

## Young Farmer Business Bootcamps

Meridian Agriculture has delivered three Young Farmers Business Bootcamps across the state in conjunction with Agriculture Victoria. The two day workshops were held in Ouyen, Kaniva and Skipton, and followed on from the successful series held in 2017.

The aims of the workshops were to provide skills and information to young (and some not so young) farmers who are coming back into a family farm, starting their own business or involved in agriculture in an allied role.

Topics that were covered include:

- Importance of farm business management
- Overview of financial literacy
- Determining and improving the performance of a business
- Evidence based decision making to improve your business
- Planning for profit
- Pathways to farming
- Succession planning
- Identifying, planning for, and managing risk in a farm business
- At the end of the second day, participants had the skills and knowledge to produce a comprehensive business plan for their own farm or business.

In addition to the formal program, young farmers were able to meet and network with other like-minded farmers, and some very positive and potentially fruitful business and personal relationships were formed.

57 people attended the workshops over the three venues and feedback was very positive. Comments included:

“Excellent two days. Learnt a lot and was good discussion with like-minded farmers”.

“I will be able to implement everything I learnt into my farm business”.

“I have improved my knowledge of farm business, how to plan and analyse”.

“Super practical and informative”.

The evaluation of the workshops also showed that participants increased their knowledge in the key areas of financial literacy, risk and succession planning. Most participants also stated that they would do things differently in their own business ranging from better use of cash flow budgets and financial analysis of their business, to tackling the unresolved issue of succession in their family.



Meridian Agriculture is committed to increasing the professionalism of farmers and sees that young farmers are the future of our industry. We have been proud to have been part of these workshops with Agriculture Victoria and hope they continue into the future.

*Article by Paul Blackshaw*

## Meridian Ag Celebrates 35 years

The team at Meridian Agriculture is excited to be celebrating their 35 year anniversary.

To celebrate and say thank you to our valued clients, the Meridian Ag team will be holding two interactive half-day workshops focused on pastures and managing your business.

The first workshop will be held in Hamilton on Wednesday 4th April and the second in Benalla on Friday 6th April. The workshops will run from 2:00pm – 6:30pm, with afternoon tea and BBQ dinner supplied.

There will be presentations from Meridian Ag staff and in addition we have invited Robert Herrmann (Mecardo) to present on the markets and new ways of doing business.



## Some Comparisons from Succession Case Studies

Few farm businesses in Australia pass smoothly from one generation to the next. The Farm Success Enabling Case Studies summarise the approach of sixteen, family owned, Australian businesses towards succession planning, contrasting the attitudes, attributes and actions of people within each business.

With the stated aims for each family identified previously, the case studies have helped to debunk some common truisms within the industry. Some of these include:

Get big or get out – could be replaced with ‘get efficient or get out’. The Sigma and Tau family studies identified that an undercapitalised small business will become more inefficient if it tries to achieve scale, before it has achieved efficient use of capital. Similarly the Iota and Lambda family studies showed that the efficient use of capital can fuel expansion.

You cannot fund retirement, pass on a viable farm and treat your children equally (the three aims) – as identified in the case studies of the Mu, Upsilon, and Epsilon families, the

three aims of the family can be achieved by: starting at an early age to build the business; handing over to the next generation early; encouraging family members to earn off farm income; and using all the relevant skills and talents of family members to achieve agreed goals.

Keep the family capital in a block – The Theta study shows that whilst maintaining the capital in a block may give growth if the family grows (in number) faster than the capital grows (in value in real terms), eventually the asset will have to be sold or some of the shareholders bought out.

Maintain 80% equity – As was demonstrated with the Mu family study, 80% equity is an indication of 'lazy capital'. The equity has mostly been between 60% and 70%, and an average return on capital of 14% per year has been achieved over the last 20 years.

With these in mind, let's further examine some important contrasts of continuing and non-continuing businesses within the case study series:

Control of the Board and Shareholder engagement: The case studies highlight the importance of keeping control of the Board and ensuring shareholders are engaged. Two families, in the farming business since the 1800's, employed people from outside the family at a senior level. The Beta family relied heavily on external advice and consequently lost control of the Board, the family became disenchanted and the business was sold. In contrast, the Pi family kept control of the Board, and ensured family members had a keen interest in the business. The Pi family business is thriving.

