

Lincoln University

Kellogg Rural Leadership Programme

Red Meat Career Pathway

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Executive Summary

Currently the red meat sector does not have a clearly defined and documented pathway for young people to build a business to increase equity to pursue the goal of land ownership. Succession in the industry is a challenge as the average age of land owners is high beyond 55+.

The purpose of this research is to understand the current successful pathways selected entrants have followed to enter the industry. This was conducted by interviewing 12 farmers around the country who are currently in a process to build their equity. A range of questions were asked to gain an understanding of both how they got to where they are and where they are heading in the future.

There were three common pathways that were found through the report including Equity Partnerships, leasing land and buying undeveloped land.

The Equity Partnerships arrangements varied but they all had the common underlying goal to build equity. The options included investing in the operating entity or investing in the land owning entity and the operating entity. All young people managed the farms and either received a profit share which could be reinvested into the business or the profits were used to reduce debt or were invested back into the business through development.

The second option was the traditional leasing method. This method evolved from leasing one property to taking on more leases which gave the ability to create wealth. The disadvantage is that leases are usually passed on through word and mouth and are usually only the more run down properties available.

The third option was to invest in land that was undeveloped and not attractive to many people which gave the option to develop it while leasing other land to create cash flow to do so.

Primary ITO has developed a flow chart of the pathway through shepherding and farm management with the different training available at each stage which is a great pathway to learn the ropes of the industry.

The red meat sector is not the only industry that does not have a clear pathway. For example it is also difficult to invest in commercial property until you have enough equity to do so in which there is currently no clear pathway of how to get there in the industry.

The advice that was given by the 12 farmers interviewed included; the importance of networking and building relationships with key people, involving a team of people to support you, seeking opportunities, working hard, diversifying your income, getting the governance right before you enter the arrangement and taking the opportunities that present themselves.

In conclusion, there are currently people out there building equity to get to their goals but there is not always one pathway that fits all. The pathways vary depending on the opportunity that you get and the availability of support around you. But most importantly it can be done if that is what you want to achieve.

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1.0 Acknowledgements

I would like to thank the 12 farmers that I interviewed for giving me the opportunity to discuss their career pathway to land ownership providing personal and insightful data. I would like to acknowledge the ANZ Agri team (Dave Haden and Lynda Gaukrodger) who have given me the direction and support during the course of this project.

I would also like to thank the Lincoln University Kellogg Rural Leadership Programme for giving me the opportunity to participate in this course and the sponsors for giving us the resources.

2.0 Introduction

The red meat sector currently does not have a clear career path to build equity for young people as outlined in the ANZ Privately Owned Business Barometer. The average age of red meat farm owners is 58 and there are barriers with succession in this industry with no pathway. The ANZ Privately Owned Business Barometer found that balancing family interests and succession related issues were the top ranked concerns for red meat farmers. The decision about when to pass over land can be challenging at average industry profit levels which can be seen as impossible for some people. Young people bring innovation but attracting people to this industry with no defined pathway is difficult. The dairy industry has succession solutions developed through business models including lower order share milking and 50/50 share milking, the red meat industry has little information and resources available around this topic.

The purpose of this research is to find examples of successful pathways and from these recommend steps to develop a pathway for young people wishing to become farm owners in the red meat industry. This includes a pathway and/or a method to build a business. The career pathway needs to be recognised by the industry and clear to all parties on the strategies that can be utilised by each partner.

The younger generation are often put off and discouraged by the challenge of achieving land ownership as land prices are high relative to income, and continue to rise making it seem impossible to visualise land ownership. A strategy to help support young people with a vision to acquire land is critical for the sustainability of the red meat sector.

The average age of farmers in control of the business in New Zealand is a concern for the industry and it has been long recognised that this issue needs to be addressed. The red meat sector needs to attract young people with skills and energy to drive performance in the industry and they need to be rewarded for their hard work.

In my opinion the red meat sector doesn't sufficiently supply alternative support for the next generation in business succession by way of profit sharing. To be successful, every industry needs a good succession plan to develop, empower and attract quality staff and owners that are passionate and want to drive productivity and profitability.

This topic is very important to me as it is my aim to own a financially viable sheep and beef property in the future. I want to assist others in their journey to achieve their goals of land ownership. It is important to get the message out there that land ownership is achievable with the appropriate methods applied and support in place.

3.0 Aims and Objectives

The aims and objectives of this research were to:

- Increase the understanding of how to enter the industry and the contractual arrangements within the sector
- Document pathway options for young people to land ownership
- The findings will be passed on to farmers and professionals to increase the awareness of how to grow equity for those looking to enter the industry.

