

2016

Who will milk the cows ?



Jennifer McDonald

Primary Industry Council / Kellogg Rural
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Executive Summary

The NZ dairy industry has successfully, in the past, provided a pathway to land ownership. This has been mainly via the sharemilking system. The “carrot” or opportunity of land ownership has seen the industry successfully attract and retain motivated people.

The average age of the NZ dairy farm owner is at present 50-55 years. Innovation and enthusiasm from young blood is a prerequisite for any industry to remain vibrant and dynamic.

Rural leaders and dairy specialists are now stating that due to the increase in land values, the chance for individuals to own a farm, using the accumulated wealth they have built up while in the industry, is highly unlikely. They speculate that in the future, more people will move into equity type roles, with an increase in off-farm owners.

Given this scenario, what then motivates people to enter the dairy industry. To better understand this question, in July 2006 I conducted an independent survey of employees in the dairy industry to establish their current career expectations. How far do they expect to go, and what will keep them motivated? Is farm ownership still their ultimate goal?

The survey indicated that for 44.7% of respondents, 100% farm ownership was still their ultimate goal. This result is also supported by a Dexcel/Agreaserch joint survey also completed during the year where “the overwhelming message is that people want to own their own land” (Speight, 2006 pg 132)

So this raises a dilemma for the dairy industry. Those leading the industry and those working within it have different perceptions of what is achievable. Can the industry hope to attract and retain staff when there are differing expectations?

The industry has to work to support people to succeed long term. It must ensure that all employees have a career path so that they can realize their absolute potential.

To achieve this I believe:

- At an early stage in the careers of the dairy employees, AgITO and Dexcel should have a joint initiative, re-iterating to these new entrants, the opportunities available to them within the industry and possible career path options.
- Once goals are established, a career path should be designed for each participant. Again, this could be an AgITO/Dexcel initiative. I do not consider that employees are skilled enough in this area to complete this task themselves. All steps on the career path must be recognised as a successful end point to those who aspire to that level.
- As an integral part of this exercise, a brief should be included on where to get help when they feel things aren't going to plan. This is especially important when they are unhappy with their current work situation/conditions. The industry can't afford to lose people after one bad experience

For those people who indicate that farm ownership is their ultimate goal, there should be advice and coaching on the reality of what building equity will involve. This should happen in the early

stages of a person's career path. The benefits would be two-fold:

- It will sort out the dreamers – those who are not prepared to make the sacrifices required. These people must then be advised on what is more likely to be their ultimate career path, in such a way that they are still motivated to stay within the dairy industry.
- For those who are determined to own a farm, it may help “kick start” their equity-building planning earlier.

Again this exercise should be industry driven, by training organisations. Let's get dairy employees on the “right track” early.

The majority of staff employed on dairy farms fall into what modern social scientists label Generation X and Generation Y. These generations have been identified as having significant social and behavioural differences to generations going before them. In these days of a tight labour market, the dairy industry employers must recognise that they need to change to accommodate the needs and expectations of these generations, as these people will stand firm for these needs and what they perceive as their rights. Most Generation X and Y “work to live” while their 50-55 year old farm owner employers “live to work”. Therein lies an area of potential conflict and a threat to the sustainability of the dairy industry.

I also believe that absentee farm owners of the many larger farms ie 1500+ cows, do not fully appreciate the effect on the human psyche and body of the long hours that are required to run these operations.

In order to “bridge the gap” between the expectations and perceptions of working conditions, I suggest:

- Employer's attitude must change from “what is the minimum number of staff I can employ to run this business” to “how many employees do I need to make this work for everyone”. Employers will be required to examine their working conditions. Working hours, the length of milkings, staff numbers, work rosters, remuneration levels and the overall perception of where an employee fits into the “big picture” will all to come under the microscope. In the past, farming traditionalists have claimed that staff must accept it's a 7 day a week industry. But now employers must be prepared to compromise. Weekends off are especially important for the younger staff members. Casual staff could be employed to cover some weekends. Offering school students a casual weekend job, with a good rate of pay, could have the dual benefit of keeping existing staff happy and introducing new entrants into the industry.
- Employers must offer positions which offer challenge and encourage initiative. Production-line type jobs will only attract production-line type people. This will involve, amongst other things, the introduction of more automation in the dairies. Automation will not only reduce some of the more tedious chores now required to be carried out manually but will also take away the human-error element in other areas where greater accuracy would produce superior results

The question must also be asked “What is the Optimum sized Business to make dairying sociably sustainable”?

Changes are required in the dairy industry, otherwise, who will be milking the cows in 2016?

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Introduction

My husband and I entered the dairy industry as 50/50 sharemilkers when we were in our early 30's. We would not have considered entering the industry if there was not a good chance of us progressing to farm ownership. We were motivated and we had, what we considered was a realistic vision. Sharemilking provided us with the opportunity to progress and build equity, as it has traditionally for thousands of others in the past.

Rural leaders and dairy specialists are now stating that due to the increased land values, the path to farm ownership may be blocked, or at least rockier than was experienced in the past. Dieter Adam, Group General Manager of Livestock Improvement gave the following predictions to the NZ Stock exchange in August 2006 on what NZ Dairy farms will look like in 2016:

- 6,000 farms
- Average herd size 650 cows
- 230,000kgs milksolids
- Often equity partnership with off-farm owners
- Decision-makers not always obvious
- More business-like purchasing decisions
- Business operation worth \$9,000,000
- Max 3 staff including manager

This supported Tarbotton and McLeod (2004) who reported that sharemilking contracts are becoming scarcer as farm owners desire more return on capital invested in shares and land. They also reported that it is almost impossible to move onto a single-owned farm without either at least milking 1000 cows or having obtained outside financial assistance. More people they believe will move into equity roles. 2006 did see a slight reverse in this trend however, with some 50/50 positions being difficult to fill. I suspect this is a result of a lack of equity-building opportunities for those working through the system.

If this is the case, what is going to entice people to enter the dairy industry in the future? The industry must attract motivated young blood to bring both innovation and enthusiasm into the industry. Existing farm owners also need young people to progress as they are the ones who will create a demand for farms in the future, and, to an extent, set the value of these farms. (Stevenson, 2003).

So what is attracting people to enter the dairy industry in 2006? What is their ultimate career path? Is farm ownership still the ultimate goal and is this a realistic goal?

In an attempt to better understand what motivates people to enter the industry I surveyed AgITO students in both Taranaki and Canterbury, and a sample of staff from Synlait, a Canterbury corporate farming operation, where the farms are owned by equity partnerships. My analysis of the survey forms part of this report. Refer to Appendix 1 for the survey paper and Appendix 2 for a full analysis.

In summary:

- 23.2% want to stay in a paid employment role
- 19.1% want to reach 50/50 sharemilking
- 12.8% see an equity partnership as their ultimate goal
- 44.7% would like to own a farm on their own account (ie 100%)

The results of this survey are also supported by a Dexcel/AgResearch joint survey which was being carried out at a similar time and reported in the Dexcel Cradle to Grave report. (Speight 2006)

So are a majority of the 44.7% who indicated that they wanted to own a farm dreaming, given the current value of dairy farms? I suggest yes, but that has always been the case. It has never been easy to buy your first farm. And certainly not everyone who wanted a farm in the past achieved their goal. But maybe the odds of success were greater in the past.

Dairy Holdings Limited, a South Island based farming company has had 14 sharemilkers move on to farm ownership in the past 3 years. They are still adamant that it can be done. I case study Dairy Holdings and their career progression opportunities in this report. It is also interesting in the case of Dairy Holdings, that six their top ten farms, ranked in order of profitability, are 50/50 sharemilking operations.

Ian Tarbotton, Dexcel extension strategist, has designed a model of pathways and options to progress in the dairy industry. Are employees entering the industry made aware of the varied career options? I will examine this model and discuss how it's use could motivate staff and allow them to focus on realistic goals.

Dr Rupert Tipples, Senior Lecturer in Employment Relations at Lincoln University is concerned that the dairy industry may not be sustainable from a social perspective. It is his view that one of the biggest challenges facing the industry is the issue of not having enough people to work dairy farms in the future. (Ashburton Guardian, 4 March 2006).

Anecdotal evidence suggests that staff retention is an increasing problem on dairy farms today. This retention problem is often a result of the difference in expectations between the employer and employee.

Modern social scientists have studied behavioural and social characteristics of the generations over time. They have labelled the generations and identified general characteristics that research has shown can be attributed to each of these generations. Most current dairy employees fall under the label of Generation X (29-42 yrs of age) and Generation Y (12-28 years of age). In this report I have listed these generalised characteristics and then I have examined them in more detail, making suggestions on how the dairy industry must adapt to accommodate the needs and demands of these employees.

Finally I have case studied 3 people who are currently working in the dairy industry. All three are using the dairy industry to achieve their goals, but for each their goal is markedly different.

Dairy Career Goal Survey

To better understand what motivates people to enter the dairy industry in 2006, I surveyed Ag ITO Students in both Taranaki and Canterbury and a selection of staff/equity managers in Synlait, a corporate farming business in Canterbury. My goal was to gain a clear understanding of the following:

- 1 What motivated them to join the dairy industry?
In these days of full employment, why did they choose dairying?
- 2 What is keeping them in the industry?
- 3 What is their ultimate career path?.
- 4 For those who want to go beyond a paid employment role, what appeals to them about their desired goal?
- 5 For those who have chosen farm ownership as their ultimate goal, how long do they think it will take and what plans do they have to build equity?

The sample groups were chosen on the basis that, in the case of the Ag ITO students, these individuals are making a commitment to the industry by undertaking formal training. They are therefore reasonably serious about being on board. I was also interested to ascertain if the aspirations of those in Taranaki differed from those in Canterbury. Taranaki is a traditional farming area where farms are generally smaller and 100% owned. In the past a number of people have started in the industry with “nothing” and have been able to achieve farm ownership. Dairying is relatively new to Canterbury. Farms, on average, are bigger, and employees perhaps have different views on their career paths. I introduced the third sample group, the Synlait staff, as these individuals are better acquainted with equity partnerships on a daily basis. If farm ownership is part of their plan would it be 100% ownership, or would it be an equity partnership arrangement?

My sample size was 47. While this may not be large enough to make specific statistically based conclusions on the dairy farming population as a whole, there are strong trends that need to be acknowledged.

Below I present the most significant results from the survey. Refer to Appendix 2 for a full analysis.

Qtn (16) Age of those completing survey

	# in sample
Less than 20 years	13
21-30 years	22
31-40 years	9
41 years and over	3

74% of the sample was 30 years and below. These would loosely fall into Generation Y as this generation is presently up to 28 years of age. Refer to my discussion later in the paper regarding the identified social differences between generations.

Qtn (v) Total length of time in the dairy industry to date?:

Less than one year	2.1%
1-2 years	25.5%
2-5 years	51.1%
5-10 years	17.0%
10+ years	4.3%

72.4% of the sample had been in the dairy industry for more than 2 years, giving them the time and opportunity to understand the industry and what it involves.

Qtn (1) Why did they enter the industry? They were able to tick as many boxes as they felt appropriate to themselves.

I needed a job	7.6%
I love the outdoors/animals	26.5%
Career opportunities	22.0%
The remuneration offered	12.1%
Lifestyle opportunities	21.2%
Family connections	7.6%
Other	3.0%

The reasons for entering the dairy industry were varied. Most respondents chose more than one reason.

Qtn (4) What's keeping them in the industry? Again, respondents could choose more than one reason.

