

C / Sustainable dairy farm business driven by high pasture utilisation and profitability – a farmer's perspective

Farmer in the top 5% on financial performance, who is consistently profitable, very clear on their profit drivers and actively mitigating environmental/animal husbandry challenges

Chaired by Greg Roadley, Dairy Farmer



Pete & Ann Morgan

Dairy Farmers

Pete and Ann milk 660 cows in the south Waikato district of Pokuru running a system 2. Pete has followed his interest in education and pasture management by teaching through the Dairy Training Ltd division of DairyNZ part time for 15 years. He and Ann met at Massey University where Ann qualified as a veterinarian and practiced primarily in large animal and dairy practice. Pete finished with M.Ag.Sc. and has since gained his Dip.Agr.Bus.Man.

They enjoy the challenge of being hands-on in all aspects of running the farm.

Business growth opportunities have seen them expand the operation from the original 360 cows on 120ha to the current 265ha farm and last season they took on equity partners to share the business and the work load. They concentrate on a simple, robust and sustainable farming model that drives low costs and consistent returns.

Growing Pasture Management

Our farm relies on good pasture management as do all successful dairy systems. To maintain a good and sustainable profit, utilizing quality pasture as the cheapest feed is the key to maximising production and maintaining a cost of production below \$3.00. Understanding these complex relationships and monitoring our KPIs has enabled us to grow our business and enjoy the journey.

Underpinning the efficiency of our system then, is consistently making good feed management decisions around pasture management, break even feed purchase price and supporting infrastructure and machinery. As we have grown in scale and are pressed for time we have delegated more of the process to young keen staff. So, how do we grow and maintain the skill of pasture managers?

We see the big picture, have clear goals, set targets and have 30 years of experience making these decisions.

They initially see hungry cows and lots of grass, so we gradually build a robust support structure to help them learn and enable us to pass over the responsibility. To do this we need to understand how we learn this skill

As farmers we manage across a range of 5 perspectives and develop the detail and nuances as our experience and knowledge grows.

- 1 Static. Immediate requirements of stock in a single grazing
- 2 Dynamic. Flexibility accounting for previous actual intakes and utilization changes.
- 3 Season. How the static decisions need to change to reach seasonal targets.
- 4 Annual. Demand and supply curves and setting of all targets.
- 5 System. The demand and resources must be balanced

People learn from 1 to 5 but with experience we manage from 5 to 1. The decisions at each level are driven by the characteristics of the level above.

While there are key calculations that are necessary to quantify feed supply and requirements, their effective application is very challenging without good judgement and experience.

The methods that we use to teach pasture management to our staff need to take them through the journey from the small to the big picture, give them guidance and the responsibility of decision making, embed the wider considerations and teach them to appreciate the longer-term implications of daily practices. This provides the sound basis for them to monitor and drive the farm performance developing their business skills in the process.

The future will see these feed decisions more closely linked to financial performance and we will have an array of technological tools available to assist.



Leonie Guiney

Dairy Farmer

I am wife of Kieran and mother of 4. We farm in Fairlie where we have grown a business of 4 dairy farms and 2 dairy runoffs from contract milking through sharemilking to land ownership.

My background is Bachelor of Agricultural science from Massey University, a consulting officer role Taranaki and Canterbury followed by 5 years in Ireland. I worked with Golden Vale cooperative and then independently helping Irish farmers businesses out of the sheds and intensive systems and onto pasture and improved profitability.

Returning to NZ in 1999 I lectured in dairy production at Lincoln, joined FarmRight consultancy and worked with BNZ on their growth courses for farmers. Kieran and I then embarked on our farming adventure. By 2013 we had the systems and people in place to allow us to fulfil a long held goal to move to Europe with the kids for a year. Elected to the Fonterra board in 2014 I served for 3 years.

Kieran and I are now building a commercial property business with the kids as equal shareholders. My whole career has been focused on helping farmers ride the cycles via a focus on cash generation from pasture and appropriate allocation of capital. Our farming business has been built with financial and time freedom (AFTER the work) in mind.

In my presentation, I'll explain:

- How our equity growth has been driven by discipline with scarce capital investing only where we are confident of generating returns above interest cost, consistently through the cycles.
- That riding the lows is our strength leaving us able service debt - consistent cash surpluses allow growth, not large ones followed by losses!
- Simple, replicable systems that do not demand capital reinvestment mean 'cost control' is a given but not actually something we have to focus on i.e. our people know the driver of our profit is pasture utilisation achieved by matching feed demand with the growth curve.
- We have really simple non negotiables - like drying off with desired pasture cover to calve with cover that allows an all grass spring (monitored with RLP).
- Cow condition at dry off.
- Supplements only ever used in early autumn for round length (and a finite amount which focuses managers in most economic use of it).
- The rules mean cost control is inevitable.
- Production per cow is a consequence not a target. Profit per ha and a free cash surplus is inevitable because the system rules are designed to deliver it.



Greg Roadley

Dairy Farmer

Greg and his wife Rachel farm in Mid-Canterbury and North Otago where they milk 3100 cows across 5 dairies and associated support blocks, some of which are via equity partnerships. They are also involved in other dairy operations elsewhere in NZ and in the US.

Profitable farming – a farmer's perspective

Together with my wife Rachel we farm in Mid-Canterbury and North Otago where we milk 3100 cows across 5 dairies and associated support blocks, some of which are

via equity partnerships. We are also involved in other dairy operations elsewhere in NZ and in the US.

Our aim in farming is to operate an efficient, repeatable and sustainable pasture based dairy business that focuses on generating free cash and delivering a total compounding return on equity of $\geq 15\%$.

Whilst both Rachel and I thoroughly love farming and the lifestyle that it allows, our view is that we are farming as a business and the assets that we control need to deliver a competitive return, furthermore that additional capital should only be allocated to assets that achieve that.

Understanding what our competitive advantage as dairy farmers in NZ is and focus on maintaining the "moat" around this advantage is front of mind.

My presentation will cover the following:

- *Farming system as a driver of profit.*
- *Understanding what drives profit on farm*
 - o *Measurement to allow control*
 - o *Maximising pasture harvested*
 - o *Cost control*
- *Future proofing the business*
 - o *Profitability for business resilience and future flexibility*
 - o *Environmental challenges*
 - o *Price volatility*