

## Success Enabling Case Studies

Some clients will be familiar with the series of succession case studies Mike Stephens is undertaking. To those amongst you who are subjects of the studies, thank you again.

The studies contrast eight farm businesses which will continue to at least the fourth generation and beyond with eight farm business which won't, at least in their current form. The businesses, which are spread over a wide geographic area and a wide range of broadacre industries, range in capital value from \$2,000,000 to several hundreds of millions.

There are stark differences emerging in; leadership attributes, attitude to risk, preparedness to 'have a go', willingness to let go, work ethic and family dynamics.

The studies, which are an important component of a broader study on farm succession, have been part funded by the MLA Donor Company.

As well as the case studies, Mike is collecting 'Good news' and 'Bad news' stories on succession and is keen to talk to anyone who has a story to share. Anonymity assured.

For more information about this project, please visit our [Farm Success Enabling Case Studies](#) webpage.



Article by Mike Stephens

## Fat Chance

The great start to the season has meant there are a lot of fat ewes around. This has increased the risk of a number of issues which will need to be managed.

Over-fat ewes are more susceptible to prolapses, foot abscesses, dystocia and getting cast in the lead up or during lambing. Those animals more likely to suffer dystocia are maidens, particularly if joined to larger terminal sires.

It is risky to try and reduce weight in stock at this stage, particularly if stock are in the later stages of pregnancy, due to potential complications with Pregnancy Toxaemia. However where possible feed intake should be controlled to prevent further weight gain.

Being aware of the issues will enable management of over-fat

## Future Livestock Consultants Graduate Internship



Meridian Agriculture has been delighted to be involved as Program Managers with a successful livestock consulting Internship program in partnership with MLA Donor Company. The two year program concluded in mid-June with a Graduation ceremony at the Meat & Livestock Australia (MLA) North Sydney office.

Nine interns graduated from the program with participating businesses by giving a presentation on an industry project to the entire MLA staff & their employers. It was the accumulation of two years hard work for the interns and experience for all participating businesses involved, including Meridian Agriculture.

In addition to the conclusion of this program, a new program has commenced with a new set of livestock consultants with a mentoring relationship being formed between the first group and second group. Again, Meridian Agriculture is proud to be involved as Program Managers and building the capacity of livestock consultants across the industry nationally.

**LIVESTOCK**  
CONSULTING INTERNSHIP

Article by Ben Reeve

ewes through regular inspections – remember, most lambs are born in the morning, so inspection in early afternoon reduces the risk of mismothering.

Foot abscesses are caused when faecal material enters damaged skin between the claws of the hoof. If you have to yard stock, foot bathing on the way out should reduce the incidence. If sheep do develop an abscess, contact your vet and treat early.

Article by James Whale & Dan Korff

## Strategic Business Growth

Having a conversation with a business about the best approach to grow Net Worth is always interesting. The discussion often leads into two major themes: expansion or intensification. What's the best approach? Is it stretching yourself to purchase more land? Or is it focussing on the land you already manage to increase its output and profitability?

Growing Net Worth is not a conversation you're likely to have down the pub. Putting a dollar value on your business and personal wealth is not exactly the thing you'd feel comfortable sharing with anyone. In terms of business performance however, Net Worth growth is arguably the #1 measure and what most businesses should be aiming for. Of course cash is critical to keep a business in operation. Pay for living expenses, education of children and hopefully a decent holiday each year. But it's Net Worth growth that determines the number of options available to a business in the future. Business succession, capacity for off-farm investment, potential sale of business assets to fund living post farming. Regardless of the initial size of the business, Net Worth growth has a real and direct impact on future options available to owners.

So let's revisit our questions. What's going to grow Net Worth? And what's the best way to grow it?

Within our own farming communities we all know of farm businesses that have achieved large increases in the size and scale of farming operations. Often we have no idea if the growth achieved has been 100% organic or has to some degree been supported by investment from external sources. Nevertheless it is clear that businesses like these have experienced massive growth in farmland assets with the coupling of farming scale and rising land values over the past 10, 20, 50 years. Recent reports by Farming Answers put average Victorian farmland appreciation at 5.3% during the past 20 years and 7.1% during the past 5 years.

