

Progression to Farm Ownership

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Introduction

Jane and I are here today to describe how achieving farm ownership is still possible with the right skills, goals and systems in place. We would like to share what we have learned through the progression to farm ownership and answer any questions.

Buying a 400 cow farm a year ago was the result of building a business team with goals, skills and systems in place to be successful. Accumulating equity through profitable sharemilking and rapidly building livestock numbers were only part of the process.

Background

I became involved in dairying by rearing calves, relief milking and doing summer work on a dairy farm while at high school.

My goal was to own my own farm and savings were put into Carter Holt or Fletcher Challenge shares. My parents had a small deer farm and I would raise Friesian bulls on milk powder in the spring. Raising a dozen calves, doing budgets and working out the final profit was a good introduction to GST and being in business.

From there on it was 2 years working full time on dairy farms. First as a farm worker then managing a 160 cow first year conversion. Next was Lincoln University studying commerce and farm management, during which time I met Jane. Following university I spent 4 years managing farms (250 through to 800 cows), then 3 years 50:50 sharemilking 500 cows.

In my last year managing we bought 91 in-calf heifers and leased them back to the company I was working for. It was a great step towards sharemilking.

While sharemilking we kept every dairy heifer calf. We also bought in 180 heifers ranging from weaned calves to in-calf cows. Most were small lines that were selling cheap. As a result, to help purchase our farm we had 450 cows/in-calf heifers to sell as a deposit towards buying a farm.

Jane grew up on a sheep farm and after high school completed a Bachelor of Resource Studies at Lincoln University. After finishing at university Jane helped out over spring on the farm I was working on and got her first real taste of dairying. Jane then gained work with councils and then a consultancy firm until after we attained our sharemilking job. Jane then came to work on the farm and I was able to pass over some responsibility her way (including the paper work).

While Jane had not had anything to do with dairying until after we were together, we still discussed our goals and set new goals together so we were both working towards the same common objective.

Goals

You need to spend time on goal setting to know in what direction you want to move, what you want to achieve and in what time frame (all of which can be flexible). Writing these down and formalising them with your partner/wife/husband then gives you something you can both focus on and work towards.

- Short term goals – While sharemilking our short term goals related to improving the profitability of our business. Also improving our employment skills and building livestock numbers. Delegating responsibility was important so we could have time off farm and didn't get too bogged down in the day to day operation.
- Long term goals – While still in our first sharemilking job our long term goals for 2007-2010 were to 50:50 sharemilk approximately 1,000 cows in Canterbury. Then farm ownership in the Golden Bay/Nelson/Marlborough area milking around 500 cows.
- Set work and personal goals – Both are equally important. We found this particularly relevant when we began a family. For us an important personal goal was to live in the Golden Bay/Nelson/Marlborough area for lifestyle reasons, climate and to be closer to our parents for our children (and babysitting!).
- Taking into account your partner/family is especially important. To achieve farm ownership we needed to work together and agree on the same common goals to make it happen.
- When employing staff it is important to know their goals too and if possible help them to achieve their goals. Talking to them about your goals helps them to understand your perspective and they in turn can help you too.
- Goals need reviewing on a regular basis – especially when goals have been achieved or when goals need to be broken down into smaller parts to be achievable. We managed to skip past sharemilking on a larger farm straight to farm ownership and have had to review our goals and set new ones.

Gaining the Right Skills

By setting goals it is then easier to work out what skills are required to be able to achieve your goals.

- There are numerous options available to us to gain the skills we need:

- Developing a smooth running 50:50 sharemilking business is the key to farm ownership.

Progression

Dairy farming has a great system in place for people to progress through the ranks from farm worker to farm owner.

- Make the most of opportunities. If necessary create opportunities.
- Don't rush progression but don't stall – you need to be realistic. Don't wait for the perfect time to progress. Timing for us has been more about when we were ready to progress rather than trying to time it perfectly. At the time we put together a herd and went 50:50 sharemilking, it was suggested that if we waited another year the price of cows would be lower. We went ahead anyway and as it turned out the price of cows increased the following year and has kept rising. We were ready, could get finance and Dave needed the challenge.
- We have always thought land is too expensive when you work out the return on capital from farming it. We're sure land will always be expensive. But in the long term it is a good investment.
- If equity growth stalls will you and your family still be happy. You need to be able to ride out the rough years.
- When we did a budget for our first farm the numbers were tight but it was a good location for us and we could see potential.
- The farm is in 7 titles, with chunks of land that don't contribute much towards profit, so allows opportunities if necessary to sell off lifestyle blocks.
- Be careful when moving to a climate or farm with less reliable water or poorer grass species. This last season we only produced approximately 85% of an optimistic budget and spent considerably more on supplement than budgeted.
- Think outside the square when you are ready to progress. There are many ways to finance a farm purchase. Banks are more flexible and willing to lend than in the past. Hybrid debt/equity that is linked to a fixed interest rate and capital gain is available.
- Leasing cows or lease to buy reduces the amount of equity needed to make the next step.
- The more debt and the less equity the higher the risk and the greater the need for profitability.

Summary

Farm ownership we think is still attainable through good planning. Setting goals, gaining the required skills, having profitable management systems in place and making the most out of the ability to progress up the ladder through the dairy farming system will help to ensure you can achieve farm ownership. Its up to you to make it happen.