management techniques that have the potential for improving the returns to farm labour and capital;
- Demonstrate those techniques that, after thorough examination, appear to have useful roles to play on local farms;

- Keep shareholders, dairyfarmers and other interested parties fully informed, at all times, on the benefits and costs of implementing all management techniques demonstrated at the Farm;
- Conduct research activities to help identify improved management techniques;
- Provide facilities for approved research and development activities by other organisations;
- Support agricultural education in the MID.

#### **4. Operating Strategies**

- Stocking Rate:

The Board believes the optimum stocking rate for the farm at long term average grain prices and a milk price of \$7 to \$7.50 per kg Milk Solids is 4 to 4.5 cows per hectare – or around 500 cows on MRF's 120 hectares. A heavier stocking rate would expose the farm to too much risk if milk prices were to fall, grain price increase, or water become unavailable. Given present stock numbers, a build-up to 500 cows, through breeding, will take up to 3 years. At current debt levels and cow prices, the purchase of additional cows has been ruled out.

- Production Targets:

MRF's feeding system is based on home grown pasture supplemented with grain – i.e. no bought-in hay for milking feed. All young stock are reared off the farm. Annual target for pasture production is 13 tonnes Dry Matter per ha. – i.e. 3.13 tonnes Dry Matter per cow; to be supplemented with around 1.5 tonnes grain per cow. Annual target for milk production is 6,500 litres per cow (@ 4 % fat and 3 % protein) – i.e. 455 kg MS per cow.

Heifer replacements are reared by the most cost effective means to reach liveweight targets (at calving) of 550 kg for Friesians, 500 kg for Crossbreds, and 450 kg for Jerseys.

- Land/ Water Requirements

To achieve the above targets MRF needs to secure an extra 150 ML water (to supplement its existing water right of 413 ML, groundwater licence of 193 ML, and drainage licence of 86 ML). This will ensure that the entire home farm can be irrigated with 100 percent of water right. The most cost effective way of achieving this in the medium term is likely to be by leasing land, with water attached.

The Board has accepted an offer by Sharefarmer Peter Rosenberg to share the lease of 53 ha (close to the Farm), with a water right of 154 ML, at a cost of \$26,000 a year, for 3 years, with an option for a further 3 years. All costs (including labour) associated with operating the leased land are shared 50:50 between MRF and Sharefarmer. In choosing to accept this offer, the Board anticipated it would generate only a small increase in profitability, but a large reduction in risk.

#### **5. Strategy for Securing Future Viability and Sustainability**

- Dairy Development

The yard expansion at the dairy was conducted in such a way that a rotary dairy could be installed in the future if required. Current analysis by the Board indicates that a rotary dairy could not be justified without modification to the existing share arrangement. In consultation with our share farmer, this possibility was investigated but it was concluded that the benefits from installing a rotary dairy could not justify the costs.

- Land/ Irrigation Development

Much of the recently acquired western section of the farm (Grady's) requires further development to improve water use efficiency. A large part of this farm currently uses 2 ML/ha at an irrigation. Development will be achieved in the short term by upgrading bay outlets (from 6 inch pipes to high flow outlets) on the 15 lasered bays - @ around \$8,000 for 20 outlets; and in the longer term by the installation of fixed sprinklers - @ around \$10,000 per hectare.

A turkey's nest water storage on 'Grady's' will be constructed in the medium term to allow more efficient use of drainage water than at present.

Paddocks 8 and 9 (5 hectares) on the home farm will be regraded to improve water use efficiency and allow pasture improvement in that area. This will cost around \$12,000

- Securing Additional Water

With no capital available for purchasing additional water right, the leasing of land and water is seen as the preferred option for securing extra water in the medium term.

- Maintenance of Infrastructure

While the above new developments are required for securing viability, so also are several key maintenance tasks. Several of the farm's assets, including haysheds, meeting rooms, toilets and house are in need of renovation. A maintenance programme is in place to meet this need.

## **6. Demonstration and Research Strategy**

- Demonstration

MRF provides ongoing demonstrations of farming systems and practices of vital interest to its shareholders as well as other farmers in the Macalister Irrigation District and all dairyfarmers throughout Australia.

