

50/50 SHAREMILKING

Ben and Cate McIntosh

Introduction

Ben and I have been sharemilking in Mid Canterbury for the last 7 years and are currently planning our next step, possibly into an Equity Partnership. Our ultimate aim is, as it has been since we entered the dairy industry, to own our own farm. Despite all the economic doom and gloom currently pervading, we think sharemilking remains a great path to farm ownership.

We started off with no dairy experience on a small scale and have built up our herd numbers and equity without any financial assistance. We firmly believe there are fabulous opportunities for those starting off now to do the same.

Our background

Ben was brought up on a mixed cropping farm near Methven and Cate on a sheep and cropping farm near Leeston. We both went to Lincoln University, and went on to do an O.E. Back home, Ben leased a mixed cropping farm for six years. Although we loved the farming, we saw no future in this, as we felt this path was not going help us achieve our goal of farm ownership.

We looked at a variety of options, but a career in farming and to be our own boss was what we strived for. We talked to several sharemilkers and others involved in the dairy industry and decided it was probably the best option for us to build equity.

Our family and friends (few of whom were involved in dairying) thought we were mad, but we thought we'd give it a go and see whether we liked it. We sought out a top dairy farmer (John Van Polanen) and Ben worked for John on wages milking 500 cows for 9 months. We thought this entry to the industry would give us a taste of dairying and, if we liked it, would improve our chances of progressing quickly. John taught Ben a lot of important dairying skills, including cow and pasture management.

2002 50/50 sharemilking 300 cows

A 300-cow sharemilking job came available locally in 2002. The previous season the payout had been \$5.30 per kg MS, but the payout plummeted to \$3.63 and, with cow prices

Notes:

falling too, we lost a lot of equity in our first season. Thankfully we had an understanding bank manager and a 3 year contract, so although the loss was real, we didn't have to realise it.

That winter we had snow, no electricity for 3 weeks, and our 3rd child was born in the middle of calving. We had 3 children under 3, so you can imagine it was quite a stressful year!! However, once we got that first season under our belt and got the basics right, we farmed out our 3 year contract and began looking for our next move.

2005 50/50 sharemilking 520 cows

Our next move was to 520 cows on the adjacent property for the same owner. With more cows, we had more staff, so a bit less time in the cowshed. We made some good equity growth here, by farming profitably and with the rise in cow prices. The farm was sold in 2008 so we had to find another job, a 1,000 cow new conversion. Unfortunately, with cow prices very high, the 280 cows we had to buy were expensive – we paid up to \$2,350, with an average price of \$1,760/cow.

2008 50/50 sharemilking 1,000 cows

Last year we moved to the new conversion, again in the same area, on a 2 year contract. A new conversion brings a number of new challenges, and there is still potential for growth in cow numbers. The farm is half pivot and half borderdyke, with the possibility of another pivot going up next year. We have employed a number of foreign staff, which has been a real positive to our business. It has also been great to be able to stay in the same area, so the children can stay at the same school.

The collapse of the payout and in cow values this year has put additional pressure on us, but we firmly believe the medium term future remains strong.

Putting the first equity together

The debt required to get into sharemilking can be very daunting. Our leased farm finished on a good season, with the price for lambs and winter grazing on a high. During this time we also built a house in Methven, lived in it for 18 months and sold it for a profit when we went dairying.

The good things about sharemilking

We feel that Sharemilking and then Equity Partnerships are the only way we will get to our goal of farm ownership. We have a farming career that we enjoy and although it's not the type of farming we originally planned, we love the lifestyle that it creates. It has given us financial security, and with that comes choices. Cows are always increasing your equity by

reproducing. We can work together in our own business and be a part of a great country community.

Things to look out for when entering a sharemilking job

- Farm owners must be like-minded and have similar goals and objectives. They must be prepared to work as a team for the benefit of both parties.
- Ensure that your contract is signed before you move to the new farm. That should ensure there are no surprises. Get professional advice when writing up your contract.
- Surround yourself with good people – farm owner, staff, bank manager, accountant, farm advisor, vet, lawyer, fertiliser rep and someone who can act as a mentor, such as a good dairy farmer.
- Make sure all the inputs such as grass and fertiliser are consistent with what you expect.
- Be prepared to buy a top quality herd. The carryovers we bought from the North Island when we moved to this job were cheaper than the herd, but the quality was not great.
- Contracts, housing and good conditions for staff are very important. You want to attract good staff and have a low staff turnover.
- Timing of jobs with regard to buying and selling cows is important. Cow prices are volatile and rises and falls impact your equity and cash enormously.
- Moving jobs is expensive. Setting up and moving house, transporting cows, additional short term grazing, documenting new contracts etc all cost money.
- Don't over-extend yourself, either physically or financially.

Key things needed to achieve your goals

- Clearly defined, achievable, written goals - financial, business, personal
- Written business plan - even a very basic one
- Hard work
- Surround yourself with key people
- Excellent communication skills – especially with farm owner, bank manager
- Need to find good productive farms and top dairy farmers to learn from
- Identify any areas you need to improve eg pasture management, financial management

Notes:

The future

Within the next 7 years, we will have achieved our goal of farm ownership. We have gone outside our comfort zone and worked hard to achieve our goals.

We believe that it's a great time to enter the industry, whether as an employee, a contract milker or a sharemilker. The long-term outlook for dairying is strong and sharemilking remains a very key part of the NZ dairy industry. With dairying at the bottom of its cycle currently, the focus over the next 2-3 years will be more around cost control and minimising losses, rather than the production driven focus of previous years. An ability to adapt will put the industry in good stead to ride out the recession and have a strong future.