4.0 Methodology

4.1 Method

To achieve the aims and objectives set out for this research report the following process was used;

- A survey was developed
- 12 candidates for interviewing were selected based in sheep and beef regions
- Interviewed 12 participants which included farmers who have successfully set up models for the next generation.

The Red Meat Profit Partnership has identified 4 key areas having an impact on potential behaviour change:

- Awareness (knowledge)
- Motivation (aspiration)
- Confidence
- Capability (skills)

The programme was created “to learn how to work with farmers to achieve the on-farm outcome they want.” It focuses on delivering improved productivity and profitability behind the farm gate. This is very timely with this research driving a behaviour change in the industry.

In the case of the next generation of red meat farmers, they need to:

- Be aware of their opportunities
- Aspire to them
- Have confidence that there is a path to success
- Understand and develop the capability they require to be successful

To find the appropriate candidates for the report, ANZ Agri Managers were approached, to find out any appropriate candidates in their areas. To begin with, this gave me a few names in different parts of the country that were at different stages along the pathway. The next step was to engage with the Red Meat Profit Partnership, well known consultants, people within my current network and referrals from those people surveyed.

To ensure this project was successful it was important to cover off the different locations, career stages, support from family, pathways and perspectives to get a good overview as per the table on page 3.

Candidate Profile	Location	Pathway	Scale
1	Otago	Leasing	8,500 stock units
2	Tasman	Leasing	Own 350ha and lease
3	Wairarapa	Leasing	350ha and 900ha
4	Wairarapa	Leasing	5,000 stock units
5	Wairarapa	Equity Partnership	250ha, 50% in operating entity
6	Northland	Equity Partnership	-
7	Wairarapa	Equity Partnership	24,000 stock units, 25% of operating entity
8	Wairarapa	Equity Partnership	7% owner in land, plant, stock and machinery
9	Wairarapa	Equity Partnership	1100ha, 33% owner in land, plant, stock and machinery
10	Hawkes Bay	Equity Partnership	-
11	Otago	Equity Partnership	300ha, 33% owner in land, plant, stock and machinery
12	Wairarapa	Land Development	5,000 stock units

Table 1: Candidate Profile

4.2 Questionnaire

Listed below are the questions that were asked of the candidates:

- How did you build up equity?
- How did this opportunity come about?
- How long have you been established in this relationship and how many more years to come?
- What are your next steps in the next 2-3 years and 5-10 years?
- What would be your advice to young people trying to be financially successful in the red meat industry?
- Advantages/Disadvantages?
- What equity did you start with and what do you want to have in 10 years?
- How do you share income and expenses?
- Are there any production /profit incentives?
- What is your ability to access capital?

Due to the time constraints and localities of some of the interviewees, the interviews were conducted over the phone with those questions outlined above asked. The questions were a guide and a minimum to be covered. The interviews were conducted during March and April 2015.

4.3 Support and Mentoring

To ensure this survey was adequate I discussed the process and questions with ANZ's Head of Agri Initiatives. It is hoped that the industry will benefit from the project as I will be gathering the successful options for young people to build up a business to purchase land.

4.4 Feedback to Candidates

Feedback of the results and findings will be provided to each candidate surveyed and the wider support team.

4.5 Analysing of Data

The data was analysed interview by interview, placing together the common pathways followed by the common themes within the pathways and the different structures. The recommendations were collated

but this research is qualitative not quantitative therefore the data cannot be represented in one clear table or graph.

5.0 Findings

5.1 Red Meat Career Pathways

The three pathways that are commonly used to build equity in the red meat industry found from this research included: Equity Partnerships, leasing Land and developing land. Please see page 5 for the common steps used for each pathway. There are currently 29,200 sheep and beef farmers in New Zealand and only 12 were interviewed for this project so it is possible that there are many other pathways to build equity out there that have not been included in this report.

