

# Wintering in Canterbury/North Otago

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## Business Relationship between Dairy Farmers and Graziers

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**November 2013**



# ABSTRACT

Winter is a critical part of the year for dairy farming as the BCS of the cows at the end of winter will significantly affect reproduction and production on the following season, In the Canterbury and North Otago area it can represent up to 20% of the operating expenses. A common strategy is for dairy farmers to graze their cows over winter off at grazier's properties. Graziers take dairy cows in winter as it is a more profitable and reliable option comparing to the other alternatives available to them. This study explored the business relationship between dairy farmers and graziers when buying or selling winter grazing with the aim at identifying what are the main factors that will produce a mutually beneficial relationship.

Maintaining regular contact, having a long term/on-going relationship and having good communication with the other party were the top three reasons given by farmers to explain a successful business relationship. On the other hand, graziers lack of skill to feed dairy cows, wrong assessment of the feed available, cows being lighter at the start of winter than agreed and lack of regular monitoring and communication were identified as the main reasons for unsuccessful relationships. In addition a low use of written contracts, a predominant payment method as dollars per head per week, settling the price too late in the season as well as the lack of a clear and fair system to set the price were identified as some other challenges for this business transaction.

Targeted extension events for dairy farmers, graziers and rural professionals, a standardized approach to assess feed availability, and analysis of the best strategy to decide winter grazing price are some of the suggested strategies to improve the relationship between dairy farmers and graziers.

*Key words: Winter grazing, Dairy Farmer, Dairy Graziers, Business Relationship, Canterbury and North Otago*

## **ACKNOWLEDGEMENTS**

First of all I wish to thank the farmers, consultants and stock agents who agreed to be part of this study. Also I want to acknowledge the people who helped me identify potential respondents to the survey, specially, beef + lamb and my very supportive team of CNO Consulting Offices.

Secondly, I wish to thanks DairyNZ for supporting me in undertaking this programme not only financially but also by providing flexibility in my work load.

Finally, I would like to thank my family, especially my husband Juan, for supporting me in achieving this goal and taking the lead in the running of the house so I could use some extra time to complete my project.

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# 1 INTRODUCTION

Winter is a critical time for the success of a dairy farm system in Canterbury and North Otago (CNO). Winter grazing expenses could represent up to 20% of the operating expenses for owner operators in CNO (DairyBase, 2012) and it has a significant effect on milk production and reproduction in the following season linked to achieving the cows' BCS targets at calving or not.

Pasture growth rates over the winter months (June and July) in CNO range from 0 to 7 kg DM/ha/day, therefore feeding dairy cows over the winter relies on high yielding crops (e.g. kale, sweeds, fodder beet) saved pastures and/or supplements (e.g. grass silage, hay and/or straw). Most farmers in CNO winter their cows off the milking platform either at dairy farmers' own support block (owned or leased) or at graziers' properties. Cows are usually off the platform from the end of May until they are due to calve in late July early August. They come back to the milking platform in one mob or in several calving mobs. Some farmers also have some area under crop in the milking platform to transition cows in and out of the crop before going to or coming back from winter grazing (Pangborn and Gibbs, 2009).

From analysis done by the author of this study and analysis done by others (Cottier, 2000; Hughes, 2000, Davies, 2005 and de Wolde, 2006) grazing cows off the milking platform allows for a higher stocking rate producing more milk which has been more profitable than milking less cows and wintering cows in the milking platform. Higher milk price in recent years exacerbates this statement even further as the most profitable option for the grass grown on the milking platform is to be fed to lactating cows. Consequentially, most dairy farmers in CNO graze most or all dairy cows off the milking platform over winter either in their owned or leased support block or at grazier's properties.

Several analyses have shown that the profitability of dairy support blocks is questionable and usually generates a cash loss to the dairy operation. This statement has not changed over the years. A couple of papers presented at the SIDE conference in the year 2000 by Hughes

(2000) and Cottier (2000) and another one presented at the SIDE conference in the year 2005 by Davies (2005) questioned the convenience of owning or leasing a dairy support block for wintering suggesting that wintering at graziers' properties could be a better alternative. This also coincides with the analysis done by the author on several occasions during her work in Extension for DairyNZ. However, in spite of the cash loss, in some cases the capital appreciation of the land (when bought at the right time, location and price) had made owning a dairy support block a good investment decision.

Despite wintering cows at grazier's properties could be an attractive option for dairy farmers they end up buying or leasing support blocks for wintering because they are not satisfied with the outcome they obtain when they use graziers and they prefer to have control over this side of the business. When discussing this topic with dairy farmers they complain that winter grazing is too expensive; that dairy graziers do not know how to feed dairy cows, and that the results are too variable. On the other hand there are some examples when dairy farmers that use graziers are achieving good results for their systems.

Anecdotal information also suggests that dairy graziers are also unsatisfied with the arrangement in many situations and usually complain that dairy farmers bring the cows lighter than agreed, that they struggle to make enough money; and that dairy farmers are never happy with the end result. Similar to dairy farmers, for graziers a successful business relationship with a dairy farmer is quite beneficial as dairy grazing is an important source of reliable income to many sheep, beef and cropping farmers.

Therefore, having a successful relationship when both parties achieve their objectives is a positive outcome for both groups. The main objective of this study is to understand "How to achieve a mutually beneficial (profitable and sustainable) business relationship between dairy farmers and graziers when buying/selling winter grazing?". This study explores the main drivers behind successful relationships and the main reasons behind unsuccessful ones.

The study is focussing only on winter grazing in the CNO area as it is the area where it was easier for the author to get the information. Also to make the project more manageable within the time available it focusses only on winter grazing and not on young stock grazing which is the other part of their business that many dairy farmers outsource.

A textbook definition of a business transaction is as follows “*An interaction between two or more parties in which goods, services or something of value is exchanged for some type of remuneration. Some aspects of commercial transactions, such as truthful representation and contract provisions, are governed by law*” (Business Dictionary.com, 2013). Winter grazing is a business transaction between two parties, namely the dairy farmer and the grazier. So what are the particularities of this specific business transaction?

The “service or something of value” exchanged in a winter grazing transaction could be a bit difficult to define. The final product is the cows achieving the desirable BCS at the end of the winter period, but this could be subjective and could mean different things for different people. When dairy farmers buy the winter grazing in Kg of DM the uncertainty is given by the measurement of the feed and the quality of it.

There is a lag of time from when the negotiation of this transaction starts and when the final product is delivered. In this time many factors can affect the supply of feed agreed in this transaction and hence the final product not delivered e.g. dryer conditions than normal, snow, floods.

Setting the remuneration or price for this service has the complexity that in most cases both parties look into the market for guidance to find “a market price” but usually the final product people are exchanging is different e.g. 6 weeks of winter grazing for a cow gaining 0.5 BCS is not the same as 6 weeks of winter grazing for a cow not gaining any BCS. The same goes for different feed quality or different arrangements in regards to labour or machinery provided during winter.

If the product/service delivered was not the agreed it is very costly for the dairy farmer as cows in lighter condition than desired at calving has significant consequences in loss of production, reproductive performance and even could compromise animal welfare. However, it cannot be return event if is not what was agreed at the beginning.

In summary, the reason for choosing this topic is the significant impact wintering has on dairy farming in CNO. The reason for focussing on the business relationship between dairy farmers and graziers is because its represents one of the most cost effective option for dairy farmers to winter their cows if done properly. As dairy production grows in the area perhaps into more limiting areas where wintering was happening before there is more pressure to find new areas to winter cows and this is likely to be on others peoples' property.

## **2 METHODOLOGY**

### **2.1 The Survey**

The main source of information presented in this study comes from a survey sent to 4 groups, namely, dairy farmer and dairy graziers who are the key parties involved in the business transaction, stock agents who act as intermediaries in these transactions and farm consultants who have experience in this topic. The survey was sent by email or posted to them. Confidentiality was assured to participants in the survey so the responses are presented in a way that individual answers cannot be identified.

Each group had a slightly different questionnaire to gather their relevant points of view; but all the questionnaires were developed to answer the key questions of this study. An important consideration in the development of the questionnaires was to make them quick and easy for respondents to fill it. For this reason the farmer's questionnaires, specially, had a significant number of pre-populated questions. As these types of questions could potentially reduce the variation of responses there was a provision to add "other" so respondents could add their own ideas. This option was used in many occasions by all groups.

A draft version of the farmer's surveys was sent to a few colleagues at DairyNZ (some of them are or have been farmers) to check its clarity and the time required to complete it. This was a very relevant step in the development of the survey as some important changes were made, based on their feedback, to questions that were not clear or difficult to answer.

As mentioned before the three questionnaires were slightly different but all were designed to answer the key questions of this study. Table 1 below describes the main areas covered by the three questionnaires showing the main similarities and differences. The full version of the three questionnaires, along with the introductory letter sent to participants, is included in the Appendix.

**Table 1: Overview of the three Questionnaires**

<b>Questions</b>	<b>Dairy Farmers</b>	<b>Graziers</b>	<b>Consultants/Stock Agents</b>
<b>General description of respondents</b>	<ul style="list-style-type: none"> <li>Farm area/cow numbers/ current wintering strategy/ time using graziers/ how many graziers used over this time Q. 1, Q.2, Q.3 and Q.4</li> </ul>	<ul style="list-style-type: none"> <li>Farm area/area used for winter grazing/%income from winter grazing and others/ years grazing dairy cows and how many dairy farmers currently Q. 1, Q.2, Q.3 and Q.4</li> </ul>	<ul style="list-style-type: none"> <li>Name (optional)/ Role/ years in current role/ role in winter grazing arrangements.</li> </ul>
<b>Leasing or buying a DSB</b> <b>Why dairy farmers consider it?</b> <b>Is it a good investment?</b>	<ul style="list-style-type: none"> <li>Have you considered buying or leasing a DSB? Q.5</li> <li>Why? Top 3 reasons Q. 6</li> </ul>	NA	<ul style="list-style-type: none"> <li>Why dairy farmers end up buying or leasing a DSB? Top 3 reasons Q.1</li> <li>Based on experience- when buying a DSB could be a good investment decision? Q.2</li> </ul>
<b>Dairy farmer's criteria when selecting a grazier</b>	<ul style="list-style-type: none"> <li>Main criteria to select a grazier? Top 5 reasons Q. 7</li> </ul>	NA	<ul style="list-style-type: none"> <li>Main criteria for dairy farmers to select a grazier? Top 5 reasons Q. 3</li> </ul>
<b>Winter grazing – profitable and sustainable for graziers</b>	NA	<ul style="list-style-type: none"> <li>What do you need to winter grazing to be profitable and sustainable? Q. 17</li> </ul>	NA
<b>Graziers' attitude towards converting to dairy farming</b>	NA	<ul style="list-style-type: none"> <li>Are you considering converting to Dairy? Q. 18</li> <li>Why? Q. 19</li> </ul>	NA
<b>Key drivers of successful relationships</b>	<ul style="list-style-type: none"> <li>Based on personal experience what are the key drivers for successful relationships? Q. 8</li> </ul>	<ul style="list-style-type: none"> <li>Same as DF Q. 5</li> </ul>	<ul style="list-style-type: none"> <li>Same Q. 4 (based on observation)</li> </ul>
<b>Key issues behind unsuccessful relationships</b>	<ul style="list-style-type: none"> <li>Based on personal experience what are the main reasons for unsuccessful relationships? Q. 9</li> </ul>	<ul style="list-style-type: none"> <li>Same as DFQ. 6</li> </ul>	<ul style="list-style-type: none"> <li>Same Q. 5 (based on observation)</li> </ul>
<b>Use of intermediaries in the relationship</b>	<ul style="list-style-type: none"> <li>Do you use intermediaries in, who do they use and what is their role? Q. 10</li> </ul>	<ul style="list-style-type: none"> <li>Same as DF Q. 7</li> </ul>	<ul style="list-style-type: none"> <li>General description of their role on winter grazing relationships</li> </ul>