Team work & involving the next generation: The case studies serve to highlight the importance of working together as a family unit to grow the business, and involving the next generation early on to ensure smooth succession. The Iota family business started small and now supports eight people including four members of the founding family. In contrast, the Zeta business started as a large business, but has shrunk and is now requires off farm income to rebuild infrastructure and support the family. The principle in the Zeta family was autocratic in his leadership style, and the next generation were chased away.

Agreement on the end game: In succession, it is important that all family members agree on the end game, and are happy with the outcomes of succession. Contrast two sets of brothers who farmed together from an early age and their approach to succession. The Epsilon brothers used their combined talents so the inevitable split would be orderly and advantageous to all. 'It took about an hour to agree' and each member of the family got what they wanted. In contrast, the Delta brothers took twenty years of argument to eventually agree to appoint a liquidator to sell and distribute the assets. The family lost about 40% of its wealth in the split, and no one got what they wanted.



A copy of the case studies and an analysis of 'success versus failure' is available at <http://www.meridian-ag.com.au/the-library/current-projects/farm-success-enabling-case-studies/>

Article by Mike Stephens

## Forage Improvement: The evolution of different perennial ryegrass interspecies and 'types' available to producers across temperate SE Australia

Understanding the distinct differences and selection of the right interspecies 'type' of ryegrass cultivar is crucial to match the feed demands and expected reliability to deliver a pasture system that will maximise sustainable production and withstand climate variabilities.

Early developed varieties of perennial ryegrass were generally based on northern European material that was first introduced to Australia c.1860s, either selected from or naturalised in different climatic zones across different regions. Ryegrasses that derived from northern Europe typically grow from early spring through to autumn, with very little production during the cold months of winter when it would be normally subjected to freezing temperatures and snowpack. Ryegrasses from this region are not usually well adapted to SE Australia's milder winters and summer droughts, however, many years of natural selection in Australia has resulted in diversification of this material and some improvement in drought tolerance. Some newer varieties have been bred with improved winter growth and enhanced persistence, however they remain of northern European descent.

A limitation of many northern European or derived naturalised Australian ecotypes (i.e. 'Victorian') has been the lack of winter growth. A valuable source of germplasm from North West Spain (NWS) was recognised during the late 1970s which exhibited the unusual combination of winter activity, late flowering, low vernalisation response and excellent crown and stem rust resistance. Although direct introductions of germplasm can seldom be used as cultivars in their own right, the introgression of germplasm into cultivars can be valuable as seen in this instance. These regions in NWS experience warmer, dry summers and milder winters and as a result ryegrass grows from autumn through to spring and is better adapted to summer droughts. The NWS cultivars seem to be day length insensitive; that is, they do not recognise the shortening of day length as the winter months approach and will continue to grow whenever moisture is available following a late break. Elite varieties incorporating this material have shown themselves to be well suited to Australian conditions with superior winter and total production and persistence if well managed at critical times.

Perennial ryegrass (and many other grasses!) have coevolved with a microscopic fungus called 'endophyte'. Ryegrass in many naturalised pastures, and in sown seed, is widely infected with fungal endophytes. The fungus resides entirely within the plant, colonizing new tillers as they are formed, as well as seed. This relationship is referred to as symbiotic, where both the grass host and fungus benefit from the association. Infection with endophyte imparts unique bioactive chemicals (alkaloid toxins) which increase the plants tolerance to a range of biotic (e.g. insect attack) and abiotic (e.g. soil water deficit) stresses. Endophyte has been shown in many studies to enhance agronomic performance through protection from insect predation, increase tolerances to drought and protection against over-grazing. Many older perennial ryegrass pastures and those based on the ecotype Victorian PRG are often infected with

the naturalised wild-type (WT) endophyte strain, which cause livestock to suffer from a range of disorders such as perennial ryegrass staggers and heat stress (leading to reduced live-weight gains and reduced reproductive efficiency). Aside from these clinical conditions, several other subclinical disorders have also been identified such as depressed animal liveweight gain, ill-thrift, reduced milk production, increased occurrence of scours, reduced water intake and reduced fertility. Considerable progress has been made in the development and commercial release of new strains of 'novel' endophytes that continue to produce beneficial alkaloids that confer agronomic advantage in grazing systems, but do not produce the alkaloids associated with animal toxicosis or have significantly reduced concentrations of toxins.