The scale of the demonstration program depends on the funds available. A successful demonstration program requires:

- careful adoption of a range of farming systems and practices believed to have the potential for improving farm profitability and sustainability;
- thorough monitoring and evaluation of all adopted systems and practices; and
- regular communication of all outcomes and conclusions to all interested stakeholders through a well-developed communication network.

To fulfil its plan to effectively demonstrate improved management techniques and resume an active role in other key areas of demonstration and research, MRF requires external funding of \$100,000 a year to enable the employment of a full time Project Manager. With current debt levels, the commercial farm is not in a position to contribute towards an extension program. If sufficient funding were secured, MRF would implement demonstrations in the fields of drought recovery and debt reduction, supplementary feeding, the role of irrigated fodder crops, pasture improvement, and irrigation management. The Board will continue to explore low cost avenues for securing such external funds.

- Research

MRF continues to offer its commercial farm and other facilities, along with its well developed network of communication, to other providers of dairyfarming research and extension, as a site for the conduct of projects likely to be of value to its stakeholders.

## **7. Management Strategy**

- The Macalister Research Farm Co-operative is managed by a Board of seven elected Directors, under the chairmanship of a Board-elected Chairman
- The Board sets policies and targets for its commercial farming and research and demonstration activities and meets monthly to review progress towards their achievement.
- The Board appoints a Share Farmer (currently on a 50:50 share basis) to operate (including provide all labour for) the commercial dairy farm.
- And when sufficient funds are available, the Board appoints a Project Manager to conduct its programme of demonstration and research.

## **8. Financial Strategy**

MRF has operated at a loss during the last three financial years. This is not sustainable and must be reversed. This will be achieved by:

- Implementing a pasture improvement program to increase yield and profitability;
- Installing grain feeding infrastructure to enable bulk purchase of grain;
- Leasing additional land to secure water right and reduce risk;
- Directing its projected cash surplus of around \$30,000 in 2005/6 to debt reduction and capital improvement;
- Directing all subsequent cash surpluses (during the next five years) to debt reduction and capital improvement; and
- Suspending all MRF-funded demonstration and research in the medium to long term. Only externally funded projects will be implemented.

## DIRECTORS' DECLARATION

We, Michael Larcombe and Brian Walker, being two of the Directors of the MACALISTER RESEARCH FARM CO-OPERATIVE LIMITED state on behalf of and in accordance with a resolution of the Directors, declare that, in the opinion of the Directors:

- 1) The accompanying financial statements and notes for the financial year ended 30th June 2005 are prepared in accordance with the requirements of the Co-operative Act 1996, and:
  - a) give and true and fair view of the financial position and performance of the Co-operative at the end of the financial year, and
  - b) comply with applicable accounting standards.
- 2) At the date of this declaration, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.
- 3) The Co-operative has kept such accounting records that correctly record and explain the transactions and financial position of the Co-operative.

Declared at and dated at Tinamba this 13<sup>th</sup> day of September, 2005, on behalf of the Board

Michael Larcombe, Director

Brian Walker, Director

## DIRECTORS' REPORT

To the Members of the Macalister Research Farm Co-operative Limited,  
Your Directors submit their Report, together with the audited financial statements of the Co-operative for the year ended 30th June, 2005.

### **Directors**

The Directors of the Co-operative in office at any time during or since the end of the financial year and up to the date of this Report are: M. Larcombe (Chairman), B. Walker (Deputy Chairman), J. Berryman, G. Green, T. Henry, T. Platt and M. Stewart.

### **Principal Activities**

The primary activity of the Co-operative in the course of the financial year was demonstration and the provision of information to its Members. No significant changes in either the nature of this primary activity or the Co-operative's state of affairs took place during the financial year.

### **Review and Result for the Year**

As the Commissioner of Taxation has exempted your Co-operative from liability for Income Tax, no provision is required. Net loss for the year was \$9,815 (compared with net loss of \$56,225 in 2004).

At the date of this report your Directors are not aware of any circumstances that would render the values attributed to current assets in the financial statements misleading.

No charge on the assets of the Co-operative has arisen since the end of the financial year to the date of this report, nor has any contingent liability arisen.