I don't enjoy it but it's a job	0.8%
I enjoy doing what I'm doing	27.4%
I am building a career	28.2%
It's all that I know	3.2%
The lifestyle	23.4%
The money I am earning	13.0%
Other	4.0%

With this question I was hoping to ascertain what was making these people "tick" at this point in time. To keep them motivated, the industry needs to deliver on their expectatons.

Qtn (5) Of the possible farming career paths, what is their ultimate goal?

	Total	Taranaki	Canterbury	Synlait
Herd assistant	2.1%	0.0%	7.7%	0.0%
Senior farm assistant	2.0%	4.8%	0.0%	0.0%
Herd manager (full responsibility)	2.2%	0.0%	0.0%	7.7%
Farm manager (full responsibility)	17.0%	23.8%	7.7%	15.4%
Variable order/contract milker	0.0%	0.0%	0.0%	0.0%
50/50 sharemilker	19.2%	28.6%	7.7%	15.4%
Equity Manager	12.8%	4.8%	15.4%	23.0%
Farm ownership (100%)	44.7%	38.0%	61.5%	38.5%

Of the total sample 44.7 % indicated that farm ownership (ie 100% ownership) was their ultimate goal. The highest response to ownership was from those sampled at the Canterbury AgITO classes which was not what I was expecting. More from the Synlait sample saw Equity Manager as their goal. This is what I expected as these people have been more exposed to this career option, but even within this sample farm ownership ranked higher than equity ownership.

Dieter Adam is predicting that in 2016 more farms will be operated as equity partnerships with off-farm owners. My survey indicates this is not the preferred option of those actually working within the industry.

The results below are for those sampled who indicated farm ownership as their ultimate goal

Qtn (10) For those who wanted to own a farm on their own account, why? What do they find appealing about farm ownership? They were able to choose as many boxes as they felt appropriate to themselves.

I like challenges and taking risks	21.2%
Time flexibility	6.1%
I want to own my own business	24.1%
I want to breed a better cow	9.0%
Potential financial reward	16.9%
I don't want to have to answer to anyone	3.0%
I am passionate about dairy farming	19.7%
Other	0.0%

There was a variety of responses here. The most popular choice being "I want to own my own business". Maybe equity partnerships are seen as less attractive as there is a perceived loss of control and autonomy?

Qtn (11) What is your most likely timeframe for achieving farm ownership?

	Total
Already there	0.0%
1-2 yrs	0.0%
2-5 yrs	0.0%
5-10 yrs	33.3%
10-15 yrs	42.9%
15 years plus	23.8%

Here I wanted to establish if those who planned to own a farm were realistic as to the timeframe involved. Given that 33% of these respondents had only been in the dairy 1 to 2 yrs and 43% 2 to 5 years, those who indicated 5-10 years, without an injection of outside funds, would be targeting unachievable goals. The majority indicated 10-15 years. While this timeframe is more realistic for some, it's maybe too tight for the majority. For the 23.8% who indicated 15 years plus, this could be mean two things. One, that these people have a more realistic career/equity building plan, or two, that they do not have a defined career plan, so are opting to be conservative and not commit to a shorter time line..

Qtn (12) Do you have an existing plan to develop equity?

Yes	50.0%
No	50.0%

Equity-building is crucial to achieve farm ownership. If they are serious about achieving their goal, those who answered no will need assistance to set targets. However some respondents who answered "no" to this question then went on to list considerations in question 9 below.

Qtn (13) Other than winning Lotto, what opportunities have you considered to help you build equity to attain farm ownership?

Saving money in the bank	32.0%
Finding a wealthy partner (personal)	10.0%
I already have existing savings/equity	8.0%
Trading in real estate (houses/sections)	6.0%
Finding a wealthy partner (business)	2.0%
Building up livestock numbers through my business	22.0%
Trading in livestock (ie buying and selling)	6.0%
Family money/security	12.0%
Other	2.0%

The two clear preferences here are saving money in the bank and building up livestock numbers through their business. Saving money in the bank does not usually give high

returns. It is debatable whether or not Generation X and Y have learnt good savings habits. Budgeting and savings advice may be of benefit to these people.

Building up livestock through the business is most likely to be accomplished through the traditional career path of 50/50 sharemilking. Are employers accepting of either herd managers or farm managers building equity through ownership of cattle? Are they prepared to assist and encourage equity building by employees?

Career Paths in the Dairy Industry

To be sustainable the dairy industry must both attract and then retain good people.

Attraction

The 1980's economic downturn saw farmers advising their children to get an education and seek work outside of the industry. This has now backfired resulting in low rates of family succession within the industry. "At SIDE 2005 researchers from Massey University suggested that the proportion of dairy farms being passed on within family is just 6%, whereas the average for most family owned businesses is about 30%". (Rupert Tipples, Ashburton Guardian, 4 March 2006)

The industry is now being forced to attract people from "the outside". And to attract people it must market what it is good at.

Advantages of working in dairying include:

- Top class training organisation
- Asset creation opportunities
- Excellent career paths available
- Lifestyle opportunities
- Accommodation frequently provided
- Casual work is often available for partners on farm -
as a result there are no additional travel costs

The industry must be proactive in marketing these points of difference in schools, polytechnics, universities, and to the general public.

Examples of initiatives in this area are the recent Dairy Insight advertising campaign, the Windows to Dairying programme and STR8UP No Bull, a Dexcel publication.

Dairy Insight's Advertising Campaigns

Dairy Insight has an informative website which details dairying careers and explains what is required to work in dairying. It highlights how to get started in dairying and the career building opportunities. In February 2006 they launched a "Go Dairy" promotional campaign through local newspapers and television which is a follow up to their successful "Let's Talk Dairying Campaign" of 2003. The Let's Talk Dairying campaign had 3 core goals:

- To raise the awareness about dairy farming
- To promote the farming lifestyle in NZ
- To convey information about the career opportunities in dairying

The Go Dairying campaign aimed to lift the profile of dairying and highlighted the importance of agriculture and dairying to the national well being. It's focus was to attract career changers into the industry. (Dairy Insight Website)

The Windows to Dairying in NZ Programme

Another attraction initiative is the Windows to Dairying in NZ programme which was initially designed by the NZ Large Herds Assn and it now administered by ATR Solutions in Cambridge. This programme specifically targets high school children, through the school careers advisors, and aims to:

- Provide a positive image of dairy farming as a career option
- Raise awareness among school careers advisors and students as to the career paths available with the dairy industry
- Have easy access to information on our industry
- Highlight the excellent opportunities in terms of income, qualifications, lifestyle and the ability to amass a significant asset base
- Attract people to a career in dairy farming

Attendees visit a “Host” farm in their region and information sessions are held which are both informative and interactive. Attendees are introduced to a number of their peers who are currently dairying farming. These young farmers speak candidly of their backgrounds, training available, qualifications gained, positions, salaries, job descriptions, opportunities and future prospects. Attendees are then able to take part in activities which reflect the true working picture of farming today e.g pasture management/feed budgeting, milking routines/milk quality control, among others. (Windows to dairying website)

Windows to Dairying is run in 10 locations (6 North Island and 5 South Island) through out NZ in March of each year. There can be up to 200 students attend each session. ATR Solutions are now trialling a Dairy Kids initiative. Here the focus is intermediate-aged children. This is currently being trialled in the Bay of Plenty.

Dexcel’s STR8UP NO BULL publication

In December 2005 Dexcel published a booklet STR8UP NO BULL. It is a guide to getting started in a career in dairying. It’s contents include:

- A brief introduction to the dairy industry and the opportunities available
- Starting out in dairying
 - What employers are looking for
 - How do I find a farming job?
- Managing your dairying career
 - Deals with rights and responsibilities of the employee
 - Taking charge of your own career; attitudes and motivation, building your reputation, setting goals
- Looking after yourself
 -
 - Work-life balance
 - Dealing with stress
- A section on frequently asked questions, followed by two case studies of people working in the industry
- Finally the booklet offers a contact list for those who want further information.

10000 copies of this booklet have been printed and distributed through the Windows to Dairying programme, AgITO, Dexcel consulting officers, Dexcel vocation training, NZ Young Farmers and Federated Farmers

Retention

Once good people have been attracted to the industry, the industry must deliver the goods by practicing what it preaches.

Dr Rupert Tipples has questioned whether or not the recent Dairy Insight advertising campaign, highlighting the lifestyle advantages of working on a dairy farm, was giving a true indication of the realities of working on dairy farms. “I’m not sure that the long hours and the perceived lifestyle advantages fit together well”.(Ashburton Guardian 2006). Working conditions must be addressed by individual employers. Dexcel has developed the HR Toolkit which is aimed at increasing employer awareness of their responsibilities and by offering advice by way of fact sheets on areas such as staff retention. Employer groups have been established with the aim of “raising the bar” in employment standards and conditions, such as the Amuri group in the Culverden area.

All employers should encourage training and development of their staff.

At an early stage in the careers of the dairy employees, I suggest that AgITO and Dexcel should have a joint initiative re-iterating to these new entrants, the opportunities available to them within the industry and possible career path options.

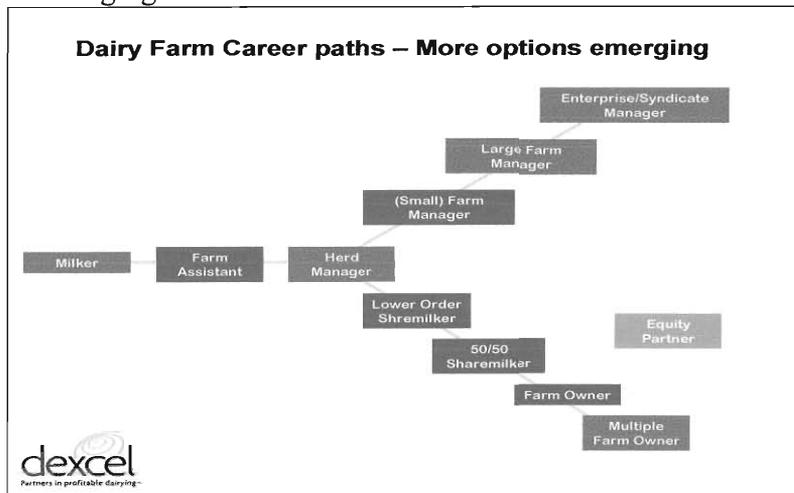
Cradle to Grave – Your Career in the Dairy Industry

Mark Speight, Dexcel Business Developer has recently completed (August 2006) a project entitled “Cradle to Grave – Your Career in the Dairy Industry”. The extensive report focussed on retention and progression of people in the dairy industry, specifically on those who were in their first five years of involvement in the industry, “those who are in effect the future of the dairy industry” (Speight 2006 p40). They concluded that:

1. There was very little literature available relating to career progression
2. Land ownership is still a key driver for many in the industry
3. Mentoring is one area that needs to be explored more in the future
4. Strong communities are a key part of having a thriving dairy industry

Career Path Options

Ian Tarbotton, Dexcel Extension Strategist has studied recent career paths and identified that there are more options emerging.



The dairy industry needs people at all levels on this career path table, and all levels must be identified as a successful end point to those who aspire to that level.

Industry new entrants should be coached on goal setting early on in their agricultural education. The ability to set goals is equally as important as the ability to fence a straight fenceline, or measure pasture. At this early stage in their career I would question if the majority of people know what goals are and how hard/easy it is to set goals and then achieve them?