There's a saying that two thirds of farming wealth is generated by land value appreciation and one third from farming activities. With Farm Monitor Project participants achieving an average 2% per annum Return on Assets over the past 10 years, the farmland appreciation figures confirm this point of view. Figures such as these clearly demonstrate that owning farmland is a proven avenue to growing wealth.

So a business wants to make its next land purchase to grow scale and future prospects of asset accumulation. This is a logical step. But! We must recognise it won't necessarily be the best move for a business to make.

The hurdle with expansion is the costs involved to expand. Interest expenses on additional debt, upfront working capital such as livestock, capital expenditure on infrastructure, inputs to address inadequate soil fertility or substantial land development works – all of which could be fundamental to drive production and financial performance from the new land purchase. These costs not only need to be covered, they need to be exceeded in order to pay down debt and/or bolster liquidity reserves to reduce risk. In instances where the costs are too great the decision for expansion can be crippling.

It leads us to another question. What capacity does the existing business have to support that next property purchase? This is a critical step to understand because it has a huge bearing on the ability to fund the additional costs. Is the existing business capable of covering 20, 50 or 90% of additional costs? It's clear the diversity in scenarios can be enormous! Not surprisingly one business can often justify paying substantially more for a parcel of land than another and the decision to expand at the higher price can still be the right one.

Profitability of the existing business is therefore paramount in terms of a business's capacity to withstand additional cost pressures arising from expansion. Businesses that understand this will be doing everything in their control to make the current business as profitable as it can be in preparation for expansion opportunities when they arise. When it happens, care needs to be taken to critically assess the impact that expansion will have on whole-of-business performance and risk exposure given a range of possible future scenarios. Which will mean walking away if the potential purchase fails to meet your established criteria.

Business expansion will always involve inherent risk. Complete removal of risk is unrealistic but businesses that go the extra measure in working out likely and potential business impacts will be in a much better position to make the right decisions regarding business expansion. The reward for diligence? Net Worth growth achieved in a sustainable and responsible way.

So what can I do:

- Know current financial performance of your business (management not tax accounting!);
- Understand the impact of future price and production fluctuations on business performance (risk exposure);
- Use 'likely' and 'worst case' future scenarios when evaluating land expansion opportunities for the business.



Article by James Whale

## Filling the Winter Feed Gap

Once average day time temperatures fall below 15°C and soils below 10°C, Nitrogen responses are relatively low and the response to get the dry matter response is >35 days. Assuming soil fertility is non-limiting and there is adequate soil moisture, Gibberellic Acid (GA) is a much better option to produce dry matter in a short period of time.

Gibberellic Acid is a naturally occurring plant hormone which mobilises stored carbohydrates to produce leaf and root growth.

Gibberellic Acid is sold under several names of which Pro Gibb and Gala are two.

Gibberellic Acid was initially trialled by CSIRO in the 1950's and 1960's.

Phalaris and Cocksfoot pasture require 10grams of 400g/kg of GA; Perennial Ryegrass requires 20grams of 400g/kg of GA.

To get the best responses from Gibberellic Acid

- Adequate soil moisture
- Pasture not water logged
- No frost in the last 2 days
- The activity is through the leaf only, so 1000 kg DM/ha cover minimum
- Fertility needs to be non-limiting, the same principal as Urea
- Wetter
- Dry leaf for spraying and allow 2 – 3 hours to dry
- Leaf uptake only
- Water rate is important use 100lt/ha and a medium droplet size
- Stock excluded for 21 days for best results
- Responses are reduced as air temp rises above 15 degrees C
- Best response when air temperature is between 5 – 15 degrees C
- Rate 10 grams/ha Phalaris pastures, 20 grams for Ryegrass dominant pastures

Likely responses to Gibberellic Acid and Cost

- Pro Gibb on Phalaris Assuming 400kg Dry Matter
- 10g/ha = \$7.80
- Application \$15.00 (contract Boom spray)
- Dry Mater cost from Pro Gibb 5.7 cents per kg 100% Utilization
- 80% Utilization 7.1 cents
- Equivalent per tonne price of \$57 if 100% Utilization or \$71 per tonne at 80% Utilization
- Pro Gibb on Ryegrass Assuming 400kg Dry Matter (DM)
- 20g/ha = \$15.60
- Application \$15.00