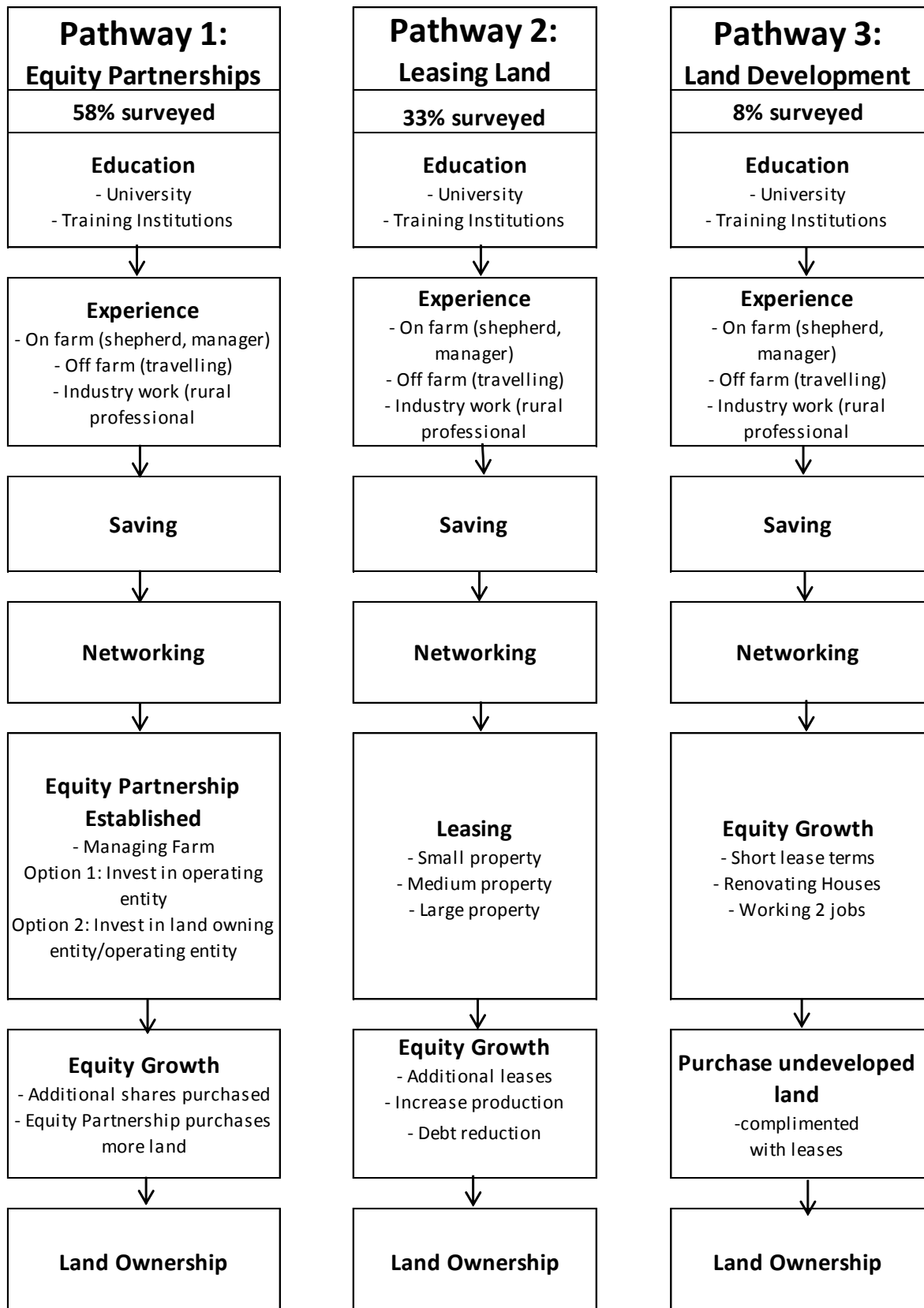


Table 2: Red Meat Career Pathway

5.2 Common Themes

From the survey results, the interviewees have:

- Gone to university (gaining degrees or diplomas)
- Travelled
- Had shepherding jobs
- Managed farms
- Worked on family farms
- Been involved in the banking sector
- Rural professional jobs
- Been involved with Young Farmer Clubs
- Invested in rental houses
- Renovated houses to on sell
- Had weekend jobs

The objective of these jobs was to:

- Save money
- Gain skills
- Gain experience
- Expand networks
- Work on successful properties to learn from the best

5.3 Pathway 1: Equity Partnerships

5.3.1 Equity Partnership Option 1

The most common step to land ownership included having an investment in the trading entity. This included owning a percentage of the stock, plant and machinery and the entity leased the farm off the land owner who was generally a partner in the trading entity. The percentage owned varied from 25% to 50%. Being in an equity partnership gives the young manager job security, and the land owner security that the young manager will not leave the job as easily compared to a lease, where the lease may not be renewed. The owner can provide capital and the manager can provide the expertise and energy making it a win win for both parties. They also bring different strengths to the governance of the business.

The income and expenses are all run through the operating entity repaying debt and all surpluses are paid to shareholders or are reinvested in the business. No direct incentives are paid as the more the property produces the more funds available which are the long term incentives offered. Further business opportunities can evolve if the land owner wishes to purchase more land and the partner wishes to continue to grow their equity is another viable option. The option is available if they are able to grow with them by either increasing their trading entity's assets or possibly being able to invest by purchase of the land. Taking these opportunities if financially able to, when they arise, can help make the possibility of land ownership more achievable.