<b><i>Written contracts</i></b>	<ul style="list-style-type: none"> <li>• Do you have a written contract? Q. 11</li> <li>• In your opinion key components of written contracts Q.12</li> <li>• If there is no contract – what is used as the basis of the relationship Q. 13</li> </ul>	<ul style="list-style-type: none"> <li>• Same Q. 8, Q. 9 and Q. 10</li> </ul>	<ul style="list-style-type: none"> <li>• Key components of good written contracts Q.6</li> <li>• If there is no contract – what do farmers use? Q. 17</li> <li>• Is having written contracts Important Q. 8</li> <li>• Why to previous question Q.9</li> </ul>
<b><i>Communication among dairy farmers and graziers</i></b>	<ul style="list-style-type: none"> <li>• How often are they in contact with other party during and outside winter? Q. 14</li> <li>• How much work do they do with the stock during winter Q. 15</li> <li>• What is the arrangement if feed availability changes over winter? Q. 16</li> </ul>	<ul style="list-style-type: none"> <li>• Same Q. 11, Q. 12 and Q. 13</li> </ul>	NA
<b><i>Winter grazing price</i></b>	<ul style="list-style-type: none"> <li>• How do you pay and when is the price set? Q. 17</li> <li>• Main factors affecting it Q. 18</li> <li>• What is the best strategy to set the price Q. 19</li> </ul>	<ul style="list-style-type: none"> <li>• Same Q. 14, Q. 15 and Q.16</li> <li>• (Q. 14 refers to how do they charge for winter grazing)</li> </ul>	<ul style="list-style-type: none"> <li>• Same Q. 10, Q. 11 and Q.12</li> <li>• ( Q. 10 ask what they think is the most common payment method)</li> </ul>
<b><i>Nutrient losses responsibilities</i></b>	<ul style="list-style-type: none"> <li>• Who should be responsible for Nutrient losses Stock Owner or Land Owner Q. 20</li> <li>• Why Q 21</li> </ul>	<ul style="list-style-type: none"> <li>• Same Q. 20 and Q. 21</li> </ul>	<ul style="list-style-type: none"> <li>• Same Q.13 and Q 14</li> </ul>

## 2.2 Surveys' Respondents

The potential respondents to the survey for each group come from different sources. For dairy farmers the main source of information was the DairyNZ database for the CNO area. From this database only dairy farm owners and 50/50 sharemilkers were included (as they are the two groups who are likely to own the stock). Dairy Farmers who are using graziers to winter their cows or have done so in the recent past were eligible to answer the questions.

For dairy farmers most surveys were sent by email and most of them returned by email. Only 3 of the 33 returned surveys from dairy farmers were posted or faxed back. There were 33 dairy farmers respondents with an average farm size of 283 ha and milking 1,009 cows (3.4 cows/ha). They were located from Culverden to North Otago. Three of them stop using graziers in recent years as one bought a support block and 2 of them are leasing a support block at present. Of the 30 dairy farmers who are currently using graziers some also own or lease a support block where they winter some of the cows.

A list of about 40 graziers was put together with contacts provided by Beef & Lamb extension offices, local farm consultants, dairy farmers, and DairyNZ consulting officers. Some graziers requested a survey after reading about this project in a couple of articles in the local press and in the Beef & Lamb website. There were 24 dairy graziers who responded to the survey located from Cheviot to Central Otago. Table 2 describes the range in farm size of the graziers who responded to the survey and Table 3 shows the percentage of total gross income that comes from winter grazing

**Table 2: Farm Size - Graziers.**

<b><i>Farm size</i></b>	<b><i>Number of Farms</i></b>
<b>&lt; 150 Ha</b>	1
<b>150 – 299 ha</b>	10
<b>300 – 500 ha</b>	9
<b>501 -800 ha</b>	1
<b>➤ 800 ha</b>	3
<b><i>Total</i></b>	<b>24</b>

**Table 3: Percentage of Income from Winter Grazing - Graziers**

	➤ 25%	25-49%	50-75%	➤ 75%
<b>Percentage of total gross farm Income</b>	29 %	41%	18%	12%

Out of 24 dairy graziers who responded the survey 13 also graze young stock for dairy farmers. Most farmers have 2 or 3 main sources of income being mainly cropping and sheep but also beef, pigs and small seeds among others. There is a good range in regards to the years they have been winter grazing for dairy farmers from 3 years to 30 years.

A total of 10 farm consultants answered the survey all based in the CNO area with their clients being in this area as well. In terms of their level of experience 2 of them have been working as consultants for less than 5 years, 4 of them for 5 to 10 years and the last 4 have been working as consultants from 11 to 32 years, so in general quite an experience group. Only 1 of these consultants does not have dairy farmers as clients and 4 work exclusively with dairy farmers, the rest of them work with dairy support, sheep, feed and arable farmers. In addition to this 3 stock agents based in Canterbury provided information for the study, all of them with 20 or more years of experience and working as intermediaries for winter grazing. When reporting results usually farm consultants and stock agents responses are collated together as a group named “rural professionals”

## **2.3 Data Analysis**

The information collated from all surveys was used to answer the key research questions. In most cases the answers from the different groups, namely graziers, dairy farmers and rural professionals, were analysed separately and then compared to each other to find similarities and differences. Next session presents the results of this study from the analysis of the surveys.

### 3 RESULTS

This section of the study presents and explains the main results from the questionnaires. As the main focus of this study is to analyse the relationships between dairy farmers and dairy graziers most of the information presented here explore different aspects of this. The order in which topic are covered is as follows: a) main reasons behind successful and unsuccessful relationships; b) dairy farmers' criteria when selecting a grazer; c) description of the business relationship (including regularity and nature of contact between the two parties, use of intermediaries, written contracts and verbal agreements, responsibility regarding nutrient losses over winter); d) the winter price setting process; and finally e) winter grazing - what does it means for graziers and dairy farmers' businesses?.

#### 3.1 Reasons behind Successful and Unsuccessful Relationships

All respondents were asked to select what they thought were the top three reasons for a successful relationship between dairy farmers and graziers. Farmers were asked to base their answers on their own experience of successful or unsuccessful relationships and farm consultants and stock agents (rural professionals (RPs)) were asked to answer these questions based on what they have observed.

**Table 4: Key Drivers of Successful Relationships**

<i><b>Most Common Reasons for each Group</b></i>	<i><b>Dairy Farmers</b></i>	<i><b>Graziers</b></i>	<i><b>RPs</b></i>
Good communication between the parties	<b>72% (1)</b>	<b>82% (1)</b>	8%
Long term /on-going relationship	<b>66% (2)</b>	<b>71% (3)</b>	8%
Maintaining regular contact with the other party	<b>56% (3)</b>	<b>76% (2)</b>	0%
Dairy farmer managing the stock themselves	41%	29%	0%
Grazier keeping dairy farmer informed	31%	41%	0%
Good monitoring systems in place	28%	18%	<b>69%(1)</b>
Having a written contract	13%	18%	<b>46%(3)</b>
Using a 3 <sup>rd</sup> party (as intermediary or for crop assessment)	6%	12%	<b>69%(2)</b>

Table 4 presents a ranking in (brackets) of the top reasons selected by each group. The percentage number represents how many in each group selected the specific point as one of the top three reasons that explains a successful relationship over the total number of respondents (33 dairy farmers; 24 graziers and 13 rural professionals).

In addition to the most common reasons presented in table 4, there were other reasons mentioned by some respondents, for example dairy farmers also mentioned that paying for winter grazing on a KG DM basis, checking the stock weekly and the location of grazing in relation to the milking platform were important for successful relationships and outcomes. Graziers mentioned that feeding the cows well was an important reason for a successful relationship and the rural professionals said that dairy farmers expressing an interest and willingness to visit stock regularly, both parties understanding the other party's requirements and that the graziers must provide the feed agreed to achieve the target gain in BCS as reasons behind successful relationships.

Respondents were also asked to provide the main reasons behind unsuccessful relationships. Different to the previous question the respondents were not asked to tick the top three but any off the reasons behind unsuccessful relationships. The reason for asking the question in this way was to capture the wide range of factors affecting these relationships. The main responses selected for more than one group are presented in table 5. Similarly to the previous table, table 5 shows a ranking of the percentage of respondents (out of 33 dairy farmers; 24 graziers and 13 rural professionals) who selected this as a reason for unsuccessful relationships

**Table 5: Reasons behind Unsuccessful Relationship**

<b><i>Most Common Reasons for each Group</i></b>	<b><i>Dairy Farmers</i></b>	<b><i>Graziers</i></b>	<b><i>RPs</i></b>
Grazier didn't have the skills to feed dairy cows	<b>61% (1)</b>	19%	<b>77%(1)</b>
Lack of monitoring system	<b>52% (2)</b>	14%	23%
Wrong assessment of feed available at the start	<b>42% (3)</b>	<b>52% (1)</b>	<b>68%(2)</b>
Dairy farmer didn't check stock regularly enough	36%	29%	<b>62%(3)</b>
No regular contact was maintained with the other party	21%	10%	54%
Start BCS lower than what it was supposed to be	3%	<b>38% (2)</b>	31%
Not having a written contract	6%	19%	31%
Intermediary used did a poor job	12%	19	0%
The other party didn't communicate regularly with me	15%	<b>33%(3)</b>	31%

There were also some other reasons only mentioned by one or two respondents from each group. Some examples of this from dairy farmers were:

*“Graziers trying to stretch the feed when paid on a weekly basis”, “Lack of good water supply, electric fence supply”, “Just being difficult pricks, never happy ... complaining of the pugging, that we are feeding too much, that they are not paid well enough...”, “Poor stockmanship”, “Greed”*

Some of the responses from graziers were:

*“Dairy farmer didn’t take all the crop he was going to take”, “ Most dairy farmers have to make negative remarks about us (graziers), Dairy farmer cant compliment a job well done”, Not having long term contract... that can give us certainty.*

### 3.2 Dairy Farmers’ Criteria when Selecting a Grazier

Dairy farmers were asked to rank from 1 to 5 in order of importance the criteria they use when selecting a grazier. Table 6 shows their responses. The numbers in the columns underneath the 1 to 5 headings represent the number of respondents who selected this particular criterion as number 1, 2 and so on. For example 18 dairy farmers selected “graziers’ skills and reputation” as their number 1 reason for selecting a grazier. The mention frequency represents how many dairy farmers out of 33 respondents selected this as a reason for selecting a grazier independently of the ranking they gave to the answer.