No contingent or other liability in the Co-operative has become enforceable or is likely to become enforceable within a period of 12 months after the end of the financial year, which, in the opinion of the Directors of the Co-operative, will or may affect the ability of the Co-operative to meet its obligations as and when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in the report or the financial statements that would render any amount stated in the financial statements misleading.

The results of the operations of the Co-operative during this financial year have not, in the opinion of the Directors, been substantially affected by any item, transaction or event of a material or unusual nature.

**Dividends**

In accordance with its current Rules, the Co-operative does not declare dividends for members

**Matters Subsequent to the End of the Financial Year**

From the 30th June, 2005 to the date of this report, no item, transaction or event of a material or unusual nature, which is likely, in the opinion of the Directors, to affect substantially the results of the Co-operative's operations for the next succeeding year has arisen, other than mentioned elsewhere in this report.

**Future Developments and Results**

Your Co-operative will be operated to continue and enhance its primary activity (demonstration and the provision of information for its members). This will require continuing improvements to the long term viability of its farming enterprise, to retain both the relevance of the farm to members and its role as a major source of funding.

**Environmental Regulation**

The operations of the Co-operative are subject to the same environmental regulations as apply to all irrigated dairy farms in the State of Victoria.

**Share Options**

The Co-operative has not during the course of the year or since the end thereof granted to a person a formal option to have issued to him/her shares in the Co-operative or any controlled entity.

**Directors' and Executives' Benefits and Contracts**

During or since the end of the previous financial year, no Director/Executive of the Co-operative has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors/Executives shown in the accounts or the fixed salary of a full-time employee of the Co-operative), by reason of a contract made by the Co-operative with the Director/Executive or with a firm of which he/she is a member or with a Company in which he/she has a substantial interest.

**Indemnification and Insurance of Officers/Auditor**

Indemnities and insurance premiums paid during or since the end of the financial year for a person who is or has been an officer or auditor of the Co-operative were \$72.96 for AMP Business Insurance (Fraud and Dishonesty).

This report is made in accordance with a resolution of the Board and is signed for and on behalf of the Directors.

Signed at Tinamba on the 13<sup>th</sup> day of September, 2005

Michael Larcombe, Director

Brian Walker, Director

**STATEMENT BY PRINCIPAL ACCOUNTING OFFICER**

I, Bob Pitman, being the Principal Accounting Officer of the Macalister Research Farm Co-operative Limited, state that to the best of my knowledge and belief, the accompanying financial statements of the Co-operative give a true and fair view of the matters required by Section 238 of the Co-operatives Act 1996, to be dealt with in the financial statements.

Declared at and dated at Tinamba on the 13<sup>th</sup> day of September 2005

Bob Pitman, Secretary

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
MACALISTER RESEARCH FARM CO-OPERATIVE LIMITED**

**Scope**

We have audited the attached financial report consisting of a statement of financial performance, statement of financial position, statement of cash flows and notes to the financial report of Macalister Research Farm Co-operative Limited for the year ended 30 June 2005. The Co-operative's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on them to the members of the co-operative.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free from material misstatement. Our procedures included examinations, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with our understanding of the co-operative's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

***Audit Opinion***

In our opinion the financial report of Macalister Research Farm Co-operative Limited is in accordance with:

- (a) The provisions of the Co-operatives Act 1996, including:
- (1) giving a true and fair view of the co-operative's financial position as at 30 June 2005 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
  - (2) the other matters required by Section 238 of that Act to be dealt with in the financial report;
  - (3) the accounting records and other records, and the registers required by the Act to be kept by the co-operative have been properly kept in accordance with the provisions of the Act.