These opportunities come about and have evolved from land owner's not willing to lose their manager and giving them an opportunity to retain them but offering them a vested interest in the business. It may also provide a succession option with the owner wanting to exit one day and the entering party wanting

to enter the industry. It may also be possible for couples that one person manages the property, allowing the other to work off farm. Being able to live off one income and save the other is another way of increasing your equity to achieve the ultimate goal.

Another possibility from an owner's point of view is to employ a manager on a 12 month contract with the incentive in the employment agreement that there could be an opportunity to invest in the farm as an equity partner if results are delivered. If the owner is willing to take a step back and help the manager grow their equity, they could allow the manager to reinvest any surpluses received back into the farming business in order to increase their shareholding. The business would need to be in a good financial position to be able to offer surpluses however investing in land involves a large outlay of cash so the land owner will want to ensure they are receiving sufficient return on capital.

An equity partnership gives an entrant to the industry an opportunity to progressively build equity, helping them strive for the goal of land ownership. This can be achieved differently including purchasing a block via an arm's length transaction or purchasing a family farm. The exiting generation that have spent years working on the property are not willing to walk away with nothing and usually have more than one child therefore want the transaction to be fair. Setting up an equity partnership prior to this point, if a child or children are working on the property, gives them the opportunity to build equity. This will help them to pay the parents and other siblings out at a fair price to ensure everyone's needs are met.

Buying into a property does not need to be rushed, ensure there is enough equity before purchasing to make sure the business is not highly leveraged at the beginning. This will provide more security, limiting the businesses volatility to fluctuations in prices and interest rates.

5.3.2 Equity Partnership Option 2

Another option is to have a single entity that owns the land, stock, plant and equipment as well as providing the trading facility. The entering party may not have the ability to purchase a significant shareholding due to the high land value, but this gives the opportunity to access both return from capital and inflation in land. Those people surveyed, with this sort of structure, had a shareholding that ranged from 5% to 35%. They also had the opportunity to increase their shareholding as the owner/owner's gradually exited the business and industry. Having a vested interest in the farming business provides a sense of achievement and motivation to continue to drive the business further. There is more incentive for the manager to develop the land and improve productivity as they get the direct benefit of improved returns and increases in land value while managing the farm.

5.3.3 Equity Partnership Disadvantages

A disadvantage of the model investing in the operating entity not the land owning entity, seen through this research with the next generation is that when investing in the operating entity of the farming business, there is the incentive to increase production for improved financial results but the underlying issue is that the majority of capital gain in the red meat sector is achieved through the land appreciating. Unless the property is producing surpluses year on year with the ability to pay out dividends, there needs to be a specific timeframe set to ensure this next generation continue to take the next step of investing in the land owning entity.

Relationships between partners can also be challenging and it is important to recognise that a high level of communication must be maintained with the Equity Partnership. If not this causes the dissolution of the relationship and ultimately people can feel 'burnt' by the experience.

5.4 Pathway 2: Leasing Land

5.4.1 Leasing Pathway

The traditional leasing model is still used for new entrants that have a cash buffer to enter and purchase the stock, plant and machinery required. Leasing more than one farm is common to complement each system with finishing and breeding blocks and some are summer safe and summer dry. But the challenge can be when applying for funding. Depending on market conditions at the time, banks stock values could be seen as conservative compared to the current purchase price, which reduces the equity and the total amount of debt available to borrow. An advantage of leasing land is that the cost of capital is cheaper than owning land.

5.4.2 Country Wide Article on Leasing

Leasing can be a great way to build equity but it is not easy finding a farm to meet all desired criteria. "Leasing is here today, gone tomorrow. There is no assumption that it will carry on," as outlined by Jeremy Sunckell in the Country Wide magazine. Jeremy and Gina had a deposit of \$170,000 which was not enough to buy a farm of the desired size. With a similar pathway to many of those surveyed, the Sunckell's managed farms around the country and Gina worked off-farm as a nurse. The couple then got the opportunity to lease a 300 hectare farm in Maraekakaho, Hawkes Bay at fair market price with the owner willing to give the young couple a go which was a great opportunity for them.

The budgets were prepared, with conservative figures for the Bank. There was no historical performance results to provide the Bank which is always the case when you are first starting out. There was a security shortfall with the Bank which meant the parents had to provide a guarantee for this opportunity to go ahead. This opportunity has now grown into three properties being leased totalling 1,000 hectares in 3 different parts of Hawkes Bay. Leasing has been a very successful pathway for this young couple but these agreements do not always pan out in favour of the lessee.