**Table 6: Dairy Farmers’ Criteria when Selecting a Grazier**

<b><i>Most Common Criterion for dairy farmers</i></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b><i>Mention Frequency</i></b>
Long term /on-going relationship with grazier	13	7	2	5	3	31
Location in relation to milking platform	5	7	10	2	5	29
Graziers’ skills and reputation	18	5	3	1	1	26
Price of winter grazing offered	3	1	8	2	7	21
Farm characteristics (e.g. pasture/contour/infrastructure)	1	0	2	9	8	20
Grazier having monitoring systems in place for feed	0	7	5	3	2	18
Grazier having monitoring systems of animal performance	0	1	4	5	1	11
Personal knowledge of grazier (e.g. friends/family)	0	3	2	3	2	10

Farm consultants and stock agents were also asked according to their working experience what they thought were the most important criteria for dairy farmers when selecting a grazier. Their top three answers were exactly the same as dairy farmers: Long term /on-going relationship with grazier (13 out of 13); Location in relation to milking platform (12 out of

12) and Graziers' skills and reputation (12 out of 12). 9 out of 13 also selected price of winter grazing and grazier having monitoring systems in place.

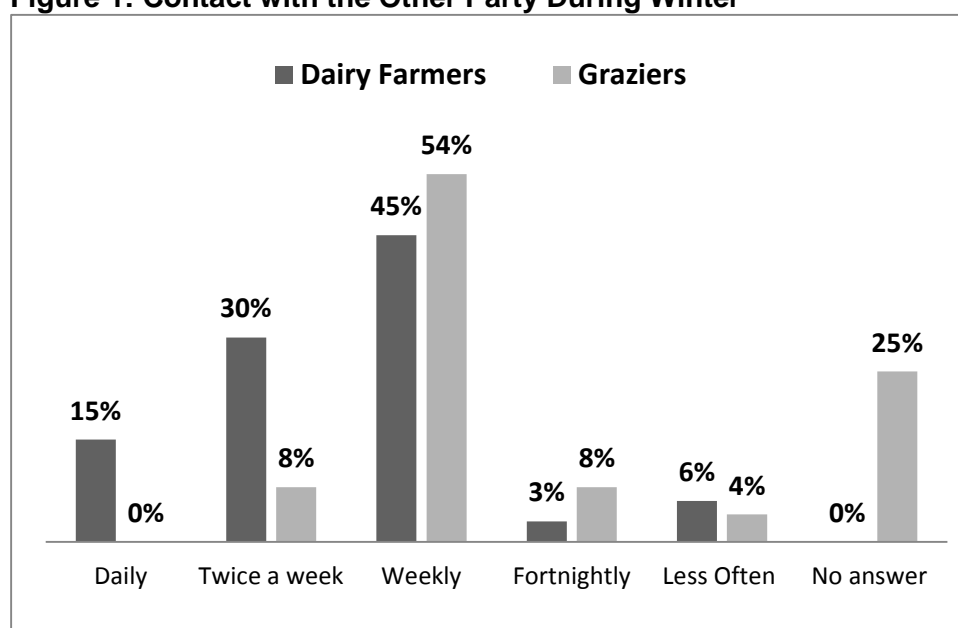
### 3.3 Description of the Relationship

This section describes the nature of the relationship between dairy farmers and graziers including how often they are in touch with each other, the use of intermediaries, contract and verbal agreements and nutrient losses responsibilities.

#### 3.3.1 Contact Frequency between Dairy Farmers and Graziers

This section describes how often dairy farmers and graziers are in touch with each other during winter and outside winter. As can be seen in the graph below 90% of the dairy farmers and 62% of the graziers get in touch with the other party weekly or more often. The percentages are calculated per total number of respondents (33 dairy farmers and 24 graziers).

**Figure 1: Contact with the Other Party During Winter**



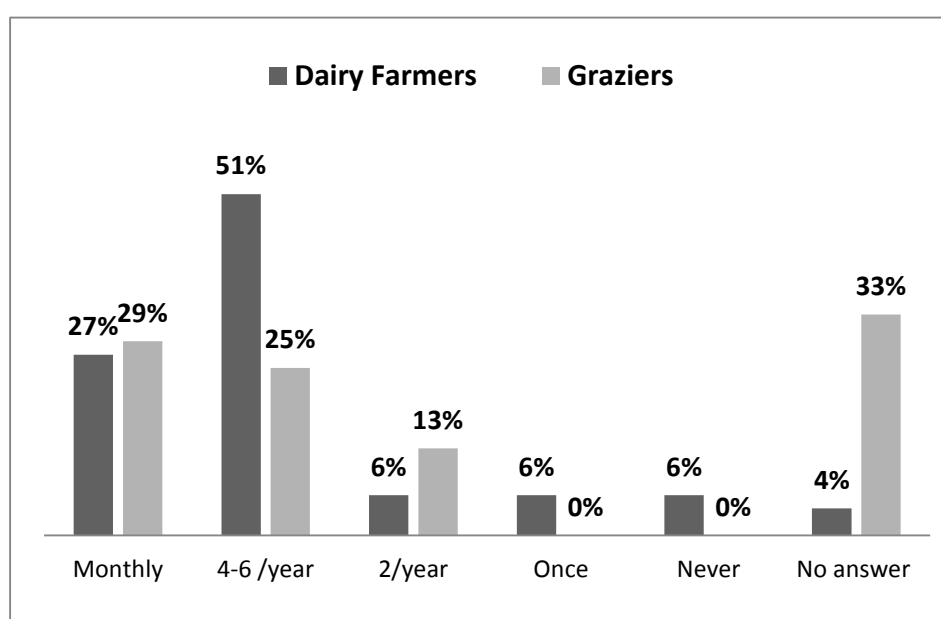
In relation to the work they do with the stock over winter 45% of the dairy farmers managed the stock themselves over winter, 36% worked with the stock only when required e.g. due to a severe weather event and 18% of them did none at all. For the 6 (18%) of the dairy farmers

who do not work with the stock every day 3 said that they saw the stock weekly, one said he saw the stock once a month and 2 did not answer this question.

In regards to graziers working with the stock 63% of respondents mentioned that they worked with the stock everyday either being responsible for the daily feeding of the stock, the supply of straw or checking water trough or. 29% of the graziers said that provided help when required by the dairy farmer. Only one grazier mentioned that he does not do any work with the stock.

Figure 2 describes how often farmers are in touch with each other outside the winter period discussing wintering. A high proportion of dairy farmers 78% said that they are in touch with graziers every month or every two months which is more frequently than expected considering comments made by farmers about this.

**Figure 2: Contact with the other party Outside Winter**



### 3.3.2 Use of Intermediaries in the Relationship

In regards to the use of intermediaries, 50% of dairy farmers and 83% of graziers reported using intermediaries in their relationship with the other party and of that 79% and 68%, respectively, were stock agents. According to their responses the main roles of the

intermediaries are: sourcing of graziers/grazing; measurement of feed at the start (mainly DM % but also MJME and nitrate levels), as a third party if there is a dispute, for monitoring (stock, feeding levels and feed availability) and to help both parties in the price setting process. There were a couple of negative comments from graziers such as:

*“Intermediaries do not do a lot and that they usually get in the way”.*

### **3.3.3 Written Contracts and Verbal Agreements**

It was surprisingly low the number of farmers who have a written contract for winter grazing arrangements. According to the respondents of this study 75% of the 33 dairy farmers who responded the survey do not have a written contract with their grazier and 50% of the 24 graziers who responded the survey do not have a written contract with the dairy farmer to whom they are selling winter grazing to.

When farm consultants and stock agents were asked if having a written contract was an important factor in achieving a successful working relationship between dairy farmers and graziers 50% of them said yes and 50% said no.

The main benefits given by rural professionals of having a written contract were: protection for both parties, ensures the payment of feed, provides clear expectations and it is a reference document with obligations and agreed conditions, stated what to do in a dispute and what needs to happen when things go wrong or not according to plan. However, they also stated that more important than having a written contract is to have a valued long term relationship, to have clear expectations and both parties being trustworthy. Having a written contract by itself does not guarantee a successful relationship. A summary from the rural professionals' answers illustrating these points are presented below:

*“Usually having a written contract is beneficial when things go wrong but do not help in making sure things go well for both parties.*

*“More commonly the contract only specifies price, stock number and time which is almost useless”*

*"Contracts are worth nothing if either party just refuses to comply - prosecution/legal action is uncommon as many are neighbours and wish to stay that way"*

*"Many good on going agreements have no contracts"*

*"If there is an established long term relationship a written contract is not as important. It is more important for new relationships"*

*"Contracts are for when things go wrong. Both parties need to discuss how things could go right so a contract is never needed"*

*"The relationship between the grazier and the stock owner is the most important aspect of this". "If you have a brilliant contract, but the grazier is difficult or does not understand what the goal is the result will likely be average".*

As many relationships between dairy farmers and dairy graziers do not have a written contract farmers were asked *"how do they guarantee a successful outcome when there was no written contract in place"*. There were a few common key words or sentences used to describe what is required to be in place to have a successful relationship without a written contract. These key points mentioned were: having a long term relationship, having clear expectations, regular communication, regular monitoring, using an independent intermediary, good reputation of parties, trust and respect for each other and honesty. These points are also very important with a written contract as described in the previous page. A summary of some answers are below:

*"We graze for the same farmers each year so we only have to negotiate price"*

*"Clear expectations between both parties at the start of the grazing term regarding price, feeding levels and duration of grazing"*

*"Phone them before starting preparation to plant the crops. Talk about possible prices which are much the same as last year"*

*"Owner comes up and inspects stock after first week and helps sort into grazing mobs based on BCS, Re visits two or three times over winter"*

*"Encourage regular viewing of stock"*

*"Use of independent feed assessor to assess feed at the start"*

*"Mutual respect and reputation of grazier and dairy farmer"*

*"Worth of mouth"*

*"Trust in each other".*

All respondents to the survey were also asked what should be the key components of a good contract as there were some comments that some contracts were not comprehensive enough so they were not very useful. There are several contracts available from stock agents, federated farmers and farm consultants. Some examples provided and the answers to the questionnaire were used to highlight the key components that should be included on a contract. It is important that the contract is easy to read and follow so it is clear for both parties what does it mean. There is an example with more detail on the Appendix but here is a summary of the key areas that should be included in a contract: date, who are the parties involved, the purpose of the agreement, term of the agreement, stock schedule, feed schedule, payment of grazing fees, payment method, feed management, who is doing what (labour), contingency plan for bad weather, stock owners obligations, graziers obligations, responsibility for stock, dispute resolution, others specific clauses.

A significant challenge for wintering in CNO is the weather. Not only dry conditions affecting dry land crops in summer and autumn but also adverse weather events during winter, mainly snow but also rain in some areas. This situation can significantly affect the available feed during this period and when dairy cows are grazed at grazier's property it is difficult to predict at the beginning of the winter (when the arrangements are made) what will happen further down the track with feed availability and grazing conditions. This is a very challenging situation for both parties because when feed availability changes it is likely to affect animal performance and wellbeing if not address properly and promptly, add extra costs, feed, labour, machinery and it may be damaging to soils and possibly infrastructure. This also adds stress to everyone involved due to the extra work load.

For this reason the respondents to the surveys were asked about the arrangements they usually have with the other party to deal with situations when feed availability changes. A couple of respondents from each group said that they do not have any pre-arrangement and that they "sort it out when it happens". Table 7 presents a summary of the main answers but in general it was not identified as a big issue by the respondents.