Once they have established their goals, a planned career path should be designed for each participant. Perhaps a Dexcel vocational consultant could become involved at this stage, together with AgITO. I do not consider that employees are skilled enough in this area to complete this task themselves.

As part of their education on planning a career path, a brief should be included on where to get help when they feel things aren't going to plan. This is especially important when they are unhappy with their current work situation/conditions. The industry can't afford to lose people after one bad experience.

Once an employee has identified their ultimate career path, they should be made aware of the virtues of that career goal and of what to expect at this level. Unfortunately there are no generic position descriptions for the steps identified by Ian Tarbotton. Within each step there are huge variations between skills required, work conditions and degrees of responsibility.

Skill requirements

Geoff Stevenson outlines the skills required by a large herd manager, managing a dairy unit in Canterbury, in his Kelloggs project "Large Herd Manager, Where to next" (2003)

His project outlines what he believes keeps those, who choose to be career managers, motivated. He lists lucrative career packages, the fact there is often better housing standards at this level,

greater time flexibility, more challenging positions, and the opportunities for a spouse to work off farm. He also identifies the skills they have gained which they will take with them into the future, whether they continue on in dairying or move outside the industry

Below, summarised, are the areas that Stevenson has identified, where skills have been attained: (Refer Appendix 3 for full list)

- Pasture Management
 - Understanding grass (growth rates, types of, nutrient requirements)
- Staff Management
 - A knowledge of legal obligations, leadership and management skills
- Stock Management
 - Understanding the nutritional and mineral requirements, understanding the physiology of cows
- Irrigation Management
 - Understanding soil moisture holding levels, basic engineering skills for repairs
- Repairs and Maintenance
 - Understanding how machinery works, able to make basic repairs
- Financial management
 - Ability to cost inputs, budget, and understand the financial implications of their decisions

This list could be a starting point for a generic description of the skill requirement at this level.

A similar “required skills” list could be prepared other steps within the career path.

For those who have identified a career path involving self-employment, they will be required to build equity to progress. Sound advice must be available on what this involves and on the options available to build equity. Equity building may not be via livestock as has traditionally been the case. Real Estate (rental properties, sections) has now become a commonly used alternative option.

Building equity, for the majority, will require hard work, smart thinking, tight budgeting and personal sacrifices. Those who aspire to build equity must be prepared for this or they are only dreaming!

Gillian Searle, has identified what she refers to as the “10 to 15 years of Hard Work Zone”. She believes that this zone not only involves what has been traditionally recognised – namely 10 to 15 years of physical hard work (often involving working 7 days a week, for at least a period of this time), but also 10 to 15 years of riding the emotional roller coaster during the dairy industry’s cycle of fluctuating payouts, livestock values and land values. She re-iterates that buying land has always been hard work. All generations who have bought land have had to work HARD to get there. She suggests however, that those with emotional maturity are more likely to get there, and once there, will be happier with their lot. (Speight, 2006 pp133-134). Mentors could be beneficial in helping individuals develop emotionally due to the fact that they usually have a closer relationship with those they are mentoring.

The Path the Farm Ownership

Mark Townshend, farmer and former Fonterra director, presented a paper at the 2005 SIDE conference (Lincoln University) titled “Pathway for Progressing in the NZ Dairy Industry”. In this paper he listed twelve commandments which will help achieve farm ownership, but also stated that these same principles apply to other equity building goals, such as buying a herd for 50/50 sharemilking or building a cash surplus for off-farm investment.

His twelve commandments are listed below:
(Refer Appendix 4 for full SIDE paper)

1. **Desire**
If you have an ambitious target, it needs to be almost a single minded focus. This will require, for an initial period anyway, extreme discipline having no more than one distraction. He lists a number of possible distractions and concludes that with more than of these you have too many balls in the air – and won’t make it.
2. **Ability to Save**
To achieve your goal you must learn to save, budget, then borrow – get the order right
3. **Resistance to Marketers**
There will always be someone trying to sell you things that you don’t need. Your business is to convert grass into money as efficiently as possible.
Work out
 - What is essential
 - What is nice to have
 - What is just downright extravagant
4. **Investment Returns**
In this commandment he discusses the Rule of 72. Divide 72 by the return you expect to get on your investment and that tells you how many years it will take for your investment to double. The higher the return, the quicker you will double your money
5. **Mentors**
Here he discusses the merits of having mentors but also emphasises that you must choose mentors who will help you to succeed in today’s environment.
6. **Sort Out What Appreciates in Value and What Rusts**
Invest your money in something that creates real wealth, eg land or well looked after livestock. If you buy a tractor, chances are in ten years it’s value will be halved. If you buy a farm motorbike chances are in ten years it will be worthless.
7. **Choose your partner wisely**
Those who choose their partner’s wisely have more opportunity to increase (double) their assets. Those who choose poorly keep dividing by two.
8. **Eat an Elephant in Small Pieces**
Within this commandment Mark has a detailed table of a twenty five year plan to self dependence – self dependence being where you work because you want to work, not

because you have to. It involves incremental saving and targeting a reasonable return on investment. You need to take ownership of your plans, but look no further out than two years so that you can identify the source of funds, and the return that is possible, given the current economic climate.

9. **Ride the Waves**

New Zealand dairying has always been cyclical and will continue to be so. Look upon volatility as a positive and not a negative, you can't change it anyway. Cyclical downturns make the tough tougher and the wimp a bigger wimp.

10. **Continuing Education**

Never stop learning because two things happen:

- The world continues to change
- As you move up the equity ladder you will need different skills

11. **Honesty**

Impeccable honesty opens many doors while dishonesty closes them, maybe not immediately, but people do not forget.

Think about the effects of honesty:

- with your employers
- in never selling stock you would not want to buy
- in being honest with yourself in finishing out a sharemilking contract with conviction
- in never giving a false impression to someone who is asking your advice on a work reference for a third party

12. **Moving to Where Opportunities Offer Themselves**

If an opportunity presents itself and you really want to get ahead, you may have to move, to take the opportunity that is there.

These twelve commandments would make an excellent basis for a training paper for those who have indicated that they want to build equity.

Offering advice and coaching on the reality of what building equity will involve, in the early stages of a person's career path, will have two effects:

1. It will sort out the dreamers – those who are not prepared to make the sacrifices required. These people must then be counselled on what is more likely to be their ultimate career path in such a way that they are still motivated to stay within the dairy industry. "Career Managers" have regular time off, a guaranteed income, and less risk-related stress, for example.
2. For those who are determined that they will own a farm, it may help "kick start" their focus on equity-building earlier.

Again this exercise should be industry driven, one possibility being another a AgITO/Dexcel Vocational initiative. Let's get dairy employees on the "right track" early.

The Dairy Holdings Career Path

Dairy Holdings is a corporate farming organisation based in the central South Island and Southland.

The following information/data was obtained from Graeme Blair, Central South Island Operations Manager for Dairy Holdings.

Dairy Holdings presently own 53 dairy farms and 8 young stock blocks. The shareholders in this company are Alan Hubbard (Timaru Accountant and businessman), Alan Pye (Timaru based farmer and businessman), Colin Armer (North Island farmer and businessman, and now a director of Fonterra) and Bill Griffiths (an American businessman)

As at 2006, the farms are operated on the following basis:

-Paid employee managers	28
-Lower order sharemilkers	
-older style contract	1
-new style contract	6
-50/50 sharemilkers	18

	53
	====

Apart from the introduction of the new style of lower order contracts this proportional split has not changed greatly over recent years. The new style lower order contracts allow the sharemilkers to bring stock into the operation. It is a cross between the traditional lower order contract and 50/50 and the percentage is determined by the number of stock the sharemilker brings into the business. All farm running costs are split on the same percentage basis as the income except for animal health and breeding costs. These are met 100% by Dairy Holdings. The sharemilker can keep all their own young stock.

Dairy Holdings have a staffing philosophy of one employee for every 180 cows.

Career Progression Statistics

Dairy Holdings actively support staff at all levels and encourage them to move through the ranks. Over the past 3 years

- 9 managers have come from herd managers
- 2 managers have moved up to lower order contracts
- 4 managers to the new lower order contracts
- 7 managers to 50/50 sharemilking
- 5 from lower order to 50/50 sharemilking
- 14 50/50 sharemilkers have purchased farms

Of the 50/50 sharemilkers who purchased farms, on average their previous sharemilking position was 900 to 1000 cows. The farms they purchased were generally 300-350 cows if they went to 100% ownership, or larger if equity partners were involved.

Of those who purchased farms:

- 7 provided their own equity
- 3 were helped by family money
- 2 entered equity partnerships with external investors
- 2 entered partnerships with South Canterbury finance (a business enterprise of Alan Hubbards)

It is estimated that 3 or 4 of the current farm managers have 'Career Management' as their goal.

Production Statistics

Dairy Holdings produce monthly production statistics for all of their farms. They name the farms and those managing them. They believe this is motivational for the staff and the identification of each farm allows for fairer comparisons as not all farms have the same production potential.

The top 10 producing farms for the 2005/2006 season are listed below

<u>Farming Operation</u>	<u>Cow no's</u>
50/50	735
Managed	700
50/50	660
50/50	500
50/50	1250
Lower Order	807
50/50	500
50/50	1300
Managed	915
Managed	810

Ratings by profitability

The top 10 farms listed in order of profitability to Dairy Holdings

<u>Farming Operation</u>	<u>Cow no's</u>
Managed	700
50/50	735
Lower Order	807
Managed	915
50/50	500
50/50	500
Managed	810
50/50	660
50/50	1250
50/50	1300

While only 33% of Dairy Holdings farms are farmed by 50/50 sharemilkers, 6 out of 10 (60%) of the most profitable farms were farmed as 50/50 operations.

50/50 sharemilker's are required to bring approx 15% replacements into the herd each year. Over and above this Dairy Holdings offers their managers, lower order and 50/50 sharemilkers the opportunity to build equity through rearing extra calves. These calves are reared with the "farm" calves until weaning. At that stage the manager is charged approx. \$35 for each calf (based on the average bobby calf price) and both the managers/sharemilkers are charged \$65 for the estimated costs of the milk used to rear them. Those who rear extra calves generally rear up to 5% extra - (for a 750 cow operation this is approx an extra 37 calves). There is no obligation for the manager/sharemilker to farm the calves on after weaning. They can sell them at any stage. The requirement is that at weaning however, these calves must leave the farm and all subsequent grazing and animal health costs are the responsibility of the manager/sharemilker. However, in years when the payout drops below \$4 Dairy Holdings pays half the off-farm grazing costs for these animals from June to May before entering the herd as Rising 2 yrs.

Once these animals reach in-calf rising two year olds, a sharemilker has the option of bringing them into the herd (and in the case of a new lower order contract this would then increase their percentage of income/cost split). In the case where the animals are owned by farm managers, they may be leased back onto the farm if there is room for them or alternatively into the group, where a commercial based lease fee is paid. Recently over 3000 cows (ie approx 15% of total cow numbers) were "in the system", being leased back into the group,

What's in it for Dairy Holdings?

Allowing managers and sharemilkers to build equity through rearing extra livestock comes at no established cost to Dairy Holdings. It does however allow the managers and sharemilkers to build equity which will help them achieve their long term goals quicker. It also allows those who may have trouble building equity by saving cash, to accumulate equity by another means. Dairy Holdings believe the return for them, is increased staff loyalty and improved staff retention. Career progression opportunities also remove some of the risks for Dairy Holdings in the areas of promotion, as they often have a history with the people they are promoting.

