

PASTURE SUMMIT 2018 - ANSWERS TO QUESTIONS POSTED ON SLI.DO APP Day 1 – Session C – Leonie Guiney, Dairy Farmer	Event / Session
<p>Question: Leonie - how do you and Kieran evaluate an opportunity?</p> <p>Answer:</p> <p>We know the costs of our production systems and we know very clearly what EBIT/kgms or EBIT/ha we can make in certain environments. We do a very quick initial evaluation of expected top line (as in profit) based on our known margin per kgms or margin per ha that we can make.</p> <p>One key thing we would always evaluate for example if we were looking at a Canterbury farm with irrigation is impact of the cost of irrigation as this can be really variable so we check this against our normal cost structure. We look at the profit and divide this by realistic capital required for the operation. So we always look first at return on capital expected and the margin at a range of prices as well as margin over interest costs and if this is greater than 4% then we investigate further.</p> <p>We would also test this against our vision statement. The whole purpose of this is time freedom and a number of other things so even if the numbers stack up, we don't take on investments that make us a whole lot busier and don't meet the family objectives.</p>	North Island - Session C
<p>Question: Leonie - How do you manage drought?</p> <p>Answer: That's a long conversation for certain environments but the core is that we manage it by reducing feed demand rather than increasing feed supply. We use a number of tools, one of which is once a day milking, culling cows and eventually depending on timing, having to dry off cows.</p> <p>Our approach is always to keep as many cows at whatever low production even if it's once a day then milk through to the Autumn as our Autumn often recovers but it is reduction of demand management as distinct from increasing of feed supply management.</p> <p>We also manage it effectively by not over capitalising our farm so it's not a disaster when we get a drought.</p>	North Island - Session C
<p>Question: When your system is so simple, wouldn't it be easy to pop a bit of supplement in when supplement is cheap and milk price is good?</p> <p>Answer: Yes it would of course. It would also be very easy call it strategic and to slip away from our base principles and have some really fuzzy boundaries. We choose to keep the rules as rules and we know that's</p>	North Island - Session C

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<p>profitable and even at a very high milk price, if you keep the costs the same even though your production per hectare may be less than some others, it increases your margin. So we have absolutely no problem with not chasing extra milk when we get extra milk price, we just chase extra margin.</p>	
<p>Question: Leonie...can you tell us about your environment footprint. Answer: Our environmental footprint varies on our irrigated farms and our dryland farms. Our dryland farms are so simple and one in particular doesn't even need consent as it complies by the rules in terms of not bringing in feed in the Autumn. There are some challenges on our irrigated farms particularly where we are cropping so we are working through all of that with our consents at present. We are doing ongoing research to solve over time e.g. option of growing oats, applying nitrogen after kale. Due to the low milk price, we have reduced our stocking rates and wintered more cows on which in terms of impact on the catchment has to be better but in some cases it increases our N leeching. There are some real issues there that we are looking through.</p>	North Island - Session C
<p>Question: How can we create more aligned messages on profitable feed management and systems within the industry? Answer: We can create more aligned messages by deciding what we are in business for and by keeping the messages much clearer.</p>	North Island - Session C
<p>Question: Leonie- How many farms is too many? Answer: To me that's the wrong question. We are business people and our target is equity growth and we find that hugely motivating particularly because: a) It sets up our family's future and b) It sets up the future of lots of young people So when you're running an effective profitable business that's able to grow and when it's sustainably profitable then you're able to share that profit with the next generation. So too many farms would be if we got to the point where we weren't running effective and efficient systems. So I wouldn't ask the question "How many farms is too many?" any more than I would ask the question "How</p>	North Island - Session C

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<p>big a company is too big a company?” If a company is successful, I think it should be grown and contribute to the economy and the future of lots of people.</p>	
<p>Question: Would you advise young people that are wanting to eventually buy a farm to go sharemilking, 50/50, contract milking or farm management? Answer: Absolutely not – buying a farm was never our target, our target was equity growth. So they will work out the best mechanisms to achieve equity growth if that’s what their target is but if their target is to own a farm then they will choose to own a farm.</p>	North Island - Session C
<p>Question: What are the main criteria for assessing staff? Answer: Attitude, integrity and word of mouth is really important to us and nearly all of our people come to us having been recommended by people we trust.</p>	North Island - Session C
<p>Question: What is your biggest worry? Answer: I would have to think hard about that. Possibly from an industry perspective, overleveraged farms (not ours but I mean in general). The industry has had an attitude of taking capital gain rather than cash profit from farming which puts everything at risk, not just those individual businesses but the future of the co-operative that’s supporting the businesses. It also is difficult for people who are overleveraged and with high cost structures to create opportunities for young people or to provide for example share milking opportunities. That will change eventually in that assets will value themselves at their productive value and there will be another cycle. I don’t know if it’s a worry but it’s certainly a concern for lots of individual businesses.</p>	North Island - Session C
<p>Question: With running low input systems how do you manage cow condition and animal welfare issues whilst still being stringent on no/ small input systems. Answer: Classic – for some reason people has this assumption that a low input system which is actually a grass based system should have some correlation with skinny cows and animal welfare issues. I don’t understand the question because calving at the appropriate cow condition, animal husbandry, stock retention and all of those things are critical to our profitability and our business. Pasture is the best feed that we can offer to our cows and the most economic and there’s just no relationship between skinny cows, poor animal husbandry and profitable businesses from pasture.</p>	North Island - Session C

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<p>Question: Both of you seem extremely comfortable with numbers! What would your advice be for young people in the industry to start getting their head around the numbers?</p> <p>Answer: Don't delegate the financial stuff. From the start, do your own GST, do your own books. Have a good cash management system and do it yourself until you understand it inside out. It's not a chore. Create a time in your farm management week to do this so it's not done late at night as an add-on.</p> <p>There are lots of good courses too but you will learn a lot by doing it yourself. Do you own evaluations when looking at proposals for the bank. By all means get someone to look over it but if you have done it yourself then you will understand it a lot more.</p>	North Island - Session C
<p>Question: Do you show your staff your financial budgets and is financial training something you do with them. And if you do, what are their reactions.</p> <p>Answer: Yes absolutely. Not just our budgets but also our 10 year summary from our accountants. We have a session every February with all of our staff from all of our farms. We believe that Autumn feed budgeting in February sets up our entire year. We don't start with the feed budget, we start with why we are in business, why the margin in terms of \$/kgms is so important, how we achieve that, we do the relativities of different feed input and why we aren't interested in exposing ourselves to that commodity. I draw a picture of the pasture curve and how we match the demand and supply curve using Nitrogen as that's the next cheapest feed input. Also, Autumn feed pasture from February onwards. Then they sit down and do a one page feed budget on their own laptop so they have ownership of this and also understand the why.</p> <p>I also have on hand 10 years of accounts that they can evaluate.</p>	North Island - Session C