**JOHN K HOWSON CA RCA  
Partner  
WHK ARMITAGE DOWNIE**

Sale  
Dated: 18 September 2005

**WHK ARMITAGE DOWNIE INDEPENDENCE DECLARATION**

To the members of Macalister Research Farm

***Independence Declaration***

As auditor for the Macalister Research Farm for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



**JOHN HOWSON CA  
Partner  
WHK ARMITAGE DOWNIE**

18 September 2005

## MACALISTER RESEARCH FARM

ABN: 89 984 202 071

### Statement of Financial Performance for year ended 30th June 2005

	Notes	2005	2004
		\$	\$
Revenue from Ordinary Activities	2	453,358	616,506
<b>Expenses from Ordinary Activities</b>			
Supplies and Consumables	3	280,591	346,416
Employee Benefits Expense	3	21,398	158,042
Depreciation and Amortisation Expense	3	41,495	53,012
Borrowing Expenses	3	65,086	57,943
Other Expenses from Ordinary Activities	3	54,603	57,317
Net Income from Ordinary Activities before Income Tax Expense	3	<u>(9,815)</u>	<u>(56,225)</u>
Income Tax Expense Relating to Ordinary Activities	1d		
Net Income/(Loss) from Ordinary Activities after Income Tax Expense		(9,815)	(56,225)
Total Changes in Equity other than those resulting from transactions with Owners as Owners		<u><u>(9,815)</u></u>	<u><u>(56,225)</u></u>

### Statement of Financial Position as at 30th June 2005

	Notes	2005	2004
		\$	\$
<b>CURRENT ASSETS</b>			
Inventories	5	458,500	439,800
Other	6	-	4,563
<b>TOTAL CURRENT ASSETS</b>		<u><b>458,500</b></u>	<u><b>444,363</b></u>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	7	67,773	64,175
Property, plant and equipment	8	1,770,956	1,810,726
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>1,838,729</b></u>	<u><b>1,874,901</b></u>
<b>TOTAL ASSETS</b>		<u><b>2,297,229</b></u>	<u><b>2,319,264</b></u>
<b>CURRENT LIABILITIES</b>			
Interest bearing liabilities	9	59,124	51,087
Net bank overdraft	13	59,272	62,706
<b>TOTAL CURRENT LIABILITIES</b>		<u><b>118,396</b></u>	<u><b>113,793</b></u>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	9	791,174	807,997
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u><b>791,174</b></u>	<u><b>807,997</b></u>
<b>TOTAL LIABILITIES</b>		<u><b>909,570</b></u>	<u><b>921,790</b></u>
<b>NET ASSETS</b>		<u><u><b>1,387,659</b></u></u>	<u><u><b>1,397,474</b></u></u>
<b>EQUITY</b>			
Issued Share Capital	10	11,402	11,402
Reserves	11	604,683	604,683
Retained Profits	12	771,574	781,389
		<u><b>1,387,659</b></u>	<u><b>1,397,474</b></u>

The accompanying notes form part of this financial report

## MACALISTER RESEARCH FARM

ABN: 89 984 202 071

### Statement of Cash Flows for the year ended 30th June 2005

	Notes	2005	2004
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from farm income		499,592	588,793
Receipts from research and extension account - grants		10,030	26,810
Receipts from house rental			2,400
Dividends received		6,506	3,103
Borrowing costs		(99,147)	(76,025)
Payments to suppliers and employees		(394,644)	(619,934)
<b>Net cash generated from/(used in) Operating Activities</b>	13	<b><u>22,337</u></b>	<b><u>(74,853)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(49,418)	(152,965)
Proceeds from Asset Sales		42,900	
Purchase of Shares		(3,598)	
<b>Net cash used in Investing Activities</b>		<b><u>(10,116)</u></b>	<b><u>(152,965)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from sale of shares			100
Repayment of Borrowings			
Proceeds from Borrowings		44,920	214,966
<b>Net cash from/(used in) Financing Activities</b>		<b><u>(8,786)</u></b>	<b><u>215,066</u></b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		3,434	(12,752)
<b>CASH AT BEGINNING OF YEAR</b>		<u>(62,706)</u>	<u>(49,954)</u>
<b>CASH AT END OF YEAR</b>		<b><u>(59,272)</u></b>	<b><u>(62,706)</u></b>

The accompanying notes form part of this financial report

#### NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

##### NOTE 1

###### (a) Statement of Accounting Policies

This general purpose financial report has been prepared for the first time in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Co-Operatives Act 1996. The financial report has also been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. This is the first year the Co-Operative has applied these Accounting Standards and as such comparative information has not been provided.

###### (b) Depreciation

All Improvements, plant and equipment are depreciated on a straight-line basis to write off the assets over their useful life.