Dairy Holdings Farming Philosophy

Dairy Holdings endeavour to farm using simple, transparent, repeatable systems. So that anyone, at any time can step in and run the farms. This also allows progression through the careers paths to be less stressful for those making the move. These people know the systems. They may just need to adapt these to a new farm, or level of responsibility.

Dairy Holdings actively encourages career progression within the business. They identify the high achievers early and help them plan for their future. Graeme Blair's response to Tarbotton and McLeod's (2004) claim that increased land values have virtually blocked the path to farm ownership, is that while the progression to farm ownership has definitely slowed down over the past few years, it is still achievable. It is his opinion that the goal of farm ownership can still be realistic for those who want it bad enough and are focused to get there.

The Generational Influence

Modern social scientists have studied the behaviour and trends of the different generations and have more recently labelled these as follows:

Description	Born	Current Age
Veterans	Before 1945	61+
Baby Boomers	1946 - 1963	43 – 60
Generation X	1964 - 1977	29 – 42
Generation Y	1978 -1994	12 – 28
Generation Z	1995+	0 -11

These scientists have identified huge social and behavioural differences between the generations. (refer to Appendix Five for a full description of the generations.

Baby Boomers

This generation has been exposed to prosperity and tends to be optimistic. They pursue promotion by demonstrating loyalty and long hours. (Speight, 2006 pg 6). They tend to see their career as central to their life. They “Live to Work”. They regard changing employment frequently as something to be frowned upon.

The average age of New Zealand dairy farm owners is 50-55, falling right smack in the middle of the Baby Boomers generation. Most dairy staff however are Generation X or Generation Y.

Generation X

Generation X has a high awareness of risk and reward and is prepared to work hard, but expect to play hard too. Their expectations include quality time with their growing family. (Griffiths, 2006)

Characteristics of Generation X

- Often products of workaholic parents
- Tend to be self-reliant – value family and relationships in the workplace
- Outcome focused
- Require feedback – show us you care
- Want to have fun at work (Speight, 2006, pg 42)

Generation Y

Generation Y are looking for experiences along the way. They seek variety and challenges. They expect to progress rapidly through the ranks without having to work the lower positions, simply because that’s how it’s done. They thrive on progress and challenge

Characteristics of Generation Y

- Grown up in a global world – internet
- Focus on what they can get along the way; and new experiences
- Need new challenges, responsibility and promotion NOW
- Want jobs with purpose and meaning NOW
- Their confidence exceeds their competence
- Due to their transient nature they are hard to retain (ibid pg 6)

Both Generation X and Y will work to gain experiences, which may be both good or bad. But once they have had enough they will move on.

Both Generation X and Y ‘Work to Live’ leading to a potential conflict with their baby boomer employers

Not only is the dairy industry struggling to cope with the change in needs from baby Boomers to Generation X and Y.. Lewis Griffiths, Vet Business Consultant, stated recently that 78% of NZ vet practices are managed by males over the age of 40. Older vets are wondering what to do with their practices when they retire. Lifestyle, or lack of it is blamed as being the root of the problem. Generation X, he explains expect to spend the weekend at the beach or skifield, rather than “on call”.(Griffiths, 2006). Rural doctors face the same dilemma.

THE DAIRY INDUSTRY WORKING WITH GENERATION X AND Y

New Zealand is experiencing a tight labour market at present. During this time the average size of the NZ dairy farms and their herds has increased resulting in the need for more labour. In fact it has become increasingly necessary for many of the larger dairy farms to seek overseas staff to fill vacant positions. To attract and retain generation X and Y employees into the dairy industry, “the industry must understand what makes them tick and ensure the house is in order so that they can realize their absolute potential”.(Speight, 2006, p7)

As already identified, most farm owners fall within the Baby Boomer’s generation. Baby Boomers, in the past, have frequently been poor employers. Baby Boomer’s strong work ethic, employer loyalty and their ability to slog their way through staggering amounts of work has often made them a little intolerant of their younger employees. (Griffiths, 2006)

But I suggest that it is the employers/owners who must change. Generation X and Y will stand firm for their values and what they perceive as their rights.

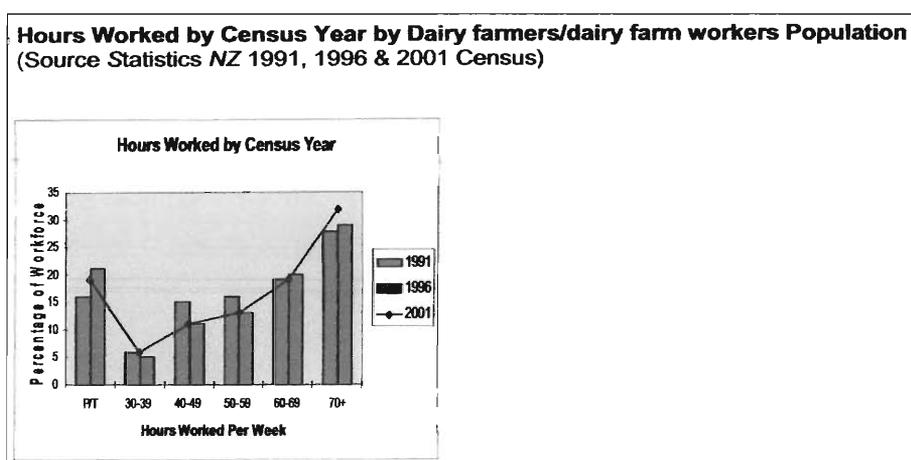
Live to Work vs Work to live

Barbara Kuriger(Kuriger, 2001, pg 4) concluded from her survey of Taranaki school students, that life in the dairy industry is seen as hard and the social life as poor. Generation X and Y want to have a balanced lifestyle.

Along with the increase in size of the average NZ dairy herd, I would speculate that the average early morning “cups-on” starting time has also crept forward. While there are many industries with unsociable hours, the bakery industry often being compared to dairying because of it’s early starts,

there are few industries where the early morning starts are coupled with late evening finishes, unless you have a serious stake in the business. Generation X and Y balk at doing long hours, when there's nothing in it for them. During my research for this paper I have heard of start times as early as 2:30 am, with in that instance, that same employee being required to work until 7pm for 5 weeks in a row over spring

Dr Rupert Tipples, Senior lecturer in Employment Relations at Lincoln University has been monitoring the trends of hours worked in the dairy farm sector for the past three censuses and has observed that the number of dairy farm workers working more than 70 hours per week had increased during each census period. "In the 2001 census just under one in three dairy farmers and farm workers reported that they had worked at least 70 hours per week, compared to just over one in four 10 years earlier".(Worrall, 2006)



A study of the 2001 census indicated that the largest difference between the dairy farm population and the general working population was the much greater proportion (64%) working more than 50 hours per week;(agricultural population 40%, general working population 25%). (Tipples, Wilson Edkins and Sun, 2005, p7).

I do not believe, that in the case of many larger operations (1500+ cows), owned by farming syndicates, that the owners have done the "hard yards" themselves within such a large operation. As a result, how can they truly appreciate the effect on the human psyche and body of the long hours that are often required to run these operations?

Employer's/Owner's attitudes must change from "what's the minimum number of staff I can employ to run this business" to "how many employees do I need to make this work for everyone". In times of "peak work overload" when lifestyle is compromised, maybe offer an hourly rate. Expected hours of work should be listed in all contracts, and when these are exceeded on a regular basis, some form of additional compensation, either in money or extra time off, should be available. Yes, dairying profit margins are low at present, but who is going to do the work if there are no staff? There is no simple answer to this, especially on the larger operations.

Work rosters must also be examined. Generation X and Y want time off, and they want to be able to enjoy it with their friends and families. In the past farming traditionalists have claimed that staff must accept it's a 7 day a week industry. But now employers must be prepared to compromise. Weekends off are especially important for the younger staff members. Casual staff could be employed to cover some weekends. Offering school students a casual weekend job, with a good

rate of pay, could have the dual benefit of keeping existing staff happy and introducing new entrants into the industry.

Examples of Advances in this area

Once a day milking

Lincoln University announced recently that they are about to extend their studies into once-a-day milking.

“A small scale exploratory study in Canterbury last year found dairy farmers and their families who had moved from the normal twice-daily milking to once-a-day were enthusiastic about the improvement in their lives and working conditions. Farmers pointed to dramatic falls in staff turnover, absenteeism and accidents and employees identified the benefits of shorter working hours, and having a lifestyle outside work.’ (Fencepost.com,4 October 2006)

This extra research is to be funded by the dairy industry (Dairy Insight and Livestock Improvement) and Lincoln’s research fund.

Split shifts

Robindale Dairies, the largest single operation in the Synlait group, milk 3000 cows through a 80 bale rotary. Morning milking commences at 4am. The herd’s person goes out at 3am to bring these cows home. The morning milking takes 6 hours and the afternoon milking 5 hours, being wrapped up by around 6pm. This years, in it’s aim to increase staff retention, Robindale has introduced a split shift. Those who milk in the morning finish at 1pm. The next shift starts at 9am and finishes at 6pm

Outcome Focussed/Require Feedback

Gregory Smith, in an article in *Business Know How* entitled “Baby Boomers versus Generation X; Managing the New Workforce” (Griffiths, 2006, p3), gives the following advice on improving employee retention:

- Be approachable. Generation X (and Y) looks for recognition
- Encourage growth by providing feedback
- Performance-based promotions and rewards are important
- Help employees to see the “Big Picture”. Generation X (and Y) wishes to be involved
- Build morale by creating an open environment that encourages initiative and welcomes new ideas

Need Challenges and Responsibility/Want Jobs with purpose and meaning now

To retain staff I believe that we must continue to see the introduction of smart automation within the dairies. Dairies with “all the bells and whistles” must become the norm, not the exception. While milking is a hugely important part of the dairy operation, any task which extends the human mind beyond it’s concentration span, must be identified and examined for the opportunity to introduce technology.

If many jobs within the dairy industry become production-line type jobs, then we can only expect to attract production-line type employees. I recall visiting our local tyre retailer just after the New Year break in January 2005. He told me that their Christchurch branch were employing 6 staff on Christmas Eve when they broke-up for the Christmas/New year break. When they started back in early January, only 2 returned to work. He said attracting and keeping staff was very difficult due to the tedious nature of the work involved.

Examples of advancements in automation:

- Automatic teat sprayers
- Cup removers
- Electronic animal ID systems
- Somatic cell/mastitis monitors
- Automated Milking System (as is being trialled at Dexcel's fully automated Greenfield site at Ruakura)

Due to their transient Nature they are hard to retain

The dairy industry was traditionally seen as an industry where one could progress at a greater rate than "the outside world". This is still the case. This competitive edge should be seriously marketed.

As discussed earlier, dairy employees should be coached in goal setting techniques. This may help them "stay put" longer as they are more focussed.

Employees need to network with other like-minded individuals, and be also mentored by someone who is still "close enough" to where they are at now. Herd managers should mentor and motivate farm assistants, farm managers should mentor herd managers. AgITO should incorporate career path education into their programmes at an early stage.

Farming systems need to be simple, sophisticated and well documented, so that it is easier for newcomers to slot in and "learn the ropes". This will hopefully help minimise the inefficiencies and costs involved in employee turnover.

Case Studies

Following are three case studies of young people who are currently working in the dairy industry. All three are using the dairy industry to achieve their goals, but their goals are not the same.

