

# **CORPORATE FARM LABOUR**

**An indication of main Labour issues  
facing some of New Zealand's Corporate  
Farming Entities**

Prepared for the 2007 PIC / Kellogg Rural Leadership Programme by:

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# Executive Summary

Labour, or the shortage thereof in NZ is an issue across all industries, and agriculture is no less affected than any other. The growth in land values in the past 5 years see's the affordability of purchase and economic operation of farms, as a challenge for those looking to increase their business size, or enter into farm ownership. With the requirements for larger scale farms to make a growing business financially sustainable, the corporate farming entity or equity partnership is becoming more prevalent.

The objectives of this report were to:

- Talk with corporate farming entitles to see what the realities of the demand & supply of labour is for them
- To find out what their number one issue was with regards to employment / labour
- To see if there is a correlation between what these large companies are finding in their own businesses to others in their industries
- Provide information for those looking at either a career in management or forming their own large farming company.

The main conclusions drawn are that

- There is a genuine shortage of staff from entry level right through to management
- Foreign labour can be used to fill the gaps, however we still need trained and experienced people in NZ farming systems to manage and train them
- The shortage creates short term stress and pressure on existing operations from management down
- Productivity has not been majorly affected to date, however threat is there and the shortage may provide a constraint to further growth
- Managers needed to be well trained in managing effective and high performing teams
- All groups interviewed were investing in formal HR training for staff
- A good brand was important for both a business and agriculture in general.
- Technology can help, but the on farm systems and HR management needs to be well set up first. ~~uncovered~~

The recommendations from the study are

- Train and resource managers to allow them to run high performing teams
- Provide staff with an internal career path. Make it attractive for them to stay
- Be prepared to employ people from other cultures and make allowances for those different cultures
- Build a better brand for agriculture in the eyes of potential employees
- Develop an urban awareness campaign around agriculture, its importance to NZ and the opportunities it offers people

# Introduction

With an ever increasing demand for labour in NZ (across all industries) and the current tight labour market, it is becoming more complicated to attract, and retain, skilled staff to Agriculture. This has been highlighted in a number of previous news articles, industry reviews and reports.

Many people are involved in initiatives and programme's to increase the awareness of these issues across the industry, as well as a number of programmes to recruit people into Agriculture. The issue is not limited to just the dairy industry, but across all primary producers, as well as the servicing sectors such as banks, stock and station companies, fertiliser companies and farm consultants to name a few.

The current farming environment in NZ in 2007 see's the affordability of purchase and economic operation of farms, as a challenge for those looking to increase their business size, or enter into farm ownership. This is highlighted by several points:

- The trebling in some areas of NZ of land prices since 1999
- A relative decrease in real on farm incomes in some sectors during the corresponding period
- An increase in operating expenditures and compliance costs
- High debt servicing requirements on additional land purchases given land values
- Higher ingoing "cash" equity contributions to sustain long term viability
- A squeeze on margins and EFS to achieve growth

These points are important, and we are seeing more farming companies or equity partnerships being formed to purchase units of substance.

These issues are not raised to be looking at the relative points of farm purchase, operation and affordability, but rather merely indicating some of the catalysts that may see corporate faming become more prevalent in NZ from 2007 onwards, and the combination of this with the tight NZ labour market. It may also raise some thought provoking discussions into the future and direction of farm succession in NZ, and who will be there to run our industries in generations to come.

## Objectives

The objectives of this report are to present a viewpoint from the owners and managers of some of New Zealand's larger farming companies, with respect to the requirements that they have for labour (Demand) and what they are finding in reality (Supply) to operate their businesses. It focuses upon the single largest issue faced by these companies, respectively, with regards to labour / employment for their business.

The results of this report are meant to achieve two purposes:

1. To see if there is a correlation between what these large companies are finding in their own businesses to others in their industries
2. To provide some information for those that may find themselves looking at either a career in management in one of these companies, or forming their own large farming company.

It is intended that additional to the two main points above, this report may be useful for those conducting campaigns to increase awareness of the industry and recruit people to agriculture. This report could also be used in conjunction with other Kellogg Projects completed in the past, on what employees are looking for in a job.

## **Limitations**

The limitations involved in this survey were having access to a large enough sample, whilst providing some good quantitative information. It was conducted, across both dairy and sheep & beef.

