

DAIRY FARM OWNERSHIP IN UNDER 10 YEARS - IT IS POSSIBLE

David and Anna Affleck
Davana Farm

We have both been brought up in rural communities. Anna Dairy farming in the central North Island and David sheep/beef/deer farming in back blocks of West Coast. David was always more of a practical person and couldn't wait to get out of school to go working. Anna enjoyed school but was equally happy at home driving tractors and working with stock. We both had a passion for farm life and stock from a young age and have been involved with farming all our lives starting off as farm labourers after leaving school, gradually increasing responsibility as our skills improved and we gained more experience. We were both keen to travel and went to Western Australia shortly after we met, and worked on a 100,000ha sheep beef and arable farm. Came back to NZ and spent a season on a 500 cow farm as managers. We earned \$30,000 each and lived on one wage and saved the other. After a year managing we decided to continue travelling, while we were young, and went back to Australia for seasonal work. In the off season we worked at a local supermarket and timber mill. We continued to do this for four years, using the \$30,000 as a deposit on a house to use as a base while in NZ. We returned to NZ full time in 2006. We had an interview for a job at Hilderthorpe, (North Otago), managing 520 cows on 140 ha, but decided it wasn't quite the challenge we were looking for, and we told the farm owner if he ever wanted a LOSM to consider us. We opted instead for a 2IC level position on 850 cows starting June 2006. In October 2006, we got a phone call offering us the opportunity to take the LOSM position on 22% from the farm owner at Hilderthorpe. We used the equity we had in our house to get an overdraft facility at the bank and started sharemilking in December 2006.

Business values, culture and vision

One of the biggest considerations when forming a business is deciding on the values and culture of the business and the direction you want it to take in the future. When we started

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sharemilking we knew very little of business planning and vision statements, but we knew what values we wanted to be at the core of our business and to underpin all the decisions we made. Honesty and integrity, putting animals first, and treating other peoples farms, stock and machinery like it was our own, and generally being the best farmers we could be were key values for us then and still are today. The culture we wanted for our business also remains the same today, progression, advancement, achievement, and giving back to industry and community. Our culture of planning is something that has evolved as we have progressed through our career. This has been helped along with involvement in Dairy NZ Progression Groups. Our business vision is simply 'To operate a progressive business that is both profitable and sustainable'.

Our story – sharemilking to farm ownership

We started sharemilking in December 2006 with 520 cows on 138 effective ha, immaculate farm, beautifully laid out, even sized paddocks, k-line irrigation, great fert and regressing history, a real dream to manage. We purchased 47 R2 heifers, 30 MA cows, and 12 4 day old calves while on this farm, but after 2.5 seasons we felt we had achieved all we had set out to achieve including producing over 1700kgMS/ha on grass only, and were looking for a new challenge.

In 2009 we moved to a 25% LOSM position with 1200 cows, on 350 effective ha. This farm was the complete opposite of where we had been, and required a large amount of work to get it up and going again. Although a challenge, it offered us a great opportunity to improve the production and to increase stock numbers. We arrived on 1st June with 77 cows, APC was 1700kgDM/ha. Only 540 bales of silage for spring. 20 week calving spread, and well out of date herd records. Our main first jobs were to re-fence, improve the irrigation and re-do the majority of the tape gates to control stock. We had a really dry spring and were irrigating by 3rd week in August with a poorly maintained border dyke system, as the farm had plans for putting on pivots. We had increased from 2 staff to 5 staff and had no idea what to do with them as we were used to doing everything ourselves. We had a really fast learning curve having to delegate. We had no work life balance at all but we worked really hard at getting the basics right, SCC, animal health, mating and general control of stock. Anna reared 540 replacement calves in first season, contract required 300, so we got 25% of value of extra calves at weaning equating to \$30,000 or 55 calves. We opted for calves. In February of our first season, we went to the North Island and purchased 150 R2 heifers. We leased these to the farm owner along with the heifers from our previous job. Production at end of first season was 378,000kgMS.

Always looking for a challenge and keen to push boundaries, we increased cow numbers to 1450 and increased the milking platform by 50 ha. 460 (32%) of these were R2. Our second season was a continuation from the first season, just trying to get the basics right. We had 45

heifer calves born in spring and purchased another 52 MA budget cows in May 2011 out of cash flow. Production at end of second season was 458,000kgMS. Our third season, we stayed with 1450 cows. Had a big focus on herd reproduction and fertility. We improved our 6 week in calf rate by 15% (72%) achieved one of the best conception rates in the district. We had 120 heifer calves born in spring 2011. The biggest challenge we had at that stage was getting graziers to do a quality job with our young stock, and we wanted to have control over the future of our herd, so we purchased a 170 ha dry stock hill block 8km from dairy farm. We moved there in February 2012. We put a herd manager on the dairy farm, and took in young stock grazing and wintered 300 cows, 170 R2 heifers and had a go at some beef finishing as well as doing our own young stock. End of third season production was 526,000kgMS.