It should be noted that each case study is the employees' perception of the dairy industry, and more specifically, their current role. Their employer's have not been given the "Right of Response" and obviously they may not have the same perception of the role and working conditions. My opinion is that if there are differences in the respective perceptions, conflict could potentially occur.

Chris and Lucy

Chris and Lucy are both 23 and have been married for 18 months. They are currently 2IC managing a 600 cow property. They work under an equity manager (who oversees/manages two farms, being this farm and another large scale operation). They currently have a joint income of \$76,000 excluding their house and between them a bonus potential of \$7600 (10%) based on the operation's performance when compared to budget. Chris and Lucy have one fulltime staff member, and relief staff are employed so that they can have their time off together. This being a prerequisite for any positions accepted.

Lucy, from Dunedin, worked at the Cadbury factory for one year before entering the dairy industry. She is now in her 3rd season of dairying. Lucy loves cows and loves milking.

Chris is originally from the Hauraki Plains. He relief milked as a school student, did 6 months dairying fulltime on leaving school, had one year out of the industry, and is now in his 4th season back in dairying. This is their second season working together.

Both Chris and Lucy are doing the Production Management course with AgITO.

Chris and Lucy plan to be in the dairy industry for the long term, being at least a foreseeable 10-15 years at this stage. They do not want to own stock, nor do they want to move into self employment. Time off is more important to them, and both freely admit that in the future they would sacrifice money for more leisure time. They enjoy dairying and are using the dairy industry to build equity for further lifestyle choices. They believe dairying is the best way to make money for doing the other things that they want to do in life, further down the track.

They have had rostered time off right through calving (6 on, 1 off). This time off was on the same day. At one point however, due to a kale crop still being available, and a feed shortage on the larger operation, they were required to milk over 800 cows through the 40 asside herringbone. They have been provided with support staff but are frustrated that these have often been immigrants who they find difficult to communicate with. To avoid potential conflict with the equity manager over support-staffing issues, they have now been offered the opportunity to find their own support staff.

They have an equity building plan in place. They have recently purchased their first house and have a mortgage of \$160,000. They are on track to pay this off in 8.1 years, and are looking to buy a 2nd house within 18 months.

Chris and Lucy aim to be long-term farm managers. They plan to keep gaining experience with the goal of finding the "perfect" managers job – which for them would comprise:

300-400 cows

Working hours – Full time (7 days) over calving (6 weeks or so)

Full time over mating (3 weeks – ie first cycle of AI)

And then regular time off at all other times – when hopefully an experienced person would relieve for them – say the semi-retired owner.

They plan to use their equity, in the long term, to purchase a small block of land. They envisage that dairying will always be a part of their lives and provide part of their income, in one shape or form.

Comments on Mark Townshend's 12 commandments

They strongly endorse the need to budget, save, spend wisely and set goals. They acknowledge that saving can be hard work, as they are surrounded by a lot of distractions, but believe if you prioritise your distractions you can still focus on saving/equity building. They have hand-me-down furniture, but are planning for a month-long holiday in April 2007.

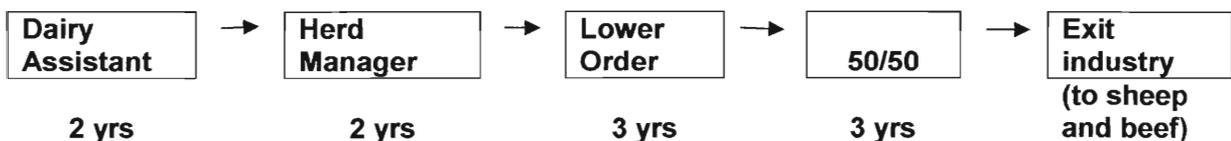
Nathan

Nathan, 25, is currently in his 4th season dairying. He is a manager on a 500 cow operation, which is owned by a large corporate farming syndicate. Nathan purchased \$100,000 worth of shares in the business at the commencement of his contract on 1 June this year. He is on a salary of \$50,000 (excluding the house) with a bonus potential of \$4000, based on his performance in exhibiting excellence in leadership. In addition to this, he also gets 10 weaned heifer calves, chosen randomly from the capital stock line reared on farm. These must leave the farm on weaning, and all subsequent off-farm costs are his.

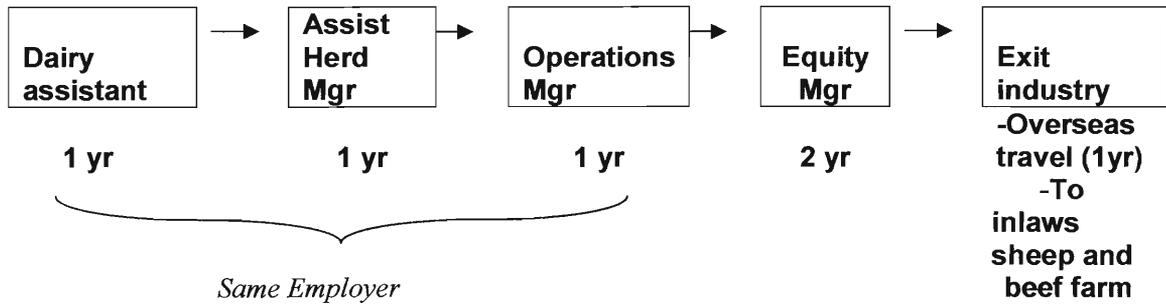
Nathan has a Recreational Management degree from Lincoln University and is currently doing an AgITO diploma in business management. He married Marilyn in April this year. Marilyn (24) has a Bachelor of Agricultural Science also from Lincoln and works off farm as an Animal Health Technician.

Prior to this job, Nathan worked on the same farm for 3 years, under an equity manager, milking 1500 cows. This farm was owned by the same farming syndicate which owns his present farm.

While at Lincoln Nathan decided that the dairy industry was a great way to build equity and planned to have the following career path:



Now three years into his dairying career he has revised his career path to look as follows:



Nathan has had 2 fulltime staff, one employed by himself and one by the owners, and a further person for a few weeks over the peak of Spring.

The reason Nathan gives for his earlier-than-first-planned exit from the industry is dissatisfaction at the lack of time off and the corresponding lack of lifestyle, over the spring time. While entitled to take time off per his employment contract, he did not feel comfortable taking these days as he did not have enough confidence that his staff would cope in his absence. There were days over the current spring when Nathan worked 18 hours. Nathan does not foresee being able to take time off over mating, again due to a lack of confidence in his staff. Nathan's contract does not allow him to make up this time off deficit later on, unless agreed to by his employer when the time off was forfeited.

Nathan believes the step up in salary to manager's pay and corresponding extra responsibilities is not worth the lifestyle choices he is giving up.

Nathan and Marilyn borrowed the \$100,000 equity that they have in the business from Marilyn's parents, and there is no fixed repayment plan. They are instead putting savings away into a separate account.

Nathan purchased 20 weaned heifer calves from his former employer in October 2005 to start building equity through livestock. He paid market rate for these heifers (\$450 each) and has calculated the cost of grazing these heifers to 31 May 2007 at \$542 each. He grazes these heifers at the same farm as his former employer and admits to getting a "good deal" with drenches etc, and will be able to combine his stock with theirs over mating to avoid paying bull lease fees. As he now plans to exit the industry he is planning to sell these heifers as in-calf rising 2 yrs. They will need to sell for \$991 to cover the purchase cost and grazing cost to that point in time, or allowing for one empty (@ cull rate \$300) he'll need to sell the remaining 19 for \$1027 to break even.

Nathan has recently purchased a high performance car. His justification "You are only young once" and "He who has the best toys wins".

Comments on Mark Townshend's 12 commandments

Restricting yourself to no more than one distraction would equate to no social life. With regards to the ability to save and differentiate between what appreciates and what depreciates, Nathan believes that he should still be allowed one toy per year. This year's toy was his car. Mentors need to be good, and relevant. Nathan feels that he has not had exposure to anyone who he feels could give him sound equity-building advice/principles. He also commented that he believes that Mark's investment return of 16% is no longer achievable.

Phillip

Phillip (23) is currently managing a 480 cow dairy operation owned by equity owners who are largely based in the North Island. This is his first season in this role. He is now in his fifth season of dairying, having spent 18 months on an 800 cow operation and a further 3 years on the same 600 cow farm. Phillip's salary package is \$50,000 (excluding the house) with an additional performance bonus of \$15,000 being available. At this stage he is aiming to earn 70% of this bonus.

Phillip is a former "townie" and became interested in dairying as a result of having two uncles who owned dairy farms. He would visit his uncles and help out on the weekends and school holidays as a child. Later, while still at school, he had a relief milking job where he was paid \$20 hour.

The farm he manages is part of 2600 cow unit. The total unit has 3 dairies, two rotaries (60 and 50 bales) and a 40 aside herringbone, which is on Phillip's unit. Overall the 2600 cow unit has 8 staff, including Phillip and his one full time assistant.

Phillip has worked his way through the AgITO training courses, levels two, three and four, and has just completed a Diploma in Agri-business management. He won the AgITO student of the year 3 years ago, and that same year won the Aorangi Rural Achiever of the Year. Last year he won the Dairy farmers of NZ and Federated Farmers joint award for Dairy Trainee of the Year. His prize was a 10 day educational trip to Australia. He is a member of the Ashburton A & P Association and the Rural Agricultural Society Youth Council. This sees him travelling around New Zealand to the Royal A & P shows.

Phillip is young man with a mission. He is planning to go sharemilking in 2 years time.

Phillip was required to put in long hours over the spring. Due to a staffing shortage, his dairy was not fired-up as early as first intended, and for five weeks his cows were milked through the 50 bale rotary. At this point 3 staff were operating the dairy which was milking 1550 cows. This required the cows to be walked from Phillip's farm, which was an hour and a half walk. The result was that every second morning for five weeks, Phillip had a 2:30am start and was finishing up at 7pm.

While his contract allows for 12 days on, 2 days off year round, he has taken very few days off since the start of Spring. His employers have acknowledged the additional hours that he has been required to put in, and have indicated that they are happy for him to take some of this time off later in the season. Recently they came to him, prior to a shareholders visit to the farm, and asked if it was possible for him to put in a bit of extra effort to have the place looking immaculate for their visit. He responded that, in the unlikely event that he could find any extra hours in his day, he would instead be using this time to catch up on sleep.

Phillip views the long hours he is working as an investment in his future and believes that having a good work history, which demonstrates the highest work ethics, supported by top production figures, can only be beneficial in his bid to obtain a good sharemilking job in the future.

He has a formal structured savings plan. When he started farming he set himself the goal of saving \$20,000 per year. He achieved this, and after two and a half years raised "the bar" even higher. He has met with bankers regarding the best use of his money and has been advised to keep his savings as liquid cash, as he is financially close to affording the step up to sharemilking. He has considered buying real estate, but views that more as a long term investment. Building up equity through livestock is not an option he contemplates. He considers this too risky, preferring to wait and milk his own cows rather than lease them out.

Phillip attributes his ability to set goals, save and motivate himself, to his parents. At 16 he wanted to buy a car. They set the criteria that he had to be able to afford to pay cash for it as well as the first year's full insurance before the deal was done. He paid \$2000 for this car and is still driving it today, seven years later.

His former employers (3 years) were awarded National Sharemilkers of the Year while he was working for them. He considers himself extremely fortunate to have spent 3 years learning from them. He was not so lucky with his first employer however. This relationship ended up in a legal dispute, when due to a downturn in payout, the employer attempted to cut his pay and lengthen his roster mid-season.