Article by James Sewell

## South west Prime Lamb enterprises of the Farm Monitor Project under the microscope

### Unclear impact of reproductive rate on profit:

Keen observers of farm benchmarking would be aware of the long-term agnostic relationship between lamb marking rates and Top 20% producers. More often than not, Top 20% performing enterprises have lower marking percentages than the 'average'. Yes, strange isn't it!

Over the years we've participated in many discussions with producers and producer groups on this very topic. "Reproductive rates are so important... How can lamb marking rates not be a major financial driver for a prime lamb enterprise?"

I'll get onto suggesting why the phenomenon occurs, but before I do, guess what? Last year it happened. A breakthrough of sorts. The Top 20% performing lamb enterprises in South West Victoria had higher lamb marking rates than the 'average'. Halleluiah!

Perhaps getting a little over excited. But remarkable given it's just the second time it's happened in the South West region since 2006/07. The second time in 11 years!

### Diving into analysis:

An occasion like this is good reason to take a closer look at the data. Figure 1 presents the relationship between enterprise stocking rate and lamb marking % for 2016/17 lamb enterprises. To remove some bias in the dataset, enterprises

using Merino ewes as prime lamb dams (3 enterprises) were removed from the data. The relationship presented in Figure 1 might come as a shock! Enterprises running higher stocking rates tended to mark higher lamb percentages. Wow! How does one explain that?

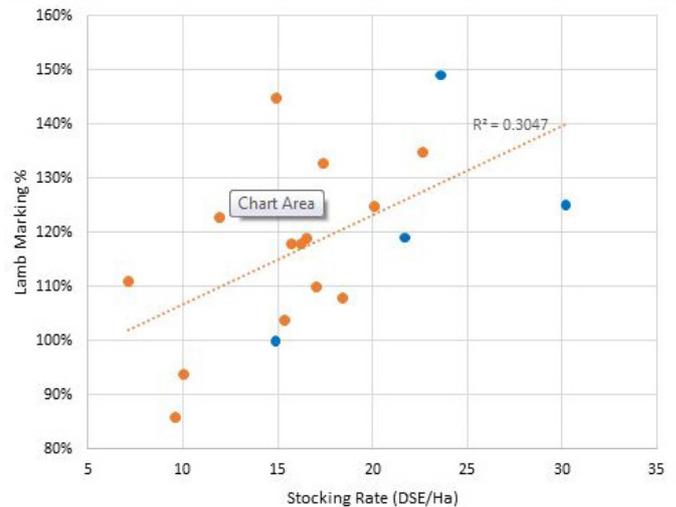


Figure 1: Relationship between lamb marking % and stocking rate (SWFMP 2016/17). Blue data points indicate Top 20% enterprises (gross margin/ha/100mm rainfall)

What else stands out? Huge variation in stocking rate for one. It varies from 7 DSE/ha to over 30! Let's acknowledge South West region enterprises extend from Warrnambool in the south to Balmoral in the west, but even so, it's an enormous variation in stocking rate.

The variation in lamb marking percentage is not as large – but still large – from 86 to 149%.

The Top 20% enterprises measured in terms of gross margin/ha/100mm rainfall (as indicated by blue data points) is yet another interesting observation. Three enterprises have clearly excelled in stocking rate (>20 DSE/ha), however only one of these did better than 125% lamb marking.

The fourth enterprise is back amongst the pack in terms of stocking rate (15 DSE/ha) and is one of the worst performers in terms of lamb marking rate at 100%. The gross margin achieved by this particular enterprise was \$901/ha, well above the average for the dataset of \$651. So how was this achieved? One reason is provided in the appendix tables of the 2016/17 Farm Monitor report. Not only did the enterprise turnoff larger lambs (24kg carcass weight vs 22kg average), they were sold at higher prices resulting in higher sale values (\$146 vs \$123/hd).

### So what can we conclude from all this?

Individual enterprises are complex. Comparison between them and teasing out what factors have the biggest impact is difficult because even similar businesses vary in more than one variable.