5.4.3 Leasing Disadvantages

A disadvantage of a lease arrangement regards the property development. The lessor generally does not want to invest a huge amount of capital back into the property as they receive a rental payment and don't benefit from the capital in the short term until they can renew the rent charged. The lessee only benefits from the development in the short term. For example renewing fences, thereby improving pastures should help increase the farm productivity and profitability. The lessor will see this benefit in the long term with improved land prices. It is difficult to get the right balance of development spent whereby every party benefits and the property is able to be run to full potential.

The other issue with leasing is that they are usually heard about by word of mouth making it difficult to find a property that would suit the individual's needs. A risk when getting into leasing is the volatility of stock prices as the majority of your equity will be tied up in stock. Whether you are buying in on high or low in the market can make a huge difference to the equity you may finish with at the term of the lease. It was suggested by a leasing party that if he had his time again he would go into an Equity Partnership rather than lease as you work harder for a piece of the pie and if you get on with someone really well you can focus on growing the business.

5.5 Pathway 3: Land Development

5.5.1 Purchasing Undeveloped Land

An opportunity, more likely considered by younger people is investing in undeveloped land with no improvements. This type of land is more affordable and the young land owner has the energy to make the property their own. This type of investment could be complimented with lease blocks to help ensure there is sufficient income to go into developing the new block of land.

The disadvantage of this method is having the capital available to be able to purchase the land to start developing which then will increase the land value therefore your equity.

5.6 Other Pathways

5.6.1 Country Wide Article: Contract Milkers

There was an article in the Country Wide magazine in May 2015 about a young couple Mathew and Gemma Barham (Central Hawkes Bay) who took an opportunity to grow their equity in order to purchase a sheep and beef property. This included managing for 4 years, and lower order share milking 3,500 cows for 2 years. They were then able to save a \$250,000 deposit to purchase a 240ha sheep and beef property in Hawkes Bay with a little support from their parents by way of a guarantee. This farm was leased out to enable the Barham's to continue their lower order share milking position as this provided good cash flow, which later led onto selling this farm and buying a bigger farm. "When we looked at going to sheep and beef and leaving milking it didn't add up." The new farm was next door to the parent's farm so they leased the parent's farm and ran the blocks together. Both blocks were both then sold to buy another station of 1020 hectares. Matthew and Gemma Barham had a third share in this property, gaining the benefits from land inflation.

Using another industry to build equity to achieve land ownership goals in the red meat sector is another option but a challenge for the red meat industry to retain people interested in this industry to stay and work their way through the ranks to build equity without having to use another industry with better cash flow.

5.7 Next Steps for Candidates

The next steps for the 12 candidates are as follows:

Candidate Profile	Next Step
1	Leasing, looking to purchase land
2	Increase equity by purchasing lease block/reducing debt
3	Looking to buy a 700ha block
4	Repay debt, look for another opportunity
5	Purchase land near family farm
6	Buy into operating entity
7	Purchase more shares in land owning entity, then purchase own farm
8	Purchase more shares in the farm
9	Purchase more shares in farm and invest in commercial property
10	Land owner, looking to exit industry eventually
11	Buy a partner out in due course
12	Owns land, looking to purchase again

Table 3: Next Steps for Candidates

5.8 Surprises

The differences found within this survey is that the more progressive younger couples worked more than one job or leased properties while working as a farm manager to get ahead. Although this is a means to an end, the hard work pays off putting that extra cash aside or by reducing debt to build equity.

I was quite surprised to be able to find seven current Equity Partnerships around the country that were willing to share their information and pathways as this pathway is still very new to the industry. It was also interesting to hear a few people that had taken the leasing pathway say they wish they had known or someone had informed them about an Equity Partnership.

It was also surprising to hear the amount people had managed to save each year before they entered the arrangement. For example people were saving more than one wage a year.

6.0 Pre Ownership Career Pathway

Primary ITO was contacted to investigate what they are doing around career pathways for the red meat sector. A flowchart as outlined on page 11 has been created which then goes into further detail of the roles and responsibility of each person. This is great to provide guidelines and direction for people entering the industry. There is an opportunity for this to extend through to building equity after the Business or Operational Manager.