###### (c) Inventories

Livestock on hand at reporting date is valued at Market Value. Values used at 30 June 2005 were: mature cows \$900, heifers \$800, yearling heifers \$400 and bulls \$500.

###### (d) Income Tax

As the Commissioner of Taxation has exempted the Co-Operative from liability for income tax, no provision has been made and accordingly tax effect accounting has not been adopted.

###### (e) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office.

###### (f) Property, Plant & Equipment

Each class of property, plant & equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Freehold land is measured at both cost and directors valuation. It is the directors' opinion that these assets are stated at fair value.



**NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005 (cont.)**

<b>NOTE 2 - REVENUE</b>	<b>2005</b>	<b>2004</b>
<b>OPERATING ACTIVITIES</b>	<b>\$</b>	<b>\$</b>
Farm Income		
Milk Income	389,617	539,851
Additional Farm Income		
Cattle Trading - Gross Profit (Note 4)	26,467	24,460
Calf Sales	5,116	5,888
Rebates	1,964	1,506
Dairy Adjustment Package	14,388	14,388
Research and Extension Account - Grants		
Genetics Australia	7,300	11,430
Gippsland Herd Improvement	2,000	13,480
Other Income		
Interest Received		
Dividends Received	6,506	3,103
House Rental		2,400
<b>Total Revenue</b>	<b>453,358</b>	<b>616,506</b>

**NOTE 3 - EXPENSES (DETAILED)**

Farm Expenses		
Feed Costs	228,407	273,855
Herd Costs	30,601	44,641
Shed Costs	5,099	11,035
Labour Costs	596	128,283
Overhead Costs		
Depreciation	41,495	53,012
Repairs and Maintenance	28,750	36,509
Pasture Renovation	6,129	5,294
Occ. Health and Safety	276	442
Rates	4,814	5,472
Administration	1,196	1,774
UDV Subscription	420	720
Insurance	2,980	2,604
Rent of four-wheelers	2,021	3,536
Bank Fees	1,120	931
Borrowing Costs		
Borrowing Costs - Suncorp Loan/ Bank Bills		1,138
Interest - New Farm Loan (Comm Bank)	46,058	44,584
Interest - Tractor Loan (Nat Bank)	4,095	2,091
Interest - Cattle Loan (Suncorp)	6,354	4,270
Interest - DAP Loan (Bank of Melb)	2,540	3,203
Interest - Short Term Loan (Murray Goulb)		1,810
Interest on overdraft	6,039	847
Co-operative Account		
Audit Fees	1,500	2,500
Advertising	690	1,697
Loss on Sale of Assets	4,794	
Catering	861	504
Insurance	2,179	1,875
Operating	2,557	3,386
Repairs to Co-op equipment	782	
Consulting Fees	215	225
Directors' Fees	7,700	6,564
Secretarial Fees (incl Superannuation)	12,470	12,470

**NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005 (cont.)**

Research and Extension Account		
Extension		13
Research Support		120
Project Manager		14,666
Acting Project Manager	8,333	2,624
Office rent and administration	2,000	
Bank Fees	102	37
<b>Total Expenses</b>	<b>465,178</b>	<b>674,736</b>

**NOTE 4 - CATTLE TRADING ACCOUNT**

	<b>Number</b>	<b>Value</b>
Sales	31	14,558
Deaths	32	
Opening Stock	538	439,800
Purchases	7	6,791
Natural Increase	85	
Closing Stock	567	458,500
<b>Gross Profit from Trading</b>		<b>26,467</b>

**NOTE 5 - INVENTORIES**

	<b>2005</b>	<b>2004</b>
	\$	\$
Livestock at Market Value	<b>458,500</b>	<b>439,800</b>

**NOTE 6 - OTHER ASSETS**

Prepaid Interest Tractor Loan		<b>4,563</b>
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**NOTE 7 - OTHER FINANCIAL ASSETS**

Shares in unlisted companies, at cost	<b>67,773</b>	<b>64,175</b>
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**NOTE 8 - PROPERTY, PLANT & EQUIPMENT**