- Dry Matter cost from Pro Gibb 7.65 cents per kg 100% Utilization,
- 80% Utilization 9.56 cents per kg
- Equivalent per tonne price of \$76 if 100% Utilization or \$95 per tonne at 80% Utilization
- 250 gram container (\$195) 400g/kg active Product \$195 per container \$0.78 per gram

Costing of Nitrogen 5:1 Response

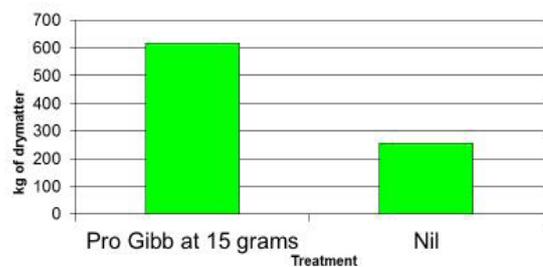
- Assuming 175kg DM
- 35 Nitrogen (75 kg of Urea)/ha = \$41 ha Spread
- 100% Utilization 23.4 cents/kg DM
- 80% Utilization 29.2 cents/kg DM
- Equivalent per tonne price of \$234 if 100% Utilization or \$292 per tonne at 80% Utilization

Please note costings are current June 2017.

### GA Effect



### Dry Matter response in 21 days at applied 3 July and cut 24 July



Source: Queensland, 2016, 2017, 2018

AGRICULTURE VICTORIA

## Let's get to know Mike Stephens



Mike Stephens is a Director and senior Farm Business Advisor at Meridian Agriculture. We asked Mike a few questions about himself.

**You have had a broad exposure to many different agricultural enterprises which one would you like to run and why?**

I really enjoyed my role as a farm manager and could easily have continued down that path. But I would have wanted to have a significant stake in any business I was involved in. At the beginning, long before it was called Meridian Agriculture, the core of the business was farm management. For me farms mean sheep, cattle, crop. The more important question is whether the enterprise requires building, growing or expanding. That is where I get energy. Whatever the enterprise, I would gravitate to the people rather than the technology or the finance.

**What do you think is the biggest opportunity currently for businesses in Australian Agriculture?**

We are living in the fourth agricultural revolution. There has seldom been a time when markets seasons have both been good (by and large). The ride may be bumpier and riskier, but any commodity is a good investment for top operators. But beware. ABARES reported at the end of the March 2017 quarter that, when adjusted for inflation, 'Real net farm cash income' is the same now as it was in 2000.

**Tell us about your family and values that are important to your family life?**

Jo and I will celebrate our 50th wedding anniversary next year. We still share a swag! The most important thing about family life is to be available when needed. Our four kids and eight grandchildren all get on well. That harmony is the second most important family attribute. The most important is love which we share as a couple and as a family.

**Where did you go to school?**

Appin (30 kids, six grades, one room, one teacher), Mosman Prep, Sydney Grammar.

**What is the most important lesson you have learned in life?**

In any situation the answer is usually somewhere in the middle.

**What is your favourite holiday destination?**

We've visited about 30 countries and been in each long enough to get an appreciation of the people and the culture, but my favourite destination is anywhere in outback Australia camped by a waterhole.

Care needs to be taken that Gibberellic Acid sprayed pastures are not overgrazed as plants stand up quite erectly (shown in photo above).

In summary, winter responses to nitrogen are likely to be around the 175kg DM over 35-40 days. Gibberellic Acid will produce 400-600kg of dry matter in less than 25 days if nutrition isn't limiting.

*Article by Andrew Speirs*



**When growing a business, what is the first piece of advice you would give someone?**

There is no point in being in business unless you can sell it. You may never want to, but build it so that you can.

**What do you do outside of work?**

Family, garden, travel, write, read, community involvement, Churchill, Ballarat Mechanics Institute, Yendon Rec.

**Yendon**

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