**Table 7: Strategies for When Feed Availability Changes**

	<b>Dairy Farmers' responses</b>	<b>Grazier's Responses</b>
<b>Being Prepared</b>	<ul style="list-style-type: none"> <li>• Have sufficient feed on hand</li> <li>• Re-evaluate crops, and between us we carry an insurance policy of silage/straw</li> <li>• We make sure we are 10-15% under-stocked and eat any surplus with late calvers in August</li> <li>• WE have a supply of baleage that is available for a snow or similar event.</li> <li>• Have surplus silage available for such events and make sure our grazier is ready to feed that out when needed. We supply him with gear to do so where needed as well.</li> </ul>	<ul style="list-style-type: none"> <li>• We have plenty of feed up our sleeves and if we look to run out we purchase more</li> <li>• Silage and straw on hand as extra</li> <li>• Have a baleage contingency and over that the dairy farmer contributes</li> <li>• I have surplus feed available if required half both farmers I deal with would help me if needed</li> <li>• Feed extra to make sure stock is still fully feed</li> <li>• Back- up plan to use extra paddocks if necessary</li> </ul>
<b>Depending on Payment Methods</b>	<ul style="list-style-type: none"> <li>• Due to paying per head per week, it is their responsibility to buy in extra feed if an extreme weather event</li> <li>• We pay for anything that is available on the feed transfer date. Before that he is responsible for feed damage due to weather. After that date it is our responsibility.</li> <li>• Pay per kg of DM. Grazier extra feed available for purchase if required</li> </ul>	<ul style="list-style-type: none"> <li>• Feed is sold standing/ as is where is at 1st June, if extra supplements are required due to snow, it is the dairy farmers' responsibility.</li> </ul>
<b>One party taking the responsibility</b>	<ul style="list-style-type: none"> <li>• If length of grazing is affected is stock owners responsibility to move stock</li> <li>• Increase allocation with the understanding that total duration may be affected</li> <li>• I try to find some graziers with spare feed if needed</li> <li>• When feed runs out they come home or we find more feed else were</li> <li>• We will consider supplying extra feed or taking cows off</li> <li>• We can bring cows home or move cows to other available grazing.</li> <li>• Any shortage of feed is our issue.</li> <li>• We take responsibility and pay for feed wasted and source additional feed for cows</li> <li>• We put supplements into cows to make the crop last as long as we need it. This June we added extra silage to make sure cows were well fed. Easy as we are next door</li> </ul>	<ul style="list-style-type: none"> <li>• No formal arrangement in place. I budget consequently to ensure I have enough feed as I feel this is the graziers responsibility</li> <li>• I source and supply all supplements.</li> <li>• It is up to us the grazier to have sufficient feed to cover these situations</li> </ul>

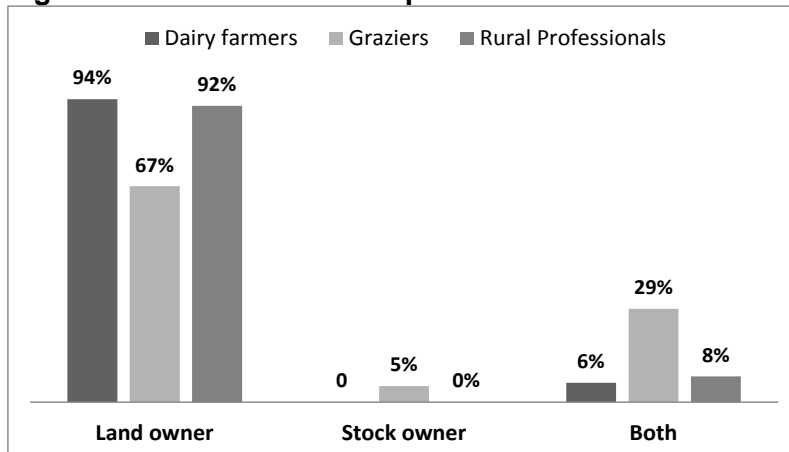
<b>Communication</b>	<ul style="list-style-type: none"> <li>• <i>Constant communication will help this for example this winter our grazier had a bad rainfall event resulting in some cows returning home 2 weeks earlier, I was happy to do this as his main objective was that he could feed the remaining stock even better, good communication avoids surprises!!!!!!!!!!</i></li> <li>• <i>We agree on a rough timeframe and both of us have a good enough understanding of farming and weather etc that we keep each other informed if things change in as timely a manner as possible</i></li> <li>• <i>We talk about any predicted bad weather situations. For instance this year we decided to move the cattle to a plantation when rain event was predicted – it worked very well</i></li> <li>• <i>It is very important that grazier talks to me and let me know early</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Early and comprehensive communication if we couldn't solve the problem we will assess alternative options</i></li> <li>• <i>Will phone the farmer by feed will be adjusted I don't wait for farmers approval if affecting stock being settled</i></li> <li>• <i>We keep them regularly informed. E.g. this winter we had 1/3 annual rainfall in 1 week. The dairy farmers and I sorted a plan of what we should do in this situation and I did it. E.g. we fed more kale area and 2.5 kg straw per day during that event. We always have approx. 10% of our kale area spare to cover these type situations</i></li> <li>• <i>Get them to look at cows together and discuss what our plans are to make sure he is ok with the level of feeding</i></li> <li>• <i>Dairy farmer will provide more silage if we run out. Work together to work out a suitable solution for both parties</i></li> </ul>
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### 3.3.4 Nutrient Losses Responsibilities over Winter

The impact of winter grazing on the environment has been a topic of vast debate. Winter grazing of crops on light soils (common practice in CNO) has the potential for high leaching of Nitrogen, and grazing of winter crops in heavy soils has the potential for significant soil damage (Thorrold, 2000). Therefore it is very important to identify its risk for the system and analyse the available strategies to reduce it.

Within the Land and Water Management Strategy there will be more accountability regarding nutrient losses from farm business. Grazing cows during winter has a potential for high losses of nutrients to the environment. As regulation may restrict the amount of nutrient loss to water per ha an interesting debate is arising regarding responsibility for nutrient losses when stock is grazed on another property at certain times of the year. In this context the respondents to the survey were asked “who should be responsible for the nutrient losses during the winter period when dairy cows are grazed at graziers properties”.

**Figure 3 Who Should be Responsible for Nutrient Losses over the Winter Period?**



As can be seen in figure 3 the majority of respondents think that land owners should be responsible for nutrient losses as they are the one in control of the decisions about the farming enterprise to follow. Even the majority of dairy graziers said that land owners (or both) should be responsible for nutrient losses during winter. When looking into the reasons for these responses the key ones from the three groups who responded the survey are summarized as follows.

**Table 8: Nutrient Losses - Summary of Respondents Views**

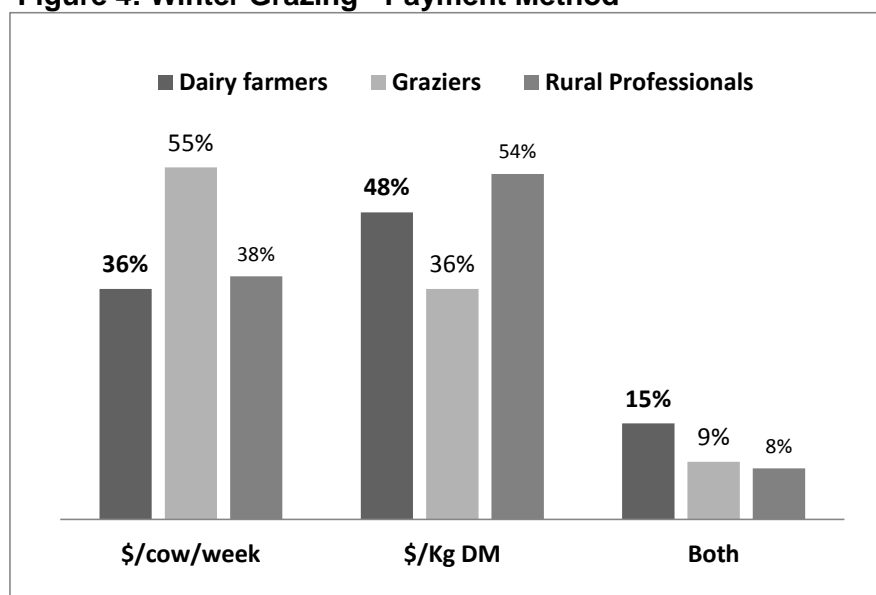
<b>Respondents</b>	<b>Summary that Represents main Views)</b>
<b>Dairy Farmers</b>	<ul style="list-style-type: none"> <li>• Mitigations options are outside stock owner control</li> <li>• Nutrients losses are measured over a 12 months period. Land owners needs to manage their farm over this time period not just winter.</li> <li>• It is the only way it can be regulated and monitored</li> <li>• Responsibility of the land owner and any mitigation cost needs to be offset in the price of grazing and feed. Then the stock owner has the choice to either pay or take a different approach to their wintering.</li> <li>• Both parties need to work through this as it will affect both parties</li> <li>• Too early to say</li> </ul>
<b>Graziers</b>	<ul style="list-style-type: none"> <li>• My farm, my responsibility, prices must be adjusted accordingly</li> <li>• Would have to be built into the grazing costs, ultimately the dairy farmer would carry the cost, because graziers margins are not excessive.</li> <li>• The stock owner is paying for a service which means his stock is off his property so shouldn't have to pay for this price twice</li> <li>• If the nutrient loses were loaded on to me, I would look at doing something else</li> <li>• Both same responsibility</li> <li>• It should be shared as it will be a cost and constrain to both</li> <li>• I think we both do. It can be expected that the grazier to wear it all as the milking platform is totally dependent on the winter grazing system</li> </ul>
<b>Farm consultants and stock agents</b>	<ul style="list-style-type: none"> <li>• Land owner has the control over the system not the stock owner</li> <li>• The land owner controls his property all year, not just the 10 weeks that are stock are grazing on it</li> <li>• I would expect extra cost to be passed on to stock owners</li> <li>• Simple to monitor when is attached to land owners</li> <li>• Both parties have to be equally accountable. Land owner chooses to grow and sell the crop. Stock owner needs wintering to support their production system.</li> <li>• Land or stock owner cannot run their business without the other. We must work as a single entity. This includes dairy farmer and dairy support farmer to look at the total system nutrient losses moving responsibility from one entity to another does not help the catchment issues we are all trying to address</li> </ul>

### 3.4 Winter Grazing Price

#### 3.4.1 Payment Method

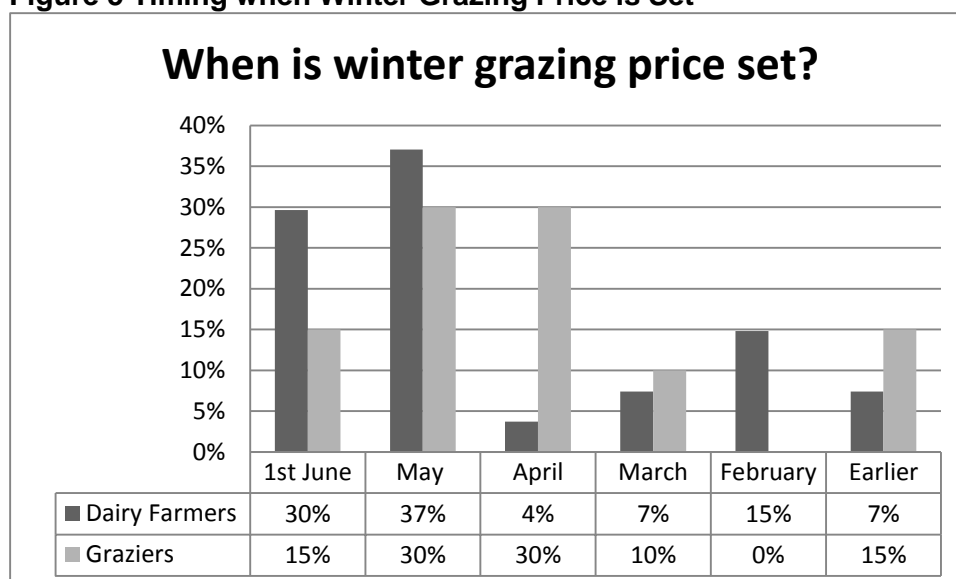
Figure 4 describes the payment methods for winter grazing. The responses from farmers represent how are they currently paying for winter grazing and for rural professionals it describes the most common payment methods they see happening. There were significant differences among the responses, especially between graziers and the other two groups. It is remarkable the significant number of payments done on dollars per cow per week independently of the quantity or quality of feed offered. As farm consultants and stock agents see a significant number of winter grazing arrangements we could assume that their value is closer to reality than what was described by the farmers.