Land at Directors' Valuation 06/95	805,000	805,000
Land at Cost	440,000	440,000
Total Land	1,245,000	1,245,000
Improvements at Cost	788,438	788,438
Accumulated Depreciation	(316,404)	(277,666)
	472,034	510,772
Plant and Equipment at Cost	356,502	381,331
Accumulated Depreciation	(302,580)	(326,377)
	53,922	54,954
<b>Total Property Plant and Equipment</b>	<b>1,770,956</b>	<b>1,810,726</b>

**NOTE 9 - INTEREST BEARING LIABILITIES**

	<b>2005</b>	<b>2004</b>
<b>Current</b>	\$	\$
Murray Goulburn Loan	20,592	
Dairy Deregulation Loan	14,388	14,388
NAB-Tractor Loan		12,645
Suncorp-Cattle Loan	24,144	24,054
<b>Total Current</b>	<b>59,124</b>	<b>51,087</b>

**Non-Current**

Murray Goulburn Loan	22,380	
Dairy Deregulation Loan	25,528	37,367
NAB-Tractor Loan		9,484
Suncorp-Cattle Loan	48,266	66,146
Commonwealth Bank Bills	695,000	695,000
<b>Total Non-Current</b>	<b>791,174</b>	<b>807,997</b>

**NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005 (cont.)**

**NOTE 10 - ISSUED SHARE CAPITAL**

**Authorised Capital**

100,000 Ordinary Shares of \$0.50

**Issued and Paid Up Capital**

22,605 Ordinary Shares	<b>11,402</b>	<b>11,402</b>
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**NOTE 11 - RESERVES**

General Reserve	33,095	33,095
Land Revaluation Reserve	506,468	506,468
Livestock Revaluation Reserve	65,120	65,120
	<u><b>604,683</b></u>	<u><b>604,683</b></u>

**NOTE 12 - RETAINED PROFITS**

Retained profits at the beginning of the financial year	781,389	837,614
Net loss for the year	(9,815)	(56,225)
Retained profits at the end of the financial year	<u><b>771,574</b></u>	<u><b>781,389</b></u>

**NOTE 13 - STATEMENT OF CASHFLOWS**

(a) Cash at the end of the year, as shown in the Statement of Cashflows, is reconciled to the related items

in the Statement of Financial Position as follows:

Cash at Bank - Farm Account	(59,867)	(63,349)
Cash at Bank - Research and Extension Account	595	643
	<u><b>(59,272)</b></u>	<u><b>(62,706)</b></u>

(b) Reconciliation of Net Cash used in operating activities to Net Loss from Ordinary Activities

Net loss from Ordinary Activities	(9,815)	(56,225)
Add:		
Depreciation	41,495	53,012
Loss on Sale of Assets	4,794	
Increase in Livestock	(18,700)	(72,700)
Movement in Other Assets	4,563	1,060
<b>Net Cash used in Operating Activities</b>	<u><b>22,337</b></u>	<u><b>(74,853)</b></u>

The Co-operative has an overdraft facility of \$85,000

**Note 14 - Segment Reporting**

	<b>FARM ACCOUNT</b>	<b>CO-OP ACCOUNT</b>	<b>R &amp; D ACCOUNT</b>	<b>TOTAL</b>
	\$	\$	\$	\$
<b>Income</b>	444,058		9,300	453,358
<b>Expenditure</b>	423,855	28,953	10,365	463,173
<b>Net Result</b>	<u><b>20,203</b></u>	<u><b>(28,953)</b></u>	<u><b>(1,065)</b></u>	<u><b>(9,815)</b></u>

(Caption to accompany photo of Ian Norman and Eric Rowley)

Over the last two years, members of the Macalister Research Farm Co-operative have mourned the passing of two of the Society's 'Founding Fathers' – Ian Norman (left) and Eric Rowley. It was their extraordinary vision, dedication and persistence that led to the establishment and early development of the Macalister Research Farm, in the 1960s and early 1970s, and all that the Farm has accomplished since then as a source of research and demonstration and a provider of information for the benefit of dairyfarmers throughout Australia.

Eric Rowley was a dairyfarmer at Denison and Inaugural Chairman of MRF. He served as Chairman from 1960 until his retirement in 1976.

Ian Norman was Irrigation Officer for the Department of Agriculture, in Maffra, from 1955 until 1968, before moving to Melbourne to head the Department's Division of Extension Services.