At the start of 4th season, 2012/13, we had 420 cows in the herd. We had 145 heifer calves born in spring. In mid-November 2012, we were told our sharemilking contract would not be renewed as the owner was not sure of their future plans. We hosted a DairyNZ discussion group to brainstorm ideas as to what we could do going forward. Initially we planned to get a 50/50 job as it seemed the logical step for our future. We were offered a 600 cow 25% job but it was only for one year and not really what we wanted to do.

In February 2013, we realised we had to make some decisions as to what we were going to do come 31 May. Not wanting to go to a smaller LOSM, and not able to find a 50/50 position, we decided to look at the option of farm ownership, and after a recent trip to the West Coast, where we saw a lot of farms for sale, we printed off some listings and started crunching some numbers. We decided on 5 listings to look at based on location and price. We settled on a 135 ha, 320 cows farm at Ikamatua. It had 35 ha of irrigation, great housing, and loads of potential. We had also organised to lease a 40 ha support block 10 minutes down the road for young stock and wintering.

We provided the bank with all the information we could muster including capital budgets, annual budget and cash flow for 3 years, any assumptions we had made based on our research and a SWOT analysis. Initially our bank was very supportive of the proposition, so we listed our grazing block for sale by auction, and got sale and purchase agreements on the majority of our stock. 5 weeks later, on the eve of our auction, our bank voiced their concerns about the

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viability of the proposition, saying they thought our production goal of 120,000kgMS was too ambitious, given the farm's previous best production was 110,000kgMS. The bank advised us to come up with another \$600,000 capital or another \$40,000 cash flow annually, neither of which we were able to do. Keen to progress, the next day we auctioned our grazing block and sold it for \$120,000 more than we had bought it for 15 months earlier.

Given the current situation we were advised to approach another bank, which we did and bombarded them with all the same information we had given our first bank, with the addition of our CV, references, and previous annual accounts as we had no history with the new bank. We were given approval to purchase the farm in less than a week. The bank manager at our new bank admitted finance was tight, but what got us over the line was our progression to date, our education, and the fact that David had grown up on the Coast and was aware of the 'Climatic Conditions'. We financed the purchase by selling our hill block, selling excess stock, excess plant and machinery and our house.

We had a cracker first season on the Coast producing 134,000kgMS, 24,000kgMS above the farms previous best. We bought a lot of feed in (1.2T/cow) to achieve this production as pasture production has been poor due to very little regrassing. The support block we leased was sold at the end of our first season, and we decided to milk 20 less cows and keep all young stock at home as well as wintering on, putting our stocking rate up to 3.2cows/ha, when the average coast property runs at 2.2 – 2.5c/ha. Being self-contained has put a lot of pressure on feed resources, and production this season will be slightly lower than last season, but we have set ourselves up well going forward into next season. In August 2014 we purchased 40 ha of bush on our boundary, after waiting 8 months for resource consents to be able to clear the block and convert to dairy. We have now started clearing this block and we are planning to have it all in grass by spring 2015. This additional 40 ha will be used for young stock and making silage.

Going forward our goals are to continue improving pasture production through cropping and re-grassing, reducing our reliance on imported feed. We plan to purchase or lease a support block for young stock to allow us to increase milking cow numbers on the dairy farm. We aim to purchase a second 250 – 400 cow dairy farm by 2020, and to own the stock required for this farm. Long term 2025 - 2030 we are planning to own three or more 250 – 400 cow dairy farms, owning all the stock required for these farms and targeting Dairy Industry Award entrants to staff these properties.

How we did it

Above and beyond all else, we love what we do. We are passionate about the Dairy Industry and the opportunities it has to offer. We have had times of all work and no life, but it is only seasonal work and there is a light at the end of the tunnel. We love working with our own animals, we are passionate about breeding quality animals and making land productive.

We love being our own bosses and challenging ourselves. And we love working together most of the time!

We got into the industry because we enjoy farming, but we are aware we are running a business and it has to be viable. We saw sharemilking as a great opportunity to purchase stock and stock was our way of growing equity to grow our business. We doubled our equity each year for 4 years, then we bought land and our equity increased at a greater rate.

Goal setting has been one of the keys to our progression. We set ourselves SMART goals every season and review them regularly. We always had rough goals on paper, but really honed our goal setting skills are participating in DairyNZ Progression Groups. Now we complete a planning wheel every year. We also write up a comprehensive business plan 6 months in advance of each new season. This is given to our bank manager along with forecast budgets and cash flows.