Feed back, and acknowledgement by those who he is working for are what makes Phillip "tick". He recently expressed dissatisfaction to the total unit's Operation's Manager, that the CEO of the company, on visiting from the North Island, would wave from his truck, but would never stop and talk. On his next visit the CEO spent 2 hours with him, accompanying him on a farm walk. This was hugely appreciated by Phillip.

The ideal first sharemilking job for Phillip will be 600 cows, in Canterbury. He wants to be able to employ staff, and aims to work hard at being a good boss. Presently he is single, believing that a woman in his life may prove too much of a distraction!

Comments on Mark Townshend's 12 Commandments

Having one distraction in your life may be unrealistic these days, when you want to play sport and get involved in your community. Philip believes, however, that you should choose your distractions wisely. Involvement in the Rural Agricultural Society Youth Council, is not only a leisure activity, but also a chance to network with like-minded people, who may be beneficial to his career in the future. He is living proof of the ability to save, budget, and spend his money prudently. As for mentors, he sees them as vitally important, but that they must be relevant - someone who he can easily relate to and not too far removed from what he is going through. He is definitely a Canterbury lad however. He is not all that fussed on moving out of Canterbury, so is working hard so that the opportunities come to him.

CONCLUSIONS AND RECOMMENDATIONS

Any successful industry needs young blood to bring innovation and enthusiasm. This is particularly relevant to the NZ dairy industry as indications are that the industry will continue to grow. This will mean more staff will be required to work these farms. We need to attract good staff, but where will these come from?

Low family succession rates and the current state of the labour market, including “record low unemployment and changing demographics, place the dairy industry in the thick of a very competitive labour environment, where, like other industries, there are big issues associated with the attraction and retention of staff.” (Speight (2006),p6)

Attracting Staff

More research is required within the industry to specifically identify what attracts and motivates people to enter the industry in 2006. Once established the industry must implement energetic initiatives to attract those who are capable of learning the skills required to assist the industry in the challenging times ahead. It must market it’s points of difference, the attractions of the industry.

Following on from this however the industry must ensure that it can deliver the goods, especially in the areas of perceived lifestyle advantages, and career paths.

Migrant labour is now a reality of the industry labour pool. Migrant employees must however be seen as an alternative labour source, as opposed to a cheap labour source.

Staff Retention

“(The) retention of people in dairy farming jobs is critical to the on-going success of the industry. The opportunities for people to progress, perhaps to farm ownership, will be a competitive advantage for the industry” (ibid, p3)

Once attracted to the dairy industry we must identify each individual’s career expectations. All staff should be encouraged to partake in an AgITO training programme. This gives the opportunity for the introduction of career planning and goal setting tuition. I do not believe that this training is currently in the AgITO curriculum, nor is a student’s knowledge of this area formally assessed. This, I suggest, should be industry funded, via Dairy Insight, maybe in a joint initiative between AgITO and Dexcel vocational consultants. It should take place at an early stage in a person’s dairy career. Those who have a goal are more likely to remain motivated and focussed. The three individual case studies within this report highlight the difference in goals and desired career paths of the four people researched.

Each level or step on the career path table must be recognised as a successful end point to those who aspire to that level.

We should also focus on providing good working conditions at every level on the career path table, working conditions that sustainable from a social perspective.

As the industry moves forward it will need simple, clever unsophisticated systems that can be quickly learnt by smart people. This will help avoid unnecessary inefficiencies and costs which result from the more transient labour market

Equity Building Opportunities

For those people who identify a career path where equity would be a prerequisite for entry, they must have access to advice and coaching on what this will involve. Again I suggest that this should be industry funded and maybe an AgITO/Dexcel joint initiative, together with support from other interested parties (banks etc).

While the traditional pathways of sharemilking may be less accessible for some, there is still an abundance of opportunities available to build equity. An equity-building period however will usually involve not only hard work, but also smart thinking, tight budgeting and personal sacrifices. Those not prepared to do this are only dreaming and must re-channel their goal aspirations so as not to feel a failure.

Employers must be prepared to help their employees along the way, by providing the opportunities to build equity if they have a real desire to succeed. Farm owners must also recognise, that in order for there to be a demand for farms in the future, thus guaranteeing the value of their investment, it is essential that people progress in the industry.

Employers must also ensure that at each career path step, if there is a requirement for increased skills, greater responsibility, and more risk, the remuneration package must increase. How many times in the past, has the industry seen a variable order sharemilker worse off than their farm manager peers, who are working a similar sized operation but with better all-round conditions. Is this career advancement, or exploitation of a dream to succeed?

Dairy Holdings is an excellent example of a responsible employer. They recognise the importance of employees succeeding and implements systems which encourage this.

Workplace Dynamics

Generational influences are likely to force a change of workplace dynamics. “Live to work” employers will be required to take more notice of what makes their “work to live” employees tick, as they ponder the question, just who will be around to milk the cows in 2016?

Employers will be required to examine their working conditions. Working hours, the length of milkings, staff numbers, work rosters, remuneration levels and the overall perception of where an employee fits into the “big picture” will all be forced to come under the microscope. This will be a result of the new generation of employees demanding a better work/life balance, and will be a prerequisite for their entry into the dairy industry. The question must be raised however, do employers have the skills to do this themselves? Industry funded employer training sessions may be required here.

Technology

The introduction of labour saving technology will be essential. This will not only reduce some of the more tedious chores now required to be carried out manually but will also take away the human-error element in other areas where greater accuracy would produce superior results.

What is the Optimum Sized Business?

Dieter Adam predicts that in 2016 the average herd size will be 650 cows. Given the current labour climate and the need to attract, motivate and retain staff in the future, what will be the optimum sized business required to achieve this? Will the economies of scale achieved in larger operations (say 1500+ cows) be traded for other advantages in smaller sized operations? Recently I have observed some farmers choosing to develop farms into multiple smaller units as opposed to one large unit. These farmers believe that by reverting to smaller sized farms, employees have the opportunity to experience all aspects of dairying. In return the employees will take more “ownership” of the operation as a whole. For them this advantage outweighs those resulting from economies of scale.

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Appendix One

Dairy Career Goal Survey

Hi, thanks for taking the time to complete this survey, it will only take a few minutes. We're interested in learning about people's career choices, particularly people like you who are currently working in the dairy industry.

Firstly, what is the title of your current role? _____

For how long have you been in this position? ____ years Total number of cows on this farm? _____

Prior to this role, what were you doing?

So, you've been dairy farming for a total of _____ years?

1. There are lots of reasons why people start dairy farming and some of these are listed below. Please tick the ones that influenced your decision to enter the dairy industry and add any other points you considered. *(Please tick the boxes that were appropriate to your decision)*

- | | | | |
|--------------------------|------------------------------|--------------------------|--------------------------------|
| <input type="checkbox"/> | I needed a job | <input type="checkbox"/> | The money/remuneration offered |
| <input type="checkbox"/> | I love the outdoors/animals | <input type="checkbox"/> | Lifestyle Opportunities |
| <input type="checkbox"/> | Career opportunities | <input type="checkbox"/> | Family connections |
| <input type="checkbox"/> | Other (please explain) _____ | | |

2. Do you have family connections to current owners of a dairy farm or possible dairy farm?
Yes/No

3. How long do you expect to be in the dairy industry *(Please circle your current time plan)*

1 to 2 years 2 to 5 years 5 to 10 years 10 years plus

4. What's keeping you in the dairy industry?
(Please tick the boxes that best describe where you are currently at)

- | | | | |
|--------------------------|---------------------------------|--------------------------|------------------------|
| <input type="checkbox"/> | I don't enjoy it but it's a job | <input type="checkbox"/> | It's all that I know |
| <input type="checkbox"/> | I enjoy doing what I am doing | <input type="checkbox"/> | The lifestyle |
| <input type="checkbox"/> | I am building a career | <input type="checkbox"/> | The money I am earning |
| <input type="checkbox"/> | Other (please explain) _____ | | |

5. Below is a list of possible dairy farming career paths/roles. Please indicate the one you consider as your ultimate goal .

- 1 Herd Assistant
- 2 Senior Farm Assistant
- 3 Herd Manager (full responsibility)
- 4 Farm Manager (full responsibility)
- 5 Variable Order/Contract Milker
- 6 50/50 Sharemilker
- 7 Equity Manager
- 8 Farm Ownership (100%)

If you answered 1, 2, 3 or 4, please carry on and answer questions 6 to 9

If you answered 5, 6, 7 or 8, please skip to question 10

6. Please select the statements that describe what you find most appealing about the position you chose in question 5, from the list below. Is there anything else?

- | | |
|---|---|
| <input type="checkbox"/> I'm there already and I like it | <input type="checkbox"/> There are lucrative employment packages at this level |
| <input type="checkbox"/> Self Employment is too risky | <input type="checkbox"/> Self employment does not offer enough time off |
| <input type="checkbox"/> I want a guaranteed income | <input type="checkbox"/> I am happier working with a "boss" for guidance |
| <input type="checkbox"/> I don't want to buy equipment (tractors etc) | <input type="checkbox"/> I can't see any opportunity to build equity to buy plant/stock |
| <input type="checkbox"/> I want to invest outside the dairy industry | <input type="checkbox"/> I can't see enough opportunity to build equity to buy land |
| <input type="checkbox"/> I don't want to buy livestock | <input type="checkbox"/> Other <i>(Please explain)</i> _____ |

7. How long do you think it will take for you to achieve your goal?
(please circle your most likely time frame)

Already there 1 to 2 years 2 to 5 years 5 to 10 years 10 years plus

8. How confident are you that you will achieve this goal?
(please circle how confident you are)

Very Confident Confident Doubtful Very Doubtful

9. After you have achieved this goal what's the next step?
(please circle your most likely next step)

Overseas travel Career change More of the same but bigger
Retirement

Please skip now to question 16

--
If you answered 5, 6, 7 or 8 in question 5, please continue from question 10

10. Please select the statements that describe what you find most appealing about the position you chose in question 5, from the list below. Is there anything else?
(please tick appropriate boxes to you)

- | | |
|---|---|
| <input type="checkbox"/> I like challenges and taking risks | <input type="checkbox"/> Potential financial rewards |
| <input type="checkbox"/> Time flexibility | <input type="checkbox"/> I don't want to have to answer to anyone |
| <input type="checkbox"/> I want to own my own business | <input type="checkbox"/> I am passionate about dairy farming |
| <input type="checkbox"/> I want to breed a better cow | <input type="checkbox"/> Other (please explain) _____ |

11. What is your timeframe from now to achieving this ultimate goal?
(please circle your most likely time frame)

Already there 1 to 2 yrs 2 to 5 yrs 5 to 10 yrs 10 to 15 yrs 15 years plus

12. Do you have an existing plan to develop equity? (Please circle) Yes / No

13. Other than winning Lotto, what opportunities have you considered to help you build equity and reach your ultimate goal? Do you have any other ideas?