Time was a limiting factor to sift through the information and draw a meaningful conclusion, given the topic is quite a broad one, so the main focus was trying to ascertain their number one issue, and was therefore limited in the size of the sample.

## **Survey**

The survey was carried out with 6 Corporate Farms. After initial contact was made via telephone, an email was sent with an overview of what was required to be discussed, and then followed up in all cases with a ph interview to discuss the topic.

All those who were involved in the survey were most helpful and open to discussion on the topic. They gave some good insights into their businesses and why these issues were affecting them.

For confidentiality, the results have been set out in no particular order, and no link has been made to any of the groups interviewed, however they have been acknowledged at the end of the report.

Initial discussion focused upon an overview of each corporate & its field of operations and focussed upon the following:

Farm(s) Size, Policy, number of Managers, Equity Managers, Sharemilkers (50:50 and Lower Order) and staff (full time & part time), Staff Structure, Planned Growth,

How they actively Employ & Manage Staff, whether they employ an HR consultant or have an in house dedicated person?

The results are set out in the following tables.

**Table 1 Companies operations by description.** (Table sets out the type of operation and the number of groups that are involved in each kind of operation, out of the 6 interviewed).

Dairy	Cows	1000-5000	5000-10000	10000-20000	20000 +	
Group(s)				<b>2</b>	<b>3</b>	
Dry Stock <sup>^</sup>	Stock Units	10000-20000	20000-40000	40000-60000	60000 - 100,000	100,000 +
Group(s)		<b>1#</b>			<b>1#</b>	<b>1#</b>
Cropping	Ha	0-1000	1000-2000	3000-4000	4000 +	
Group(s)					<b>1#</b>	
Grazing	Ha	0-1000	1000-2000	3000-4000	4000 +	
Group(s)				<b>1#</b>		
50:50 Sharemilkers	Number	0-5	5-10	10-20	20 +	
Group(s)				<b>1</b>		
Lower Order Sharemilkers	Number	0-5	5-10	10-20	20 +	
Group(s)			<b>1</b>			
Equity Managers	Number	0-5	5-10	10-20	20 +	
Group(s)		<b>1</b>		<b>1#</b>		
Farm Managers	Number	0-5	5-10	10-20	20 +	
Group(s)					<b>1#</b>	
Employees	Number	20-40	40-60	60-100	100-200	200 +
Group(s)				<b>3*</b>	<b>2**</b>	<b>3*</b>

**KEY:** \* = FTE \*\* = FTE + Seasonal Staff ^ = S & B Breeding & Finishing # = Part of a larger group

**Table 2 Method of sourcing employees**

Type	Number of Groups Using
Internal Promotion	6
HR Consultant	3
Print Media	6
External Agent i.e. Fegan & Co	3
Internet	6
Word of mouth	6

**Table 3 Responsibility for employing / recruitment**

	Number of Groups
Equity Managers	4*
Farm Managers	6
Owners / Shareholders	
HR Consultant	1
External Agent i.e. Fegan & Co	3

\* All farms that had equity managers

Of the 6 companies interviewed, only 1 had a dedicated internal HR person in their employ. One had just employed a dedicated HR Person. One had a personnel manager; however there was no dedicated HR manager.

All on farm managers had an active role in HR management and recruitment for each individual farm (be they equity or salaried) across all of the groups interviewed.

All groups had a form of in house HR training for managers to help them employ and manage staff. One group was currently getting Quality Assurance accreditation as an employer across its farms.

All of the groups interviewed intended to keep growing as opportunities presented themselves, some more aggressively than others.

Following is the main question of the survey and 5 main probing points related to that issue. The results of the main issue for each company have been tabled, in no particular order.

***“What is the main issue facing your company with regards to employment/labour”.***

- *Why it is an issue for them?*
- *How is it affecting the current operational ability of their business?*
- *When do they see this issue either being resolved or mitigated so as to allow your business to grow / function to optimum potential?*
- *Who is working on this and how do they propose to resolve it?*
- *Where do they see opportunities for them to stimulate a resolution to this problem?*
- *Did they contemplate technological or system changes to help resolve these issues. If so, what changes?*

**Table 4 Main issue for each company**

<b>Company</b>	<b>Issue</b>
A	Having all managers (equity and salaried) moving in the same direction towards the same common goal of the business – all farms operating to a similar pattern.
B	Attracting staff at a junior level, appear to have no problem attracting staff at 2IC level up
C	Finding good quality people, it is easy to exhaust the supply of people in their locality – there is a lot of competition from other industries.
D	The retention of high performers. When quality staff are found (at all levels) it is important that managers are up to managing high performing teams, otherwise they have vacancies at all levels.
E	General staff pool is under resourced at present, especially finding trained, experienced and qualified people. Foreign labour is becoming more prevalent, however needs experienced people from NZ to lead and train them in NZ systems.
F	Not enough people across the areas they operate in to fill all vacancies, across all levels. Affects business from entry level up to management.