We have a system of Plan-Do-Review, which goes hand in hand with the goal setting. We set a goal with actions to achieve the goal, carry out the actions, and then review the outcome. We look at whether we achieved the goal or not, analyse the results and adapt the actions required to achieve the goal in future

We do SWOT analysis on ourselves and our business regularly to identify areas for improvement. SWOT analysis identifies strengths, weaknesses, opportunities and threats relevant to our business. We consider our strengths to be our planning and analysis abilities, and our overlapping skill set. Each of us can do everything on farm but we have our own areas of interest. Weaknesses for us is our staff management and people skills, and we have attended many courses on staff management to help improve our skill set. We also completed a PEDO personality assessment to help understand what personality type we are and how others perceive us. Opportunities on our current farm are huge in relation to pasture growth and quality. We are also targeting reproductive performance, summer safing ourselves in the dry, and self-containment with full control. Our biggest threat will always be a lack of security and equity to progress quicker.

We have put a big emphasis on getting ourselves educated and keeping our knowledge current through networking and industry involvement. We have always backed ourselves with

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our practical skills, but we had very little knowledge of how to run a business when we started sharemilking. Doing the National Diploma in Agribusiness Management gave us the skills and confidence to manage all aspects of our business, from the physical resources to the financial planning. Milk Quality and Mastitis Management keep us up to date with practical management and also keeps us abreast of what our staff should know having done the courses, and Rural Staff Management helps to rectify one of our main weaknesses and keeps us current with employment legislation and legal requirements. We have also maintained regular involvement with DairyNZ discussion groups, DWN events, Dairy NZ Progression Groups, both as a participant and a mentor for BIZ Start group. We were involved with Young Farmers until we got too old, and David competed in the Aorangi Regional Finals. Anna and her friend set up and ran a study group for AgITO students to get help with their assessments. We have used networking as a tool to improve our knowledge and also to build contacts and surround ourselves with positive likeminded people who are passionate about the industry and about achieving our future goals. We cannot stress enough the importance of having a good honest relationship with Bank Managers and Accountants.

One of the biggest drivers in our progression to date has been our ability to find and create opportunities that suit what we are trying to achieve. This ability is a combination of our education, analytical skills, goal setting ability and general love of the industry. We think outside the square and think about what is going to help us to achieve our goals faster. Here are some examples of the opportunities we have created for ourselves and our business.

- Informed the farm owner we didn't want to manage but planted the seed about sharemilking which paid off.
- Asked if we could AI the farm owners heifers as he wasn't doing it and we wanted to build our stock numbers.
- Contract reared calves that were part of the farm owners trading stock in return for grazing for our young stock.
- Kept our calves instead of taking a lease fee for cows in herd. When extra calves were reared we took calves as payment instead of money.
- Leased our stock to farm owner, so empties were replaced.
- Purchased 52 budget cows at lower than bank value, increasing our equity.
- Bought heifers in calf to Belted and White Galloway and reared calves to weaning, then sold for good money.
- Ai'd poor quality stock with Belted Galloway semen and bred our own bull team.
- Opted to buy a 40 ha bush block and spend time developing it instead of purchasing the support block we leased 12 km from farm, as we would have the option to milk on bush block one day.

- When we first arrived on our new farm, a neighbour told us of land he owned on our boundary that was of little use to him due to a river crossing. The land was 8 ha of gorse and scrub. We asked if we could lease the land. We were given free lease for the first year for clearing and regrassing.

Lastly we take full advantage of the tools on offer to assist us with running our business more efficiently and effectively. Tools we use include MINDA, IMS Payroll, Cash Manager, Metservice (handy for planning when expecting 10 inches of rain in 2 days) and Dairy NZ – so much information at your fingertips with useful resources and calculators.

Take home points

- Planning and goal setting is key. Having immediate, short term and long term goals will help give your business overall direction, and Planning is how you achieve these goals. Make time each week, even just a couple of hours to work on planning and goal setting and reviewing these goals.
- Doing a SWOT analysis is a good way to see where you are starting from and what can be improved upon.
- Take every opportunity to educate yourselves, not just in a formal classroom environment, but also at discussion groups and industry events, and through reading newspapers and materials that come in the mail or online.
- Practice your Networking Skills. Networking is a great way of developing a core group of positive, like-minded people who will support your goals and get on board with your business. It is also a great platform for learning and growing your knowledge base.
- Find yourself a mentor(s), someone who you can go to for advice. Someone who has been there done that and has past experience is usually a pretty good sounding board.

And lastly, create opportunities for yourselves that suit what you are trying to achieve. Sometimes it just needs the questions to be asked – Can we do this? How would you feel if we did that? If we could do this is it beneficial to our business? Does it fit with our vision and goals? The worst thing that can happen is you get a NO answer.

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