- | | |
|---|--|
| <input type="checkbox"/> Saving money in the bank | <input type="checkbox"/> Finding a wealthy partner (business) |
| <input type="checkbox"/> Finding a wealthy partner (personal) | <input type="checkbox"/> Building up livestock numbers through my business |
| <input type="checkbox"/> I already have existing savings/equity | <input type="checkbox"/> Trading in Livestock (ie buying and selling) |
| <input type="checkbox"/> Trading in real estate (houses/sections etc) | <input type="checkbox"/> Family money/security |
| <input type="checkbox"/> Other (please explain) _____ | |

14. How confident are you that you will achieve this goal?
(please circle how confident you are)

Very Confident Confident Doubtful Very Doubtful

15. After you have achieved this goal what's the next step?
(please circle your most likely next step)

Overseas travel Career change More of the same but bigger
Retirement

And finally,

16. To which age bracket do you belong?

Less than 20 years

21-30 years

31-40 years

41 years or over

17. Your Nationality? _____

18. Are you Male or Female? _____

Now I wish to thank you for your time and effort. Thanks also to the Agriculture ITO tutors for allowing me some of their class time.

Enjoy your morning tea!

Jenny McDonald

This survey has been designed by Jenny McDonald for her Kellogg Rural Leadership project 2006

Appendix Two - Dairy Career Goal Survey - Analysis

The following is a full analysis of my survey – using the data in it's rawest form. There is obviously the opportunity to analyse this data using a number of parameters, and it available to anyone who wishes to analyse it further.

(i) Firstly, what is the title of your current role?

Farm Assistant	34.04%
Herd Manager	42.55%
Farm Manager	14.89%
Sharemilker	6.38%
Other	2.13%

(ii) For how long have you been in this position? ___ years

Less than 1 year	34.78%
1-2 years	56.52%
2-5 Years	8.70%
Greater than 5 years	0.00%

(iii) Total number of cows on this farm?

<300	10.64%
300-600	44.68%
600+	44.68%

(iv) Prior to this role, what were you doing?

Farm Assistant	28.57%
Herd Manager	24.49%
Farm Manager	2.04%
Sharemilker	6.12%
Outside Industry	38.78%

(v) So, you've been dairy farming for a total of _____ years?

Less than 1 year	28.57%
1-2 years	24.49%
2-5 Years	2.04%
5-10 years	6.12%
10+ years	38.78%

1. There are lots of reasons why people start dairy farming and some of these are listed below. Please tick the ones that influenced your decision to enter the dairy industry and add any other points you considered

I needed a job	7.58%
I love the outdoors/animals	26.52%
Career opportunities	21.97%
The money/remuneration offered	12.12%
Lifestyle Opportunities	21.21%
Family connections	7.58%
Other	3.03%

2. Do you have family connections to current owners of a dairy farm or possible dairy farm?

Yes	36.36%
No	63.64%

3. How long do you expect to be in the dairy industry ?

1 to 2 years	2.13%
2 to 5 years	8.51%
5 to 10 years	17.02%
10 years plus	72.34%

4. What's keeping you in the dairy industry?

(Please tick the boxes that best describe where you are currently at)

I don't enjoy it but it's a job	0.81%
I enjoy doing what I am doing	27.42%
I am building a career	28.23%
It's all that I know	3.23%
The lifestyle	23.39%
The money I am earning	12.90%
Other	4.03%

5. Below is a list of possible dairy farming career paths/roles. Please indicate the one you consider as your ultimate goal .

1- Herd Assistant	2.13%
2- Senior Farm Assistant	2.13%
3- Herd Manager (full responsibility	2.13%
4- Farm Manager (full responsibility	17.02%
5- Variable Order/Contract Milker	0.00%
6- 50/50 Sharemilker	19.15%
7- Equity Manager	12.77%
8- Farm Ownership (100%)	44.68%

If you answered 1, 2, 3 or 4, please carry on and answer questions 6 to 9

If you answered 5, 6, 7 or 8, please skip to question 10

6. Please select the statements that describe what you find most appealing about the position you chose in question 5, from the list below. Is there anything else?

I'm there already and I like it	14.81%
Self Employment is too risky	7.41%
I want a guaranteed income	22.22%
I don't want to buy equipment (tractors etc	3.70%
I want to invest outside the dairy industry	7.41%
I don't want to buy livestock	3.70%
There are lucrative employment packages at this level	14.81%
Self employment does not offer enough time off	3.70%
I am happier working with a "boss" for guidance	18.52%
I can't see any opportunity to build equity to buy plant/stock	0.00%
I can't see enough opportunity to build equity to buy land	0.00%
Other	3.70%

7. How long do you think it will take for you to achieve your goal?

Already there	0.00%
1 to 2 years	9.09%
2 to 5 years	36.36%
5 to 10 years	36.36%
10 years plus	18.18%

8. How confident are you that you will achieve this goal?

Very Confident	27.27%
Confident	54.55%
Doubtful	18.18%
Very Doubtful	0.00%

9. After you have achieved this goal what's the next step?

Overseas travel	18.18%
Career change	18.18%
More of the same but bigger	54.55%
Retirement	9.09%

Please skip now to question 16

If you answered 5, 6, 7 or 8 in question 5, please continue from question 10

10. Please select the statements that describe what you find most appealing about the position you chose in question 5, from the list below. Is there anything else?

(please tick appropriate boxes to you)

I like challenges and taking risks	18.69%
Time flexibility	4.67%
I want to own my own business	23.36%
I want to breed a better cow	6.54%
Potential financial rewards	20.56%
I don't want to have to answer to anyone	7.48%
I am passionate about dairy farming	17.76%
Other	0.93%

11. What is your timeframe from now to achieving this ultimate goal?

	Total
Already there	0.0%
1-2 yrs	0.0%
2-5 yrs	19.4%
5-10 yrs	36.1%
10-15 yrs	27.8%
15 years plus	16.7%

12. Do you have an existing plan to develop equity?

Yes	61.8%
No	38.2%

13. Other than winning Lotto, what opportunities have you considered to help you build equity and reach your ultimate goal? Do you have any other ideas?

Saving money in the bank	31.7%
Finding a wealthy partner (personal)	6.1%
I already have existing savings/equity	8.5%
Trading in real estate (houses/sections)	12.2%
Finding a wealthy partner (business)	2.4%
Building up livestock numbers through my business	18.3%
Trading in livestock (ie buying and selling)	6.1%
Family money/security	12.2%
Other	2.4%

14. How confident are you that you will achieve this goal?

Very Confident	30.6%
Confident	63.9%
Doubtful	5.6%
Very Doubtful	0.0%

15. After you have achieved this goal what's the next step?

Overseas travel	10.53%
Career change	5.26%
More of the same but bigger	52.63%
Retirement	31.58%

And finally,

7

16. To which age bracket do you belong?

Less than 20 years	27.7%
21-30 years	46.8%
31-40 years	19.1%
41 years or over	6.4%

17. Your Nationality?

New Zealander	87.2%
Other	12.8%

18. Are you Male or Female?

Female	21.28%
Male	78.72%

APPENDIX THREE

The skills needed to manage a large dairy unit in Canterbury

Extracted from Stevenson, G.(2003) Large Herd Manager – Where to Next?
Kellogg Rural Leadership Programme, pg 5

Skills needed to manage a large Dairy Unit in Canterbury.

1) Pasture Management

- a) Understanding of Grass plant physiology
- b) Understanding of plant nutrient requirements
- c) Feed budgeting skills
- d) Nitrogen use and environmental effects
- e) Growth rates of Grass
- f) Grass types and uses
- g) Re - grassing techniques and costs.

2) Staff Management

- a) All legal obligations as per Employment Agreement Act
- b) Interviewing techniques
- c) Termination Issues
- d) O.S.H. Obligations
- e) Ability to manage and lead people from a positive position.

3) Stock Management

- a) Nutritional Requirements for all classes of stock
- b) Understanding of the physiology of cows as it pertains for calving and mating.
- c) Mineral requirement and status levels
- d) Feed balancing to avoid digestive upsets

4) Irrigation Management

- a) Soil Moisture holding levels and water budgeting
- b) Basic engineering ability to effect repairs

5) Repairs and Maintenance

- a) Ability to do basic repairs and understand how most machinery works so that they can decide if or who has to repair the plant.

6) Financial Management

- a) Ability to cost all inputs that they have control over.
- b) Able to budget for a Million Dollar business.
- c) Able to understand both the short and long term financial implication of their decisions.

APPENDIX FOUR

Pathway for Progression in NZ Dairy Industry

Mark Townshend

Ladies and gentlemen

In the late 1980's New Zealand agriculture was in terrible shape -low commodity prices, interest rates over 15%, you had to beg bankers for loans – even the Prime Minister of the day David Lange called dairying and other traditional forms of New Zealand agriculture, “sunset industries”. Why then did a generation of successful diary farmers become dairy entrepreneurs over the next 5-10 years?

Over the next 25 minutes I want to try to uncover some of the answers to this question.

I hope if you are an ambitious, young, new entrant to the dairy industry *or* someone who has been in the industry for a while and has not made the progress desired *or* someone who has done quite well and wants to kick on further, that there will be some encouragement, some provocation, some lighting of your fire and some hope for you.

Returning to those that did well in the shadow of doom in the late 80's and early 90's, 80% of farmers of the time could not see opportunities opening - compare that with today - not the same issues of concern - different barriers - high land price, labour issues, no opportunities. Again perhaps 80% can not see the next generation of opportunities

The opportunities are there all right - but do not expect the solutions to be the same as 20 years ago because the barriers are different. Think about today's issues needing today's solutions not today's issues being answered by yesterday's solutions

I want to walk you through my *Twelve Commandments* to farm ownership - don't get hung up on the farm ownership thing because the same principles apply if you are thinking of buying a herd, or maybe you are a manager and have no intention to buy a farm, but want to use your cash surpluses to have your nest egg in off-farm investment.

Perhaps think of it this way. My understanding is that the founder of McDonald's, Ronald McDonald, did not see himself as a worldwide maker of burgers but rather, a prime real estate acquirer who cashflow-ed his goal by selling burgers.

If you are in the top 33% as a dairy worker, manager, sharemilker or farm owner look at it this way. You want to be an acquirer of land for any other appreciating assets and dairying is your means to cashflow it. Any other appreciating assets could mean seaside property, commercial property, New Zealand or international, equities, residential properties, commercial buildings or other.

The Twelve Commandments - (Remember when I refer to farm ownership it may apply to other investments)

Commandment No.1 - Desire

Farm ownership will not just happen. It will take focused targets and some sacrifices will need to be made. If you have an ambitious target it needs to be almost a single minded focus. *For an initial period anyway*, apart from being extremely disciplined about your growth focus, have no more than one of these distractions on your mind as well.

- Regular and expensive holidays
- Extensive time consuming community projects e.g. schools, churches, Lions club etc
- A thirst for a particular sport that takes time whether it be golf, rugby or any other (if it is something like motor sport you probably have 2 strikes against you as it takes time and costs plenty as well)
- Being the ultimate family person - do not take me wrong - parenting is perhaps the most important job we all have - but I see so many cases where people hit two strikes in one where they spend a lot of time with their kids and spend a lot of money on them as well.

Your kids always need your time but sometimes it is better for them to learn the values of hard work and saving as well.

This does not mean that you should not get involved in the community for the benefit of both the community and yourself, just make sure you have the balance right.

Summary

- Your desire to get a farm - strike -one
- Your preoccupation with one of these worthy distractions - strike two
- More than one distraction - strike three
- You're out - Too many balls in the air

Commandment No.2 - Ability to Save

If you want to financially succeed there is little choice but to learn to save. There is no option other than material things in moderation. Is someone happier if they:

- Have two dozen beers a week rather than half a dozen
- Hire DVD's to watch when there are movies on TV every night
- Smoke
- Put \$400 tyres on their car rather than \$150 ones
- Eat out more than once per week

How long would you like me to make that list?