**Figure 4: Winter Grazing - Payment Method**



Another significant aspect of winter grazing payment is the time when the price is settled. It has been reported how difficult it is for farmers when winter grazing price is not known until too close to winter generating problems for budgeting and planning as well as unnecessary uncertainty for both parties (Wallace, 2009). Figure 5 shows the time when winter grazing price is set according to both groups of farmers. From the responses 67% of dairy farmers and 45% of graziers said that the final winter grazing price is set in May or June.

**Figure 5 Timing when Winter Grazing Price is Set**



### 3.4.2 Factors Affecting Winter Grazing Price

Table 9 describes the most important factors affecting winter grazing price according to the respondents to the survey. As expected most respondents suggested supply and demand of winter feed as the main factor affecting winter grazing price every year.

**Table 9: Main Factors Affecting Winter Grazing Price**

	<b>Supply and Demand</b>	<b>Milk Price</b>	<b>Market Rate</b>	<b>Cost of Production (winter feed)</b>
<b>Dairy farmers</b>	73%	36%	24%	0%
<b>Graziers</b>	67%	4%	21%	13%
<b>Rural Professionals</b>	92%	31%	8%	8%

As described in the paragraphs below some dairy farmers described an unfair link between the prices for winter grazing and milk.

*“The greedy graziers set the price related to milk price if milk price goes up so too does grazing, people quickly forget that long term relationships that are mutually beneficial will suit both parties best”*

*...“Graziers view of affordability i.e. expected dairy payout (they expect their “share”)*

Some of other factors that affect the price of winter grazing mentioned by the respondents were:

- Location, and proximity of grazier to dairy platform
- Type and quality of feed on offer
- Market returns (or expectations) for other options e.g. lamb finishing
- The quality of the job done by the grazier *“If you do a good job we [graziers] should receive a premium price regardless of feed availability”*

There were also a few mentions of the possible impact of new environmental regulations on winter grazing price. If restrictions over winter grazing practices increase its costs, many of the graziers suggested that this cost will be transferred to the dairy farmers. *“It concerns me that proposed changes on nutrient management could make it difficult for people to sell winter cow grazing”*

There were some responses that mentioned that maintaining a good long term relationship with the other party was more important than achieving the best price for one year as can be appreciated in the examples below.

*"During Winter 2012, we agreed the market price at 24c per kg DM, but we chose to pay 24.5c as we had paid 24c for the last two years and I wanted the grazier to continue to be happy. Conversely, this winter considering the market in this area we both agreed it was about 27c per kg, but the grazier chose to charge 26.5c, remembering our gesture last year".*

*"We have had a good relationship and the price had hardly increased in the 6 years we graze with them".*

*"I have two permanent clients so price is generally a few dollars less than current market price as constant supply of animals is paramount.*

### 3.4.3 Best Strategy to set Winter Grazing Price

This section describes the suggested "best strategies" to set the winter grazing price. Table 10 presents a summary of the main ideas/ strategies suggested and table 11 presents some examples of the responses provided by respondents.

**Table 10: Best Strategy to Set the Price**

		<i>Dairy Farmers</i>	<i>Graziers</i>	<i>Rural Professionals</i>
<b>Long Term Relationships</b>	<b>(1)</b>	48%	54%	38%
<b>Market Price and Negotiation</b>	<b>(2)</b>	21%	25%	38%
<b>Following a set process</b>	<b>(3)</b>	15%	13%	15%
<b>Using third Party</b>	<b>(4)</b>	9%	4%	8%

**Table 11: Strategies to Set Winter Grazing Price- Respondents comments**

	<b>Dairy Farmers</b>	<b>Graziers</b>	<b>Rural Professionals</b>
<b>Market Price and Negotiation</b>	<ul style="list-style-type: none"> <li>• Let the market dictate the price</li> <li>• Wait until price has been set by other parties</li> <li>• Market tends to dictate price. Use last years as an starting point</li> <li>• Dairy farmers need to start collaborating to establish the price, otherwise if one person pays too much in desperation other graziers will expect the same</li> <li>• Good discussion and recognize the availability and the opportunity cost</li> </ul>	<ul style="list-style-type: none"> <li>• Get an average of what has been paid locally for the same type of feed we grow</li> <li>• Both parties do their own research to determine current market price and negotiate from there.</li> <li>• Fair price is the market price. To establish it is necessary to gather as much information as possible. In our area a group of 30-25 graziers get together to discuss feed availability and price.</li> </ul>	<ul style="list-style-type: none"> <li>• Market rates so it is fair to all but does need to be relative to the amount and quality of feed offered and the work done by both parties</li> <li>• Based it on previous years and what the feeding expectations are.</li> </ul>
<b>Emphasis on developing Long Term Relationship between both parties</b>	<ul style="list-style-type: none"> <li>• Having a long term relationship should be the priority not the price</li> <li>• Fair price for both that would encourage both to come together again the following year</li> <li>• Making sure both parties are making a profit out of the deal bearing in mind the long term relationship</li> <li>• Form a good working relationship, communicate regularly and honestly, pay just above the market for good performance and try to even out price distortions</li> <li>• Paying a fair price for an accurately assessed crop. realising it is a long term relationship and not taking advantage of the spot price during less than favourable growing seasons.</li> </ul>	<ul style="list-style-type: none"> <li>• A mutually agreed average of the past three years</li> <li>• We get together and discuss a fair price. This is not about 1 year is about a long term relationship</li> <li>• We maintain same price over good and bad years and price is lifted every 2-3 years</li> <li>• Clearly outline objectives for both parties and if they can be agreed upon price then can follow this.</li> <li>• Talk it face to face, discuss issues (weather, costs) Invite for lunch - keep it non-threatening</li> </ul>	<ul style="list-style-type: none"> <li>• Agreeing that we want a long term arrangement. Reliability of stock and crop supply is important for both the grazier and the stock owner.</li> <li>• This way the grazier will not try and get a one off high price when the availability of crop is low and vice versa. This means dairy farmers never pay the lowest price or the highest price for crops.</li> <li>• Better operators have a set price for each season on-going regardless of the market trends</li> </ul>
<b>Following a set process to set the price</b>	<ul style="list-style-type: none"> <li>• Based on something concrete would be good such as milk price with no more than a certain percentage movement up or down in any one year..</li> <li>• E.g. 4 % of milk price</li> </ul>	<ul style="list-style-type: none"> <li>• 50% based on milk price/ 50% based on market price</li> <li>• I would prefer to be based on milk price rather than supply and demand as it is at present There needs to be a base rate but with a bonus if targets are achieved</li> </ul>	<ul style="list-style-type: none"> <li>• \$/kg DM which is adjusted for quality (average for the crop and cut to grazing high only) and feed independently assessed</li> </ul>

### **3.5 Winter Grazing – How can Affect the Whole Business**

#### **3.5.1 For Graziers**

From the 24 graziers who answered the question, 6 have considered or are considering converting part or their entire farm to dairy. This has been happening often in CNO reducing the availability winter and young stock grazing. The main reasons they provided for considering this move are, the higher profitability of dairy compared to the other options in recent years, the opportunity to grow the business, and as a diversification strategy as can be appreciated in the comments below:

*“Being part of an industry with a future”.... The other codes of farming are just not giving us the return. Farm succession under dairy is far more achievable....“Profitability as we are investing in irrigation and we need a more certain income to support this investment.*

However, it has to be a profitable enterprise that is competitive with the other alternative uses of the land. Graziers recognize that when things are working well wintering cows is a good and reliable source of income, but this is not always the case for them. Graziers were asked the main factors affecting the profitability and sustainability of their winter grazing enterprise and their main points are summarized as follows:

- *A fair price that matches the increases in costs of production and that it is competitive with the alternative uses of the land,*
- *A price that recognises a job well done.*
- *Good weather to ensure good yielding crops and minimum pugging. “Pugging is very costly for us to repair, as soil damage has long term negative impacts”*
- *Commitment from the dairy farmers*
- *To be paid on time.*
- *Long term contract to know what to plant next year early.*
- *Long term relationships and steady increasing prices*
- *Mutual trust and communication between both parties.*

### 3.5.2 For Dairy Farmers

From the 33 dairy farmers who answered this survey 3 of them stop using graziers in recent years and only 13 of them use graziers to winter 100% of their cows. The most common strategy is to have a combination of wintering options, graziers, milking platform, owned support block and leased support block. Table 6 describes the percentage of cows sent to graziers. .

**Table 12 Current Wintering Strategy for Dairy Farmer Respondents**

<b>% of cows at graziers</b>	<b>Number of farmers</b>
<b>100 %</b>	13
<b>81 - 99 %</b>	2
<b>61 – 80 %</b>	3
<b>40 – 60 %</b>	5
<b>&lt; 40</b>	7
<b>Total</b>	<b>30</b>

Only 3 out of 13 dairy farmers who are only wintering cows at graziers property have not considered buying or leasing a support block for wintering. Table 13 presents the main reasons for dairy farmers to buy or lease a DSB. The percentage indicate how many dairy farmer out of 31 selected this option as one of the reason for considering buying or leasing a DSB, for professionals it states how many out of 13 selected this as a reason.

**Table 13: Reasons for a Dairy Farmer to Lease or Buy a DSB**

<b><i>Reasons for leasing or buying a DSB for wintering</i></b>	<b><i>Dairy Farmers(31)</i></b>	<b><i>Consultant/ Stock Agent(13)</i></b>
<b>Control over final cow BCS achieved</b>	<b>81% *(1)</b>	<b>69% (1)</b>
<b>Cost of buying winter grazing</b>	<b>65% (2)</b>	<b>62% (2)</b>
<b>Price volatility year to year</b>	<b>45% (3)</b>	<b>23%</b>
Low availability of good graziers in the area	35%	15%
Buying a support block is a good investment /	13%	8%
<b>Past bad experiences</b>	<b>10%</b>	<b>62% (3)</b>
Farmers think that buying a support block is a good investment	0%	15%
Leasing a support block is more cost effective than paying graziers	26%	0%
Farmers think that leasing a support block is more cost effective than paying graziers		15%
Control over type and quality of feed offered	6%	
Belief that dairy farmer can do a better job than the grazier	0%	10%
Belief that they can pay interest and operating cost of run off for the same annual cost of grazing	0%	10%

As can be seen the number one reason for dairy farmers to lease or buy a DSB is to have control over the final condition score achieved. Cost and price volatility were ranked 2<sup>nd</sup> and 3<sup>rd</sup> for dairy farmers which is not surprising either. The response from rural professionals was similar but they ranked “past bad experiences with a grazier” higher than the dairy farmers did. As they see a high number of farmers it is likely that their response represents more closely what is happening in reality.