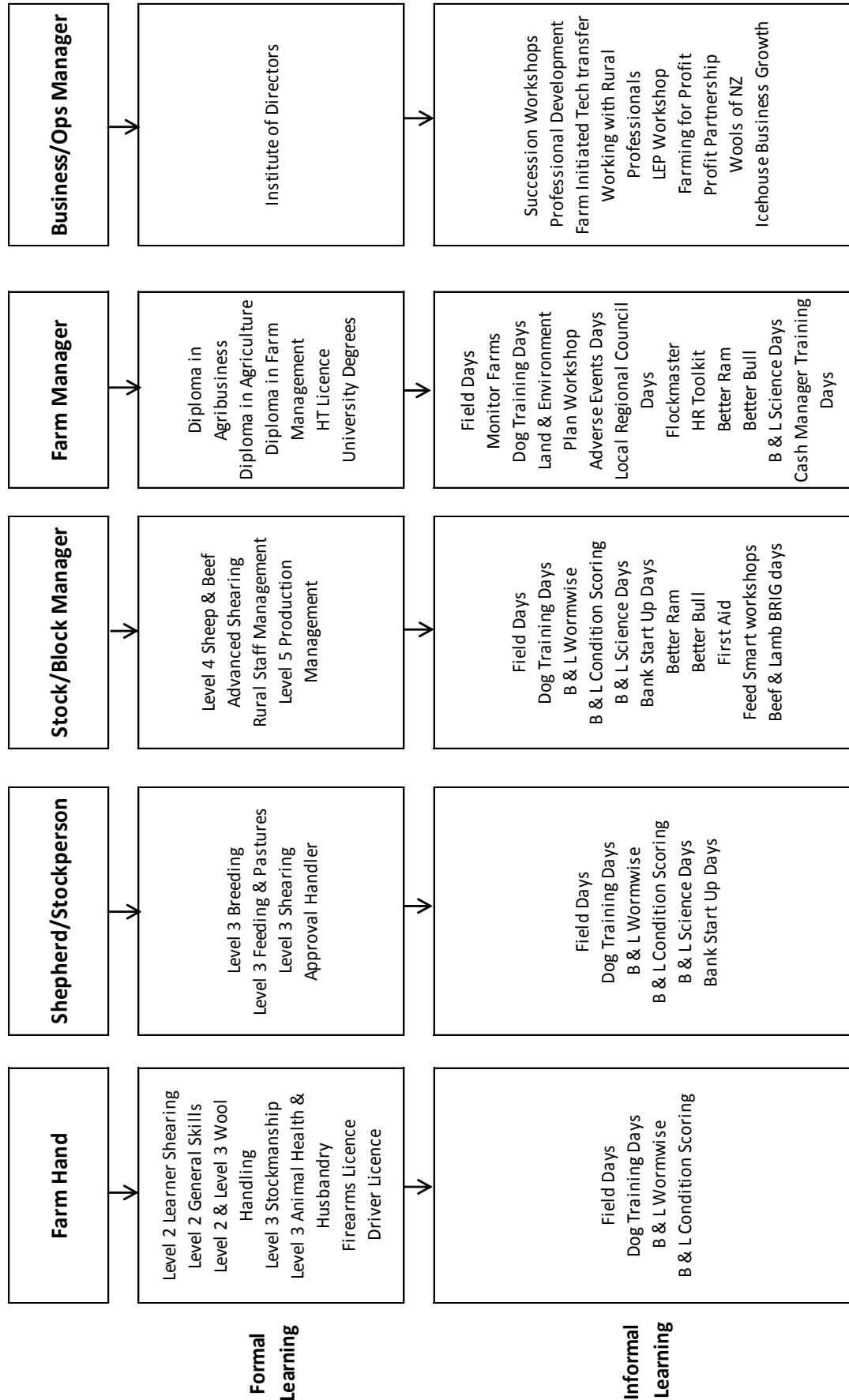


Table 4: Primary ITO Pathway

7.1 Commercial Career Pathways

After talking to an ANZ Commercial Relationship Manager, there is no clear pathway to invest in commercial property either. The common theme is building up a residential portfolio including a mix of houses for different reasons for example cash flow in a student area and capital growth in a growing region. Once the debt is at an appropriate level the houses are usually leveraged off to provide security to buy your first commercial property investment which is commonly leased out therefore you can only borrow 65% of the funds. The other option is to buy a building which will be owner/occupied and then you can borrow 100% of the funds from the bank but the catch is that 35% of that debt has to be placed on principal and interest as there is no security for the bank. This option gives someone the opportunity to start out in a business for example hairdressing.