The results were different for each company; however 4 had a similar issue which was attracting suitable amounts of staff from within NZ labour pool, but at varying levels of responsibility, dependant on the company.

Also discussed across groups looking to grow their respective businesses, was the fact that availability of labour will constrain growth in the short to medium term.

A brief discussion follows with regards to the common theme that appeared from the survey results and some of the common answers with regards to addressing this main issue.

I decided to focus upon this common theme, rather than talking about each in turn and regurgitating information.

➤ ***Why it is an issue for them?***

Given the issue it is obvious that a lack of staff means an under resourced business that may struggle to perform its day to day tasks. Further points follow:

- It had no material impact at present, however they could see productivity being affected in the future.
- Cannot find enough people to fill roles
- Unable to find junior level staff to take through to the next tier to enable progression
- When it came to the retention of staff, it was highlighted that while money was an attraction at first, they need an effective manager and one who can balance their needs and meet expectations to get people to stay.
- Need to get high performers into key positions. Some over promotion for people who may not be capable of managing at that level presents challenges to all business.

➤ ***How is it affecting the current operational ability of their business?***

Once again day to day operational issues arise. Further points follow:

- When looking for staff the business doesn't suffer short term, however it is hard on existing staff when they are under resourced.
- It creates stress for senior staff in the short term – no major performance setbacks to date, however the threat is there.
- Sometimes leads to over promotion ahead of someone's skill set, which can create issues down the line. *Relative to bullet point number 5 above.*

➤ ***Who is working on this and how do they propose to resolve it?***

The general theme was training of all managers responsible for staff, all was in house based with no external organisations doing any training. Further points follow:

- The group as a whole is trying to improve the technology in sheds so as people spend less time milking, and get more variation
- Trying to get all the managers engaged to head towards the common goal of the business

- Have an HR resource team that is looking on ways to improve training and management of both junior and senior staff. Run courses for all staff from initial induction through to senior managers. 75% of the training is human development, and the balance is technology and technical on farm stuff.

➤ ***Where do they see opportunities for them to stimulate a resolution to this problem?***

All groups highlighted the need for a) a better branding of their own businesses as well as b) the industry as a whole (agriculture in general) needs to be better branded to attract skilled people.

A very good point raised, was that given the tight labour market, people are initially focussed on a) before they look to band together to work on b) above. It therefore appears that there is a perception that the farmers have a self interest / business survival and growth first, then the industry second outlook. Further points follow:

- Brand and image of business being a better place to work and also need a bigger pool of staff to choose from.
- The culture needs to be set up for foreigners to be involved in NZ, with regards to if we are to employ a pool of people from one country, there needs to be a central point for their culture to be able to establish itself within a region.
- When employing foreign labour, helps to employ generally from one country per farm, to make it easier to manage inter cultural issues
- Requires the whole dairy industry to be successful. The best thing is to be responsible corporate citizens, selling the positives to attract more people to industry.
- Having an internal training programme for existing staff and an external focus as well promoting the business and opportunities that exist within it.
- More focus on response in workplace, more regular visits and reviews of previous objectives with managers.

➤ ***Did they contemplate technological or system changes to help resolve these issues. If so, what changes?***

In general there was a belief that technology can help to improve efficiencies on farm and free up more man hours from some tasks, but the general feeling was that the labour situation needs to be right in the first case to allow technology to have a relative effect. Further points follow:

- Technological systems can provide advantage, but people management needs to be up to scratch to get the value out of it. Human resource needs to be able to put it together in seamless way to develop it all correctly and get it running properly.

- Technology is going to help, but the relative issue is that there are not enough people.
- Technology should be explored to see what sort of technology can help to alleviate any problems.
- Having basic farm layout and design is the key to having everything functioning well. The infrastructure needs to be right – this allows people to focus on their job, therefore linking up with the common goal of the farm.

# Conclusion

Labour is