### Other Drivers:

Lamb marking percentages are important and there's no doubt it contributes to financial performance of an enterprise. I suggest the main reason it rarely stands out as a key profit driver is due to the influence of stocking rate. Stocking rate consistently stands out as a factor that overrides other production variables. Perhaps not so surprising when we appreciate the huge range in stocking rates being run

## Let's get to know James Sewell



*You have had a broad exposure to many different agricultural enterprises which one would you like to run and why?* Certainly enterprises in the grazing industry are my interest – I'm very much biased towards beef cattle and prime lambs given I'm actively farming these. For these enterprises – I'm in the business of growing grass! So getting the most value out of my pasture systems is priority number one.

*What do you think is the biggest opportunity currently for businesses in Australian Agriculture?* I think the ability to provide a consistent, sustainable and high quality product (both protein and grain) to service our closest export markets and the domestic market. Being able to capitalise on being grass-fed and servicing the consumer who is wanting to understand more about how and where it has been produced, with good traceability, will be critical going forward.

*Tell us about your family and values that are important to your family life?* No family of my own – but I recently returned to the family farm to run in partnership with my father at our property near Smeaton (central-west Victoria). Ensuring that my family can enjoy a good quality of life, and that we can all spend quality time together along with my sisters, nieces and nephews.

*Where did you go to school?* I attended secondary school at Ballarat and Clarendon College and boarded for my final VCE years, as it turns out was one of the best decisions we made. From there I had a brief stint at Dookie Agricultural College, completed my undergraduate at La Trobe University and continued with some post-graduate studies Masters in Science at Lincoln University (New Zealand).

*What is the most important lesson you have learned in life?* An interesting question – it seems that every day I am always learning! I do think that there is no substitute for hard work and dedication to achieve your desired goals – whether that be family, personal, sport, business, career etc.

*What is your favourite holiday destination?* I wasn't built for the beach or coast, so I would have to say I enjoy travelling to certain regions of the United States – particularly the mid-west and New York; which is a crazy place, but so different to anywhere else I've ever been.

*In your working career, what has given you the most satisfaction so far?* So far I would say, watching staff in the teams that I previously managed develop their knowledge, skillset and build success in their own right – as well as helping clients and producers achieve success by improving their pasture and livestock systems and ultimately, their business.

across enterprises within similar rainfall and production environments (Figure 1).

The data in Figure 1 is a good news story in my view! It suggests that a grazing business can have it all. High stocking rates don't necessarily mean lower production in other areas – such as reproduction! High stocking rates don't necessarily mean you'll push things to hard and the wheels are going to fall off! Stocking rate is of course all relative to how much grass you grow. Capacity to run higher than average stocking rates will depend on the feed base.

Continuing on this topic, let's take the 3 'blue dot' enterprises in Figure 1 for example. Their average stocking rate was 25 DSE/ha last financial year while the average for the dataset was 16. Furthermore these businesses produced 222 kg/ha lamb carcass weight, compared with 139 kg by the 'average' producer. A 60% increase in lamb produced per hectare, but at what additional cost?

Supplementary feed and agistment costs reported for these enterprises averaged \$3.70 per Dry Sheep Equivalent (DSE), while the average cost for all enterprises in the dataset was \$2.90. The difference in productivity and income generated by these businesses is huge, yet the direct costs to support it was less than \$1 per DSE. A \$40 per DSE average gross margin across enterprises puts the additional cost into perspective.

Management skills and genetics play a role, but an appreciation for differences in feed base is the only thing that can explain such large variation in production levels between businesses. So what do we suggest to producers? Objective assessment of where the business is at in terms of its production potential is the logical starting point. Scoping the opportunities and economics of lifting it is the next step. Productivity remains the largest influence on grazing enterprise profitability and we don't see this changing anytime soon.

Article by James Whale

*What do you do outside of work?* I am currently farming with my father part-time at Smeaton which keeps me busy. We run a beef cattle breeding enterprise, some horticulture (Pyrethrum), grass and lucerne hay and are just building up some first cross-ewe numbers for prime lambs. I also enjoy keeping fit, and following both the local and AFL football.

*Why did you choose to work for Meridian Agriculture?* Many. But the two main reasons would be the people in the business and the independence of advice. There is a very strong network of ability, resources and skills of the staff within Meridian-Ag which was significantly appealing. Furthermore, the opportunity to apply some of the science and research pasture work I've recently been involved with and implementing it into grazing systems to help producers maximise their profitability.

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