7.2 Succession Issues

As outlined in the ANZ Privately-Owned Business Barometer, succession is a big issue for agriculture. In the red meat Industry, 70% of people interviewed suggested it's an issue, corresponding in the Dairy sector 60% and for the Commercial sector 35%. The question was also asked around succession and how it was dealt with. The most common answer in both the red meat sector and the Dairy Industry suggested family members taking over the management of the farm followed by family taking up shares in the business.

7.3 Family Support

The survey highlighted the differences of varied support from family to couples doing it by themselves, but the key to this was that the attitude towards farm ownership was the same. Those with greater family support generally just had the ability to start the journey earlier than the rest.

8.0 The Opportunity

8.1 Connecting People

The opportunity for the red meat industry that has been identified from this report is the need to connect land owners and new entrants. The land owners that do not wish to operate their property on a daily basis and have a viable farming business, with people who have experience in managing properties and are wishing to take the next step in their careers. This includes building their equity to pursue their aspirations and dreams of land ownership. This could be in the form of a website where the above interested parties can register their interest and needs. This will allow two parties to come together identifying if they have similar goals and can get along at a business level. Although this has been attempted on a small scale this should be an industry wide website as this was identified as being the main concern of those people interviewed.

8.2 Educating People

Over and above connecting these people there is also an opportunity to start educating people on the new methods for young people to get to land ownership in the current environment with high land prices. There could be many opportunities around the country for similar transactions (i.e. equity partnerships) to occur due to the increasing average age of farmers. These farmers are often not ready to depart the farm completely and would like to be involved in some way however these people may not be aware of the options available to them. There is an opportunity here for the industry to start educating people around this.

It was also suggested that there is an opportunity for farm training institutions to educate young people on financial information as this has been identified as being a weakness in the industry.

8.3 Spreading the Word

The red meat industry and other stakeholders such as banks should set out the pathways and contractual and financial arrangements that support them, publicise and train them. This would be similar to the dairy industry with the lower order and 50/50 share milking arrangements which all parties are clear on their involvement and legal obligations.

The dairy industry created standard share milking agreements and banks published guidance on formation of Equity Partnerships and these have proved helpful to bring the next generation into that industry.

8.4 Key Learning

The key learning's during the process of this report is that buying a sheep and beef property can be done and it is currently being done with the right process in place. There are options available and it's about positioning yourself to have the ability to take the opportunity when it comes your way. There are no silver bullets and not one case fits all.

This project needs to be followed up by deeper research taking the questions a level further around the contractual arrangements, financial structures and profitability of the young new entrant, and the farm owner. It would be interesting to find the level of equity required to be able to let an Equity Partner come into your business by being in a strong enough financial position. It would also be very interesting to find the out the Net Profit produced on each farm and the split of this between debt repayment, reinvested into the business and dividends.

8.5 Next Steps

The next steps for me are to share my findings with the people involved in this study. This includes the people interviewed and the people I discussed the project with to start getting the message out there of the different options found in this research. I will also use my networks and support from my current job to get the message out there as we cover a large percentage of farmers around New Zealand. As a Bank we have access to funding therefore we can educate people on how to set these Equity Partnerships up through education and training.

9.0 Recommendations

9.1 Recommendations Given By the People Interviewed

It was recommendation by the people interviewed that to achieve your goals of building equity you must:

- Work Hard
- Network
- Involve a Team
- Build Relationships
- Seek Opportunities
- Diversify Income

- Get the Governance Right
- Receive advice when you get there

9.1.1 Work hard

Work hard, save money and prioritise your spending while you are trying to get ahead as it will be worth it in the long run. “Spend less than you earn for a very long time and you will get wealthy.” If you’re not committed to saving, it will be a long journey. The journey may take longer than expected as it depends on the capital available and the opportunities that come your way but do not be afraid to invest in opportunities for 5 to 10 years as a stepping stone to land ownership as it is a pathway not a direct step and immediate outcome.

Achieving the land ownership goal can be done but sacrifices do need to be made and the earlier you start the easier it will be. If you have a burning desire to travel, do it, as later on the opportunities will be limited. Enjoy life but work hard as this is what makes the difference. Keeping your mind set focused is very important, reminding yourself it can be done if you really want it.

Write down your goals, visions, what is really important to you and what you want to achieve is a start. You do have to compromise on some things but it’s a waiting game and a learning curve as you progress. Most importantly once you have a good opportunity and it feels right, the unknown is scary but take it with both hands and make it work, take the plunge.