Even though many dairy farmers end up buying or leasing a DSB it may not be the best financial decision as stated before in this report. This point was explored on a question to farm consultants and stock agents. The most common view was that in most cases they are a more expensive option as reflected on the statements below.

*“Generally we find support blocks break even at best on year to year performance but ...land appreciation has proved to be a good investment over the last 10 years*

*It is very difficult to find a runoff that you will not create a negative cash flow on today's values in Canterbury”*

*“NEVER that is why most people convert them to dairy”*

This point was explored further with farm consultants and stock agents as there are always situations where dairy farmers do make it work for them. A common answer from this group was the need to manage it properly, hence a good management structure in place and to be able to complement the whole dairy farm system well. The need for a reasonable scale was also mentioned as in this way it could have its own management structure. As stated by Cottier (2000) every situation is different and individual farmers will need to make their own analysis but a well-managed support block managed with the same level of detail as the milking platform will be more likely to be profitable. Some of the comments below illustrate this point:

*“Good management of the dairy support block (or employment of a good DSB manager)”*

*Proper size so can have its own labour hence managed well and task completed timely”*

*"Need scale to justify a separate management structure e.g. 2000 cows plus"*  
*"Only If block was close to milking platform so stock owner can be there regularly*  
*or if a staff member is based on and running the DSB"*

There were other reasons when buying or leasing a DSB could be a good option as well mentioned by the farm consultants and stock agents such as price, potential to grow reliable feed, location, when there is no availability of good graziers in the area and when it has the potential to be converted to a dairy farm.

## **4 DISCUSSION**

In regards to the main drivers behind successful relationships not surprisingly both farmers groups (dairy farmers and graziers) selected the same top three reasons that explained a successful relationship with the other party. These three reasons were related to having a long term/on- going relationship; maintaining good communication and maintaining regular contact with the other party. On the contrary, the top three reasons mentioned by the farm consultants and stock agents to explain successful relationships between dairy farmers and graziers were quite different to the farmer's response and were related to systems, processes and the formality of the relationship. Their top three responses were: having a written contract, using intermediaries in the relationship and having systems in place to do the monitoring. This answers are useful to emphasize that having a formal relationship, despite important, is not enough to guarantee a successful outcome for both groups and there are other things that need to be accomplish before any of the more formal systems put in place could be successful.

In regards to the limitations behind unsuccessful relationships there were more discrepancies in their answers between the three groups. The number 1 reason given by dairy farmers and rural professionals for unsuccessful relationships was that graziers do not have the necessary skills to feed dairy cows over winter. Considering the background of some of the graziers (e.g. cropping, sheep, small seeds) this is not surprising and it could be addressed

with targeted training, regular monitoring by the dairy farmers and by setting clear expectations at the start.

Having the wrong assessment of the feed at the start of winter was the number 1 reason for graziers, and also ranked within the top 3 reasons for rural professionals and dairy farmers. It was suggested that the measurement of feed at the beginning of grazing should be the responsibility of both parties and paid by both parties. There were a few comments regarding the accuracy of the methods used for assessing feed and how different the results were depending on who was doing the measurement. To address this issue the industries need to come together to develop protocols and an accreditation process to ensure that crops are measured in the same way. It seems that there are particular challenges in the assessment of newer crop such as fodder beet that is widely used for wintering in CNO.

There are other factors affecting feed availability that need to be taken into account such as weather condition during the grazing period that will affect significantly the utilization of the feed. Having a back-up plan in place to deal with this situation is very important and from the responses to the surveys most farmers are prepared to deal with this and both parties seems to be clear on their responsibilities. These adverse weather events have been so common in recent years in CNO that is not surprising farmers are putting good plans in place to deal with it.

For graziers their number 2 reason that explains unsuccessful relationship was related to cows being lighter than they were supposed to be at the start of winter. This is a significant issue as if cows are light it will be difficult to reach the BCS target at the end of winter. Dairy farmers are getting better at monitoring the BCS of the herd and the dairy industry is investing significantly to improve this. However, it is probably not a common practice among dairy farmers to have an independent accredited assessor to assess the BCS of the herd just before going into winter grazing. If BCS of the cows at the start of winter is not properly assessed by an independent assessor it will be difficult to put a plan in place to manage these

cows to achieve the targets (e.g. differential feeding) or to resolve disputed over who is responsible when the BCS target is not achieved at the end of winter.

It is quite common to use intermediaries in the relationship and they are mainly stock agents. Their main role is mainly to source grazing for dairy farmers, to check and monitor cows, assess the feed available and to provide a contract. Despite the high use of intermediaries in this business transaction not many of the farmers considered having an intermediary as the key for a successful relationship. There were some farmers who mentioned that the intermediary doing a poor job was the reason behind an unsuccessful relationship with the other party. The role and the importance of the intermediary again will be related to the nature of the relationships between farmers. For long-term on-going relationships it is probably not relevant but in new relationships they probably provide the safe-guards for the relationship. Acting as an independent third party can have its advantages as it can help keeping fair relationships, however in most situations intermediaries do work closer to one party, e.g. when contacted by the dairy farmer to find winter grazing. When using intermediaries, the reputation and experience of this person is paramount so farmers should do their due diligence to involve somebody who could contribute positively to the transaction.

Having a written contract is a good way of avoiding problems in the relationship as it is the best way for everyone to know what to expect. However, surprisingly the majority of farmers do not have a written contract for their arrangements and they rely on other means to make it successful. Again developing a long term relationship, stating clear expectations, regular communication and monitoring are the most important factors to achieve this and not the existence of a written contract. In some cases the contracts used are not specific enough or not clear enough so not that useful to improve the outcome of the agreement. Also in many cases farmers do not want to enforce a contract as they do not want to damage relationships between neighbours. Despite contracts not being the main driver for a successful relationship it should be the practice to follow as it helps provide clarity of expectations and also very useful for dispute resolutions. An important point to mention as well is that if a contract is used

it should be clear and relevant so it is read and understood by the parties involved. However, as stated before a contract is not helpful if the basis for a good relationship are not laid out.

Still a significant number of winter grazing is paid on dollars per head per week which has several limitations as it does not specify how much the cows will be fed. This is likely to contribute to not achieving the desirable outcome. Paying/charging per Kg of DM or even per MJME is a more fair method of payment. Perhaps the limitations and inaccuracies in assessing the feed is one of the reasons why farmers are still using this inappropriate method of payment.

Another challenge regarding winter grazing price is that the price is set too late and too close to winter, which makes it difficult for feed budgeting purposes for both groups. If farmers are focussing on developing long term relationships price should not be discussed in the last minute, and agreed as early as possible instead. But in many cases farmers are not prepared to commit themselves in case the market moves in their favour in the future.

Everybody talks about a fair price - but what is a fair price? People compare price of winter feed without being specific about what they are referring to e.g. different feed quality, different arrangements in who is doing the work, the quality of the infrastructure or the distance to the milking platform. Therefore, before start discussing and compare prices the specifications of the "service/product" on offer have to be stated.

From the suggestions by the respondents the best strategy to set up the price will be a long term average where people prioritise the long term strategy and not the short term win. Ideally the price is set per kg of DM early in the growing season and the price is set as an average for previous years with adjustments for feed availability on the current year. Linking winter grazing price to milk price despite taking some the risk out for dairy farmers does not seem fair as factors affecting milk price are completely independent to the factors affecting winter grazing. An analysis of the best strategy to set winter grazing price that is fair and attractive for both parties will be a useful next step from this project.

According to L.I.C statistics (2012) dairy cows' numbers in the CNO area have double in the last 10 years with currently having approximately 850,000 dairy cows which need feeding over the winter period. The surge of dairy in the CNO area has changed completely the landscape of the area once dominated by crops, sheep, beef and small seeds. As more land is converted into dairy, the availability of grazing is of concern. Some areas are specially challenged as most of the flat land have been converted to dairy and wintering has been pushed more and more into the hills and more limiting areas increasing the risk of snow.

New proposed irrigation schemes such as Central Canterbury Plains or the Hurunui Water Project (among others) will potentially drive more conversions to dairy creating more demand for wintering and also less area available to do the wintering on. The land and water regional plan to be released in December by e-can is also likely to affect this significantly as it will dictate potential land use change. Therefore there is some uncertainty and concerns about the future availability of winter grazing land.

Wintering has to be a competitive alternative for graziers for them to embark on. Some factors that affect this are outside everyone's control such as price of alternative products, or weather condition that will affect crop yield, ease of management, soil damage and feed utilization. However, there are other factors that could be influenced by the parties involved such as development of long term relationships, communication, commitment from the dairy farmers and having cows at the right condition at the start of winter. If graziers are competitive in offering winter grazing to dairy farmers it is also beneficial for dairy farm businesses.

Having a good outcome for both parties is very important as dairy farmers need cows to achieve the target condition at the end of winter and also graziers have to be paid for the job and feed they have provided.

## 5 Conclusions

This study looked into the business relationship between dairy farmers and dairy graziers when buying/selling winter grazing as having a mutually beneficial business relationship has significant advantages for both businesses. When working in extension mainly with dairy farmers it is usually difficult to see the other side of the story, this study has been very beneficial in providing the “other side” point of view which gives a different perspective on the problem and also of the possible solutions.

Before undertaking this study the author had the belief that contracts were the most important factor in achieving a successful relationship. After analysing the responses to the survey it was clear that contracts by itself do not guarantee a successful relationship.

Having a written contract and a formal process in place is important and good business practice but they are of little value if the “soft” aspects of the relationship are not addressed. These “soft” aspects are related to the desire to develop a long term relationship (so the aim is to generate a win-win situation in the long term and not a short term gain), establishing good means of communications to have clear expectations and a good monitoring system so any required adjustments could be made on time. Even with good intentions and a contract in place, things can go wrong because winter is a risky time of the year so it is very important to have a good back-up plan in place agreed by both parties.

In summary, based on the findings of this study the key things that both groups could do over anything else to ensure a successful business relationship are; accurate and independent assessment of the feed at the beginning of winter, independent assessment of BCS of the cows at the beginning of winter with good information regarding the range of BCS, clarify expectations (ideally signed off on a written contract), establish regular monitoring and communicate often during but also outside winter. An important learning from this study was that the two groups are different but that they need the other party to be successful for this to work for them as well.

## **5.1 Practical Implications**

From the insights gained by undertaking this study this section presents some ideas regarding what actions could be undertaken to address some of the issues identified.

Running targeted extension events focussing on increasing the knowledge and skills in areas such as, BCS monitoring, feed/crop assessment, winter feeding management including transition in and out of the crop. The target audience for this should be dairy farmers, graziers but also rural professionals who are involved in the relationship. There is also a need to change dairy farmers' attitude regarding wintering and what is the basis of a successful relationship such as recognising the importance of cows being at the right condition at the beginning of winter. These events could be jointly run by DairyNZ and Beef + Lamb (as it has started to happen already) to address both groups at the same time.

As there is a significant number of rural professionals already involved in winter grazing relationship there is an opportunity to achieve change by working closer with this group. If these trusted rural professionals promote the benefits of developing long-term relationships with their clients and encourage having regular monitoring and communication with the other party most of the problems identified in this report could be addressed.

As still there is a significant number of winter grazing paid on dollars per head per week, despite the recognised limitation of this payment method, more effort needs to be put into understand why this is the case and what is the value proposition for both groups to change to a more appropriate system of dollars per KG DM.

Finally, There is already a system in place run by DairyNZ to get accreditation to assess BCS, the information presented in this study suggest that there is a need to have a similar system to measure feed in an standardized way to avoid the discrepancies in feed assessment at the beginning of winter.