Summary

- Learn to budget then borrow - get the order right

Commandment No.3 - Resistance to marketers

Some people are natural at selling. Those who are professionally trained to do it and are trying to sell you things you do not really need are just downright dangerous. If they get to you they are likely to be more damaging to your business than droughts, bloat or bad labour.

Your business is to convert grass to milk as efficiently as you can - their business and training is to get you to part with your money - they are likely to be financially incentivised to be successful. Watch for blow-waved hair and sporty cars.

Each month you are likely to get more than 100 free pamphlets, magazines or brochures through a rural delivery box - all indirectly paid for by those who buy. Perhaps seek out those good quality products that do not have to support glossies - they should be cheaper.

Summary

- Work out what is essential
- What is nice to have
- What is just downright extravagant

Commandment No.4 - Investment returns

The Rule of 72 is very simple - why is it then that so few people know it?

Divide 72 by the return you expect to get on your investment and that tells you how many years it will take for your investment to double.

If you are getting a 6% return and re-investing then your equity will double in 12 years

At 12% it will double every 6 years

At 18% it will double every 4 years

An investment of \$100,000 today, in 24 years time at a 6% return will be worth \$400,000

The same investment of \$100,000 today, in 24 years time at an 18% return will be worth \$5.3m.

Summary

- If you understand this rule of 72 you will start ahead of 90% of the population - I do not know why, but if you do understand it, it is very likely you did not learn it at school.

Commandment No.5 - Mentors

Successful people in farming have generally worked hard, saved hard and had the courage to invest when opportunities appeared. I would be very surprised if those who have succeeded over the last Twenty years did not contribute some of their success to two or three mentors who would have helped them with free *or* paid advice. Those providers of advice would have felt some satisfaction from helping someone.

Here though lies the challenge. Line up ten grey haired farmers who have succeeded in their time, the chances are only one out of the ten will be able to steer you in the direction to succeed in today's environment. The other nine, as good as their intention are will advise you to follow the steps they made. The problem is the game today is similar, but not the same, and the rules are certainly different.

I consider that I was privileged by the mentoring I received from my parents and grandparents. It was forward thinking. I have used other people as well as mentors. Today I still have mentors but for different things than what I used to require them for.

For those of you who are on family farms or working with parents, no hard and fast rules here, but the chances are that your parents will steer you down the same course they went. Sort out for

yourself whether the advice they give you is appropriate for today, or is it good advice, but twenty years out of date.

I notice that many of the young star performers of today were not brought up on farms, did not leave school and go on farms. No, they educated themselves, learnt different skills and entered farming with no preconceived ideas.

Summary

- Some people say you can only get ahead if you have family support. If it were true (and I don't think it is), sort out whether the beneficiaries of the family support get ahead because they are given money or whether it is because they learn how to save, how to invest, going for opportunities when they are there. I suspect if you do not have family support to farm ownership; it is not the money you are missing but rather the guidance, the support, the encouragement to take an opportunity or maybe someone to guarantee a loan for a short period of time. With regard to a guarantee it is amazing how many former employees are happy to guarantee a loan for a year or two to worthy recipients.

Commandment No.6 - Sort out what appreciates in value and what rusts

Diane and I have a beach place in Whitianga. Some old family acquaintances have a 2000 acre hill block overlooking the whole of the Mercury Bay. In 1950 the grandfather had the choice of buying 2000 acres of, at that time, harsh hill country, or for the same money, a new Fergie tractor. He chose the farm, and the grandson approves of his foresight.

Chances are if you buy ten cows today that in ten years their value will be higher and you will have more of them.

Chances are if you buy land today that in ten years its value will be higher

Chances are if you buy a tractor today, in ten years its value will be halved.

Chances are if you buy a farm motorbike today, in ten years it will be worthless.

Summary

- If you buy land or livestock and look after them, and can cashflow them, you will create real wealth.
- If you buy anything that needs petrol, diesel, or grease, make sure you spend no more than what is required to efficiently run your farm business.

Commandment No 7 - Choose your partner wisely

I do not wish to offend anyone here but I see many people start out with the potential to do well in dairying. Perhaps the most defining decision they make is selecting their life partner. It will be hard, and in fact extremely rare to succeed, unless you both have a common goal of achievement and a shared discipline to spending and saving.

What I notice is that those who choose their partner wisely keep doubling their assets. Those who choose poorly keep dividing by two.

Summary

- I am no expert on marriage guidance but this is a decision that is worth getting right.

Commandment No.8 - Eat an elephant in small pieces

When starting out the end goal seems so far away. At the start the perceived lack of progress almost seems depressing, and the answers of how to achieve the end goal are just not there.

Table 1 details a twenty five year plan from zero to self dependence - self dependence being where you work because you want to work, not because you have to. It involves incremental saving and targeting a reasonable return on investment.

It takes discipline to save.

It takes courage to invest.

It takes tenacity and support when things are not going well because at times equity will stagnate and then asset values will take off and you will be back on track.

Summary

- The 25 year plan I have illustrated is a guide that you can modify for your own needs. **You** then need to commit to it and take ownership of it.
- You need to look out no further than the next two years at any point in time. All you need is some idea of;
 - can you find the funds
 - can you achieve the return on investment
- Always have a rolling two year plan in front of you.
- Do not get too cocky if you are well ahead of the target, it may be the stage of a cycle Do not get too down if you fall a bit behind the target, it may be the stage of a cycle

Commandment No.9 - Ride the waves

New Zealand dairying has always been cyclical and will continue to be so. Look upon volatility as a positive not a negative, you can't change it anyway. At any point in time people in all fields and worldwide, are usually overly optimistic or overly pessimistic. Think about the opportunities that presents.

Every downturn delivers both achievers and victims. The victims are those who are asset rich and cash poor, they are usually inheritors of wealth rather than creators of wealth. They are the people who bailout often even before they take a cut in their high and accustomed personal drawings. The achievers are those with skills, with energy, with a desire to achieve who have saved and invested wisely and have the courage to move when their instincts are that things are coming right.

Those who wait until everything is aligned will miss the boat.

Summary

- Volatility is the friend of the entrepreneur.
- An entrepreneur can pick what is a cycle, as opposed to a permanent new trend.
- Cyclical downturns make the tough tougher and the wimp a bigger wimp.

Commandment No. 10 - Continuing Education

Never stop learning because two things happen.

1. The world continues to change

2. As you move up the equity building ladder you will need different skills.

The mentors you have today need to be respected friends in ten years. That is because if you are progressing financially and in your own thought processes, you will need to choose new mentors as time goes on.

Summary

- Set aside hours each month for self education and knowledge improvement.
Perhaps diary for the first day of each month to nominate what the self education target for that month would be.
- Despite an extremely busy stage of life currently for me, I will try to set aside two hours each week for self education and a further two hours each week for helping people progress.

Commandment No 11 - Honesty

Not many people consider themselves dishonest, but how many people do you really trust.

Impeccable honesty opens many doors while dishonesty closes them, maybe not immediately, but people do not forget.

Think about the effects of honesty:

- With your employers
- In never selling stock you would not want to buy
- In being honest with yourself in finishing out a sharemilking contract with conviction
- In never giving a false impression to someone who is asking your advice
on a work reference for some other party.

Think about the doors you open or close for life with regard to honesty.

Summary

- Honesty is a black and white issue. There is no room for grey.

Commandment No. 12 - Moving to where opportunities offer themselves

It would be nice to never have to upset family life and move and start again. Strangely enough, though, those who have done it see positive effects for both business and the family.

Consider this;

- Before the evolution of sophisticated society, if ancient man did not move to the valley where there was food, he starved.

- If your parents, grandparents, great grandparents did not have the drive to shift to New Zealand for better opportunities would they have been better off?
- Those who saw the opportunities in the South Island when land prices were low have been extremely well rewarded for some short term family inconvenience.

Summary

- If an opportunity presents itself and you really want to get ahead, you may have to get off your arse and take the opportunity that is there.

Appendix 5 – Final Report Cradle to Grave Project

(Extracts from Mark Speight's 2006 Dairy3 Paper)

Characteristics of the different generations

The following table gives a breakdown of the different generations:

Description	Born	Ages
Veterans	Before 1945	61+
Baby Boomers	1946 - 1963	43 – 60
Generation X	1964 - 1977	29 – 42
Generation Y	1978 -1994	12 – 28
Generation Z	1995+	0 -11

Here is a description of the characteristics of each generation:

Veterans – Before 1945

- They have experienced war and hardship
- Past orientated, disciplined and law abiding

Much of this generation has had to go without, especially those that have had to cope with the Second World War and the depression of the 1930's. They know what it is like to really struggle to survive.

Baby Boomers – 1946 to 1963

- Have been exposed to prosperity – tend to be optimistic
- Pursue promotion by demonstrating loyalty and long hours
- Tend to focus on the process rather than the outcome

The person who gets their photo in the paper for 50 years service to the same company would very likely be from the baby boomer or veteran generations. They are very loyal and would be loathe to change companies.

In the farming sense they are likely to follow farming practices they know have worked in the past.

Son: Why are we mating the cows to a Jersey this year?

Father: Because I like Jerseys and I have always liked Jerseys.

Generation X – 1964 to 1977

- Often products of workaholic parents
- Tend to be self-reliant – value family and relationships in the workplace
- Outcome focussed
- Require feedback – show us you care
- Want to have fun at work

Generation X and to a greater extent Generation Y absolutely crave feedback. The challenge with this is that their parents are not inclined to give feedback often because they never received it themselves when they were younger.

Generation Y – 1978 to 1994

- Grown up in a global world – internet
- Focus on what they can get along the way; and new experiences
- Need new challenges, responsibility and promotion NOW
- Want jobs with purpose and meaning NOW
- Their confidence exceeds their competence
- Due to their transient nature they are hard to retain

Instant gratification is what it is all about – the “text generation”. Email is considered “snail mail”, whereas texting is more immediate. Actually writing a letter would be incomprehensible to most Generation Y’ers.

While the veterans’ generation are most influenced by authority figures and baby boomers make decisions based on data and facts, Generation Y are more likely to make a decision based on the influence of their own peers. One of the biggest factors determining the choice a teenager will make today, is the experiences of their core group of three to eight friends.

When deciding to accept a job, salary ranks sixth in order of importance after training, management style, work flexibility, staff activities and non-financial rewards. The young people of this generation **do not live to work, but rather they work to live**. A job merely provides the income to do what they want to do. The following table demonstrates the influences and the character traits of Baby Boomers, Generation X and Generation Y.

Influence	Baby Boomer	Generation X	Generation Y
Role Models	Men of Character	Men & Women of Character?	What is Character?
Television	I love Lucy	Happy Days	Jerry Springer
Musical Icons	Elvis Presley	Madonna	Eminem
Musical Mediums	LP’s & EP’s	Cassettes & CD’s	Digital (iPods & MP3’s)
Computer Games	Pong	Pacman	Counter Strike
Money	Earn it	It is not everything	Give it to me
Loyalty to Employer	Work my way to the top	Shortcut to the top	Give me Saturday off or I’ll quit
Respecting your elders	Automatic	Is polite	Whatever!
Sex	After marriage	On the backseat	Online
Change	Resist it	Accept it	Want it
Technology	Ignorant of it	Comfortable	Feel it in their gut
Justice	Always prevails	Up to the courts	If you can afford it

Peter Sheahan –Generation Y

There have been various studies done on the differences between the generations. It has to be remembered that the table and characteristics above are generalisations.

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