9.1.2 Networking

The common underlying theme when asked to give advice was the importance of networking and letting people know what you are trying to achieve as if they don’t know they can’t help you. Put your vision out there, find people on the same page as you, focus and then align yourself with good people. Your vision will evolve as you talk to people and find out what actually works. If you are currently managing a property and looking to take the next step, approach the farm owner, they may have not considered this option and could be interested in giving the next generation some “skin in the game.” If your farm owner is not interested or not in a position to do so, he may know someone who is, so don’t be afraid to ask the question. Approach your bank, accountant, consultant or lawyer as they may have a client or know someone who is willing to enter an Equity Partnership or they could propose the idea as they see several farmers on a daily basis. These people can only help if they know what you want and they could possibly mentor you. Finding the right mentor is a critical step.

9.1.3 Involve a Team

Involving a team is critical; this could include bank manager, accountant, lawyer, consultant, stock agent, family friends, or other professionals. Keep talking to these people to keep them informed as this governance team will challenge you and keep you on track as it’s easy to get caught up in the daily running of the business and lose focus of the bigger picture. Your team needs to be people you look up to and respect. Join a discussion group to improve your knowledge and spread your networks as far as possible as people will be likely to come to you with opportunities this way. It is also critical your wife, husband or partner is on the same page with a similar vision and goals which encourage team work; the world is your oyster if aligned.

Everyone has conflicting ideas of what to do and what not to do so you have to read between the lines. Form your own judgement but still source advice from several different people.

9.1.4 Build Relationships

The importance of strong relationships was highlighted in the survey as many business proposals can turn sour if the due diligence is not followed. You must ensure all parties have common goals, values and the same strategy. If parties are not aligned, this can make decisions tough which will cost the business and put unnecessary stress on those parties involved. Relationships are very important in any industry to be able to transfer information, learn from people in different industries or areas and have the ability to call someone for advice when required. Relationships with previous employers are also very important as if these relationships are strong they are more likely to help you along your path of achieving your goals.

9.1.5 Seek Opportunities

When first starting out, you have no capital to enter the leasing or equity partnership market, but there is an option to talk to the farm owner about opportunities for incentives or production rewards. This will encourage you to manage the property like it is your own and make you really think about the daily, weekly or monthly decisions you make as a manager. This period is important to see if you can manage the stress. Before taking the next step you need you to prove you are ready which is why taking on responsibility is good, as well as working on different properties in different areas to experience different farming styles and climates. You have to prove yourself first so do not have too high expectations. Don't be afraid to take on a good opportunity as if you don't, someone else will.

9.1.6 Diversify Income

Diversify your income by targeting cash rich investments while keeping your foot in the door to the red meat industry as it is about recognising a good investment and the opportunity it provides. Commercial property can spread your eggs into different baskets as only investing in land can mean an equity rich, cash poor business. House investments are a stepping stone also, not an end goal. Although it was suggested to buy investments to diversify income streams, it was also suggested not to. You need to ensure that money was readily available and safe. Try to reduce the conditions on contracts and cash offers are more attractive candidate to the seller, if a desirable block was to come on the market.

9.1.7 Governance

Once you have enough equity to look at entering an Equity Partnership, take advantage of the equity offered but get the governance right first, clearly set out how you will enter the Equity Partnership and how you will leave. This due diligence is the most important business step of all to ensure all cards are on the table and there will be no surprises. Ensuring expectations are set for all parties is important. Discuss the fine print also, e.g. how a disagreement will be resolved, you need work through the pressure points and how you will overcome them before you begin. Ensure you have done your homework before entering any arrangement as you want to grow your equity not reduce it due to a fall out; there have been some hard lessons learnt in the red meat industry in the past. Ensure you have a second set of eyes to review the contract. The engagement period before entering a contract is like a honey-moon, you need trust, chemistry, ability, aspiration, your strengths need to complement each other and risk management.

9.1.8 Receive advice when you get there

When taking control of a farm, there is a common three year rule. Year one you do not know anything, year two you work it out and year three you start doing well. You need to be prepared to take the knock backs and learn from your mistakes. Do not purchase a farm before you have enough equity to achieve a profitable business. You do not want to tie up too much capital as you will not generate enough cash to

grow. This is why leasing or Equity Partnerships are good for improving equity growth through owning stock and plant to grow into land ownership. Cash is king.

10.0 Conclusions

The red meat sector has a variety of pathways to follow to build equity with the goal of land ownership in mind. Not one pathway fits all but the opportunity is to create a pathway that works for you and take or look at opportunities that may present themselves through your networks, if you are in the position to do so.

Where there is a will there is a way which is a common theme throughout this report of taking the challenge into your own hands and creating an opportunity for yourself.

In conclusion there is an opportunity for the red meat sector to start supporting the industry by connecting these people to assist with the challenge the industry faces of succession.

11.0 References

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