## **5.2 Limitations of this Study**

One of the limitations of the study was that the participants of the survey were not randomly selected. There were also a different number of graziers and dairy farmers (33 dairy farmers and 24 graziers). Finally there were a few limitations in the questionnaires that were identified when data analysis started and in some occasions reduced the analysis that could be done in that particular question. The main issues identified are listed as follows:

- In an attempt to reduce the time required to answer the question there was a high number of multiple choice questions that are likely to reduce the variety in answers obtained compared to an open question. To remediate this an extra option “other” was included and it was used in many cases by the respondents.
- Some of the questions where people were asked to rank options; respondents just tick the options but did not rank it.
- The questionnaire did not ask the parties what a successful relationship meant for them, and also to dairy farmers how much of a risk availability of winter grazing was for their business
- The questions regarding regularity of communication between graziers and dairy farmers was not clear as indicated by the high number of people who did not answer this question.

## **5.3 Areas for Future Research**

The information presented in this study could be complemented with case studies of successful winter grazing arrangement. Originally, this was the plan for this project but it could not be carried out due to time constraints.

There is a need to have a better understanding of where the 800,000 dairy cows are wintered at present. Having good statistics around location of winter grazing could assist policy makers who are in the process of regulating nutrient losses at a catchment level. This

could also provide a better idea of supply and demand of winter grazing in the different areas.

Also, despite it is known that the most common practice is to winter cows off the milking platform there was not available information of how many dairy cows are wintered at graziers' properties or at dairy farmers' owned or leased support block. Then a better understanding of who are the graziers providing this service to the dairy industry could help develop targeted extension activities with key messages that could help the final outcome of the business transaction.

Finally, an in-depth study of the best strategy to set up a fair price for both parties could aid at reducing the speculations around winter grazing price.

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# APPENDIX I – SURVEYS

## KELLOGGS 2013 - Wintering in Canterbury –Questionnaire DAIRY FARMERS

Virginia Serra, DairyNZ Regional Leader for Canterbury and North Otago

<b>Date:</b>		<b>Location:</b>	
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*Thank you for answering this survey. The information you provide here will be strictly confidential and used only for the purpose of this report and in a way that individual answers cannot be identified.*

### 1) Dairy Farm Operation

<b>Size of the milking platform</b>	ha
<b>Peak cows milked</b>	cows

### 2) Using the options below describe where you graze your cows during winter

▪ The milking platform	Cows	%
▪ Your own support block	Cows	%
▪ A leased support block	Cows	%
▪ A grazier's property	Cows	%

**Please answer the questions below if you are or have ever used graziers for your cows over winter**

3) How many years have you been using graziers for wintering? \_\_\_\_\_

4) How many graziers have you used over this time? \_\_\_\_\_

5) Have you considered buying or leasing a dairy support block for wintering?

Buying    Yes ☐    No ☐

Leasing    Yes ☐    No ☐

6) ***Why would you consider buying or leasing a dairy support block? Please tick the top three reasons. Also answer this question if you have bought or leased a support block recently. Mark as appropriate (x)***

▪ Control over final body cow condition achieved	
▪ Cost of buying winter grazing	
▪ Price volatility year to year	
▪ Low availability of good graziers in the area	
▪ Past bad experiences	
▪ Buying a support block is a good investment	
▪ Leasing a support block is more cost effective than paying graziers	
▪ Other please specify	
▪ Other please specify	
▪ Other please specify	

7) ***Please rank the top 5 criteria you use when selecting your winter grazier?***

1 most important – 5 least important

▪ Farm characteristics (e.g. pasture/contour/infrastructure)	
▪ Location in relation to milking platform	
▪ Graziers skills and reputation	
▪ Price of winter grazing offered	
▪ Personal knowledge of grazier (e.g. friends/family)	
▪ Long term /on-going relationship with grazier	
▪ Monitoring systems in place for feed availability	
▪ Monitoring and recording of animal performance	
▪ Other please specify	
▪ Other please specify	
▪ Other please specify	

8) *If you have had a successful working relationship with a grazier please tick the top three reasons why this relationship was successful. Mark as appropriate (x)*

▪ Doing the work with the stock yourself	
▪ Having a written contract	
▪ Using an intermediary to manage the relationship	
▪ Maintaining regular contact with the grazier	
▪ Grazier keeping you informed of feed situation and animal performance	
▪ Long term /on-going relationship with a trusted grazier	
▪ Good monitoring systems in place for feed and animal performance	
▪ Good communication between the parties	
▪ Other please specify	
▪ Other please specify	
▪ Other please specify	

9) *In your experience - What are the main limitations or issues that explain an unsuccessful relationship with a grazier that resulted on outcomes not being achieved. Mark as appropriate (x)*

▪ Not having a written contract	
▪ The intermediary used to manage the relationship did a poor job	
▪ Wrong assessment of feed available at the start	
▪ The stock was lighter than what it was supposed to be at the start of winter	
▪ Grazier didn't have the skills to feed dairy cows	
▪ I didn't check stock regularly enough	
▪ I didn't maintain regular contact with my grazier	
▪ Grazier didn't communicate regularly with me	
▪ Lack of monitoring systems to assess change in feed availability	
▪ Other please specify	
▪ Other please specify	

**10) Have you used intermediaries in your relationship with graziers?**

Yes ☐ No ☐

**If yes, who have you used?**

(e.g. consultant )

**What is the role of this person?**

**11) Do you have a written contract with your grazier?**

Yes ☐ No ☐

**12) If you have a written contract with a grazier please outline the key components covered in your contract? (e.g. price, level and type of feed, start and finish dates, deaths, dispute resolutions, etc.)**

▪
▪
▪
▪
▪
▪
▪
▪

**13) If you don't have a written contract with your winter grazier what do you use as the basis for your winter grazing arrangement?**

--

**14) In relation to your communication with your grazier over winter:**

• How often are you in touch with your grazier over winter?	
• How often are you in touch with your grazier outside winter?	
• If you are not managing your stock over winter - How often do you see your stock?	

**15) How much work do you do with your stock over winter at the grazier's property?  
Mark as appropriate (x)**

▪ None at all	
▪ Everyday feeding and movement of stock	
▪ Help if required due to severe weather event	
▪ When asked to help	
▪ Other please specify	
▪ Other please specify	
▪ Other please specify	

**16) What arrangement do you have with your grazier if feed availability changes over winter e.g. due to severe weather event? Please explain**

--

**17) Regarding winter grazing price:**

▪ How do you pay for your winter grazing? E.g. Kg DM, \$ /cow/week etc.	
▪ At what stage in the process of organizing your winter grazing is the price set?	

**18) What are the main factors affecting winter grazing price every year?**

**19) In your opinion, what is the best strategy to set a fair price for winter grazing for both parties?**

**20) In this new environment where farming within nutrient limits is a reality who should be responsible for nutrient losses during winter. Mark as appropriate (x)**

Land  
Owner

Stock  
Owner

**21) What is the reason for your answer to the previous question**

***This is the end of the survey. Thanks very much for your contribution.***

*Virginia Serra, DairyNZ Regional Leader for Canterbury and North Otago*

## KELLOGGS 2013 - Wintering in Canterbury –Questionnaire DAIRY GRAZIERS

Virginia Serra, DairyNZ Regional Leader for Canterbury and North Otago

<b>Date:</b>		<b>Location:</b>	
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*Thank you for answering this survey. The information you provide here will be strictly confidential and used only for the purpose of this report and in a way that individual answers cannot be identified.*

### 1) Farm Operation

Farm size	ha
Area used for wintering dairy cows	ha
Area used for dairy young stock grazing	ha
What proportion of your income comes from grazing dairy cows over winter?	%

### 2) From the list below select the other farming activities you undertake and estimate what percentage (%) of the total income they represent.

▪ Sheep	%
▪ Beef	%
▪ Crop	%
▪ Other	%
▪ Other	

### 3) How many years have you been grazing dairy cows in winter for?

.....

### 4) How many dairy farmers are you selling winter grazing to?

.....

- 5) *If you have had a successful working relationship with a dairy farmer please tick the top three reasons why this relationship was successful. Mark as appropriate (x)*

▪ Dairy farmer doing all the work with the stock over winter	
▪ Having a written contract	
▪ Using an intermediary to manage the relationship	
▪ Maintaining regular contact with the dairy farmer	
▪ Keeping the dairy farmer informed of feed situation and animal performance	
▪ Long term /on-going relationship with a trusted farmer	
▪ Good monitoring systems in place for feed and animal performance	
▪ Good communication between the parties	
▪ Other please specify	
▪ Other please specify	

- 6) *In your experience -What are the main limitations or issues that explain an unsuccessful relationship with a dairy farmer. Mark as appropriate (x)*

▪ Not having a written contract	
▪ The intermediary used to manage the relationship did a poor job	
▪ Wrong assessment of feed available at the start	
▪ The stock was lighter than what it was supposed to be at the start of winter	
▪ You didn't have the skills to feed dairy cows	
▪ Dairy farmer didn't check stock regularly enough	
▪ I didn't maintain regular contact with the dairy farmer	
▪ Dairy farmer didn't communicate regularly with me	
▪ Lack of monitoring systems to assess change in feed availability	
▪ Other please specify	
▪ Other please specify	

**7) Have you used intermediaries in your relationship with dairy farmers for winter grazing?**

Yes ☐ No ☐

<b>If yes, who have you used?</b>	(e.g. consultant )
-----------------------------------	--------------------

<b>What is the role of this person?</b>	
---	--

**8) Do you have a written contract with your dairy farmer for winter grazing?**

Yes ☐ No ☐

**9) If you have a written contract with a dairy farmer for winter grazing please outline the key components covered in your contract? (e.g. price, level and type of feed, start and finish dates, deaths, dispute resolutions, etc.)**

▪
▪
▪
▪
▪

**10) If you don't have a written contract with your dairy farmer for winter grazing what do you use as the basis for your winter grazing arrangement?**

--

**11) In relation to your communication with your dairy farmers:**

<b>How often are you in touch with your dairy farmer over winter?</b>	
<b>How often are you in touch with your dairy farmer outside winter?</b>	

**12) How much work do you do with the stock over winter? Mark as appropriate (x)**

▪ None at all	
▪ Everyday feeding and movement of stock	
▪ Help if required due to severe weather event	
▪ When asked to help	
▪ Other please specify	
▪ Other please specify	
▪ Other please specify	

**13) What arrangement do you have with your dairy farmer if feed availability changes over winter e.g. severe weather event? Please explain**

--

**14) Regarding winter grazing price:**

▪ How do you get pay for your winter grazing? Kg DM, \$ /week etc.	
▪ At what stage in the process of organizing your winter grazing is the price set?	

**15) What are the main factors affecting winter grazing price every year?**

--

**16) In your opinion, what is the best strategy to set a fair price for winter grazing for both parties?**

**17) What do you need for this part of your farm business (winter grazing of dairy cows) to be profitable and sustainable?**

**18) Are you considering now or in the future converting all or part of your land to dairy farming?**

Yes

No

**19) If your answer to the previous question was yes – what is the main reason for it?**

**20) In this new environment where farming within nutrient limits is a reality who should be responsible for nutrient losses during winter. Mark as appropriate (x)**

Land  
Owner

Stock  
Owner

**21) What is the reason for your answer to the previous question**

***This is the end of the survey. Thanks very much for your contribution.***

*Virginia Serra, DairyNZ regional leader for Canterbury and North Otago*

## KELLOGGS 2013 - Wintering in Canterbury –Questionnaire RURAL PROFESIONAL

*Virginia Serra, DairyNZ Regional Leader for Canterbury and North Otago*

*Thank you for answering this survey. The information you provide here will be strictly confidential and used only for the purpose of this report and in a way that individual answers cannot be identified.*

Name (optional)	
Role (Consultant /Stock Agent)	
How long have you been in this role for?	
If any - Describe your role regarding winter grazing arrangements between dairy farmers and graziers.	

**1) Based on your experience - Why dairy farmers end up buying or leasing a dairy support block? Please tick the top three reasons. Mark as appropriate (x)**

▪ Control over final body cow condition achieved	
▪ Cost of buying winter grazing	
▪ Price volatility of winter grazing year to year	
▪ Low availability of good graziers in the area	
▪ Past bad experiences	
▪ Farmers think that buying a support block is a good investment	
▪ Buying a support block could be a good investment	
▪ Farmers think that leasing a support block is more cost effective than paying graziers	
▪ Leasing a support block is more cost effective than paying graziers	
▪ Other please specify	
▪ Other please specify	

**2) Based on your experience – In which situation buying a dairy support block could be a good investment decision?**

--

3) *Based on your experience Please rank the top 5 criteria dairy farmers use when selecting their winter grazier?*

1 most important – 5 least important

▪ Farm characteristics (e.g. pasture/contour/infrastructure)	
▪ Location in relation to milking platform	
▪ Graziers skills and reputation	
▪ Price of winter grazing offered	
▪ Personal knowledge of grazier (e.g. friends/family)	
▪ Long term /on-going relationship with grazier	
▪ Monitoring systems in place for feed availability	
▪ Monitoring and recording of animal performance by the grazier	
▪ Other please specify	
▪ Other please specify	

4) *Based on your experience: Tick the top three reasons for a successful relationship between a dairy farmer and a grazier. Mark as appropriate (x)*

▪ Having a written contract	
▪ Using an intermediary to manage the relationship	
▪ Long term /on-going relationship with a trusted grazier	
▪ Good monitoring systems in place for feed and animal performance	
▪ Good communication between the dairy farmers and the graziers	
▪ Other please specify	
▪ Other please specify	
▪ Other please specify	
▪ Other please specify	
▪ Other please specify	

- 5) *In your experience - What are the main limitations or issues that explain an unsuccessful relationship between a dairy farmer and a grazier that resulted on outcomes not being achieved? Mark as appropriate (x)*

▪ Not having a written contract	
▪ Wrong assessment of feed available at the start of winter	
▪ The stock was lighter than what it was supposed to be at the start of winter	
▪ Grazier didn't have the skills to feed dairy cows	
▪ Dairy farmers didn't check stock regularly enough	
▪ Dairy farmer didn't maintain regular contact with grazier	
▪ Grazier didn't communicate regularly with dairy farmer	
▪ Lack of monitoring systems to access change in feed availability	
▪ Other please specify	
▪ Other please specify	

- 6) *Based on your experience - Outline the key components that need to be included on a good contract that helps achieved the desirable outcomes for both parties? (e.g. price, level and type of feed, start and finish dates, deaths, dispute resolutions, etc.)*

- 7) *When farmers do not have a written contract for arranging their winter grazing what do they use as the basis for their winter grazing arrangement?*

- 8) *In your opinion is having a written contract an important factor in achieving a successful working relationship between a dairy farmer and a grazier?*

Yes

☐

No

☐

**9) What is the reason for your answer to the previous question?**

**10) Regarding winter grazing price: Based on your experience what is the most common payment for winter grazing used by dairy farmers and graziers? (e.g. Kg DM, \$ /cow/week etc.).**

**11) What are the main factors affecting winter grazing price every year?**

**12) In your opinion, what is the best strategy to set a fair price for winter grazing for both parties?**

**13) In this new environment where farming within nutrient limits is a reality who should be responsible for nutrient losses during winter. Mark as appropriate (x)**

Land  
Owner

Stock  
Owner

**14) What is the reason for your answer to the previous question?**

***This is the end of the survey. Thanks very much for your contribution.***

*Virginia Serra, DairyNZ Regional Leader for Canterbury and North Otago*

## APPENDIX II – COVERING LETTER

### **Winter grazing in Canterbury – relationship between dairy graziers and dairy farmers (Dairy Farmers version)**

As a participant of the 2013 Kellogg's Leadership Programme I am completing a project exploring the relationship between dairy graziers and dairy farmers over the winter period.

Anecdotal information suggests that both the farmer and the grazier can encounter challenges but there are also good examples of successful relationships. In this study I aim to identify what makes this relationship work as well as some of the common challenges. I will also explore the winter grazing price setting process, the use of intermediaries in the relationship, and the use of written contracts.

To complete this study I am collecting information via survey and face-to-face interviews, with dairy farmers who winter their stock at grazier's properties and graziers who provide this service. I am also talking to local farm consultants and stock agents who participate in these arrangements.

**I would really appreciate if you could spend 10 minutes answering the attached survey. You can answer this survey if you are currently using graziers for your stock over winter or if you have used graziers in the past.**

The information you provide here is strictly confidential and used only for the purpose of this report and in a way that individual answers cannot be identified.

If you would like to receive a copy of the report let me know via email ([virginia.serra@dairynz.co.nz](mailto:virginia.serra@dairynz.co.nz)) and I will send you a copy after the project is reviewed.

Yours sincerely,

Virginia Serra  
DairyNZ Regional Leader – Canterbury/North Otago

## APPENDIX III - EXAMPLE WINTER GRAZING CONTRACT

### WINTER GRAZING AGREEMENT (SIMPLIFIED EXAMPLE - 1)

**AGREEMENT** made on: \_\_\_\_/\_\_\_\_/\_\_\_\_ (date when contract has been made)

#### BETWEEN

The Grazier	The Stock Owner
Name _____	Name _____
Address _____	Address _____
Address where stock will be grazed _____	Address where stock will be grazed _____
Phone number _____	Phone number _____
NAIT number (grazier) _____	NAIT number (stock owner) _____
Tb Status (grazier) _____	Tb Status (Stock Owner) _____

**PURPOSE OF THE AGREEMENT** (brief statement of the purpose of this agreement)

#### TERM OF THE AGREEMENT

Commencement Date \_\_\_\_/\_\_\_\_/\_\_\_\_ Termination date \_\_\_\_/\_\_\_\_/\_\_\_\_

Usually there are clauses regarding changes on these dates depending on weather conditions or other issues and this has to be agreed by both parties. Also allowance to return cows staggered to the milking platform. When buying feed on the paddock a date for transferring of ownership of the crop needs to be established.

#### REFERENCE SCHEDULE

#### STOCK SCHEDULE

Number	Age	Breed	BCS / LW

A detailed list of individual animals identified by ID is also recommended. The method to assess BCS or LW has to be agreed by both parties.

#### FEED SCHEDULE

Description	Area (ha)	Kg DM		MJME /kg DM
		Per ha	Total	
Pasture				
Crop				
Supplements				
Other				

A method for assessing feed has to be agreed. Using an independent assessor is a good option. This is a contentious issue as there is a significant variability in measuring especially of crops e.g. fodder beet. Clarity of who is supplying silage/straw has to be stated here as well. Important area is GPS measured at time of measurement as well.

## WINTER GRAZING AGREEMENT (SIMPLIFIED EXAMPLE – 2)

### PAYMENT OF GRAZING FEES

#### OPTION 1: \$/kg DM

Description	Cents/kg DM
Pasture	
Crop	
Supplements	
Other	

#### OPTION 2: \$/head/week

Type	\$/head/week

#### OPTION 3: Performance based Payments

BCS/LW	Number	Average BCS/ LW at the start	Average BCS/ LW at the end	Total BCS/LW gained
Target				
Actual				

1. Payment will be \_\_\_\_\_ \$ per Kg LW or BCS gain
2. And a penalty of \$ \_\_\_\_\_ per kg LW or BCS will apply for falling to meet these targets

### PAYMENT METHODS

- Time of invoicing by Grazier
- When payment has to be made by Dairy farmer
- Payment method e.g. direct debit
- Late payment fee (overdue interest rate to be charged)

### FEED MANAGEMENT

- Transition feeding at both sides of grazing
- Agreed feeding levels
- Amount of feed on a daily basis per herd type
- Feed Budget, crop and supplement weighed and measured and daily allocation agreed.
- Different strategies for varying crop utilization
- Nitrate level testing before animals been introduced
- Type of feed (quality), feed diet
- Agreed grazing levels of crops among both parties
- Mineral supplementation – who will be responsible and what and how much
- Stock water supply
- Bought in supplements- who has the ownership of feed stored at the graziers property

## **WINTER GRAZING AGREEMENT (SIMPLIFIED EXAMPLE – 3)**

### **WHO IS DOING WHAT**

- Agreement of what labour is provided and by who/ Who does what (feeding, breaks, supplements)?
- Their involvement in the winter plan.

### **CONTINGENCY PLAN BAD WEATHER**

- Contingency plans for bad weather (e.g. who pays for extra feed, what adjustments are made to LW targets)
- Feed shortages or surplus
- Poor weather or storm management plan

### **STOCK OWNERS OBLIGATION**

- Animal health treatment
- Providing cows in good condition, monitoring grazing.
- Clear descriptions of what the cows are to be fed and how much.
- Minimum period of time between inspections of stock by stock owners
- Monitoring expectations
- Stock owners' obligations, i.e. providing cows in good condition, monitoring grazing. Clear descriptions of what the cows are to be fed and how much.
- 

### **GRAZIERS OBLIGATIONS**

- Death levels

### **RESPONSIBILITY FOR STOCK**

- Stock owners asked to sign a release of stock and guarantee to pay before stock is removed

### **DISPUTE RESOLUTION**

- 2 weekly visits by farmer over summer and weekly in winter

### **OTHERS**

- Who is responsible for deaths Communication both parties
- Insurance responsibilities
- Other rights and obligations
- Reporting and communication expectations
- What happens when owner is not happy
- What if scenarios: inadequate feed, death and losses, cows leave early or late , negligence etc. What will be done about it?.
- Include Dispute and resolution



## TERMINOLOGY AND ABBREVIATIONS

Wintering or winter grazing: In this study refers to the grazing of dairy cows (mixed age cows or in calf heifers) between the months of June and July

Dairy Farmers: Refer to farm owners or sharemilkers who own dairy cows and receive the majority of their income from milk production

Winter Graziers: Refers to the farmers who sell winter grazing (either on a dry matter basis or per head per week) to dairy farmers. These farmers usually have other enterprises e.g. sheep, beef, cropping, seeds etc. In this study they are also referred simply as graziers

Dairy Support Block (DSB) Refers to a block of land where dairy farmers usually graze their young stock, winter their cows and produce supplement to support the milking platform. It is still commonly refer to as “Run off”.

Milking Platform: Refers to the farm area where mainly lactating cows (but not only) are grazed and it is the land adjacent to the milking shed.

Wintering off: Refers to the dairy system where the dairy cows are grazed on a separate area to the milking platform (either at grazier’s properties or at own or leased support block) during the winter time.

Wintering on: Sometimes also called self-contained system refers to the production system where dairy cows are wintered within the milking platform area.

CNO: Canterbury and North Otago

BCS: Body Condition Score

Kg DM: Kilograms of Dry Matter

MJME: Mega joules of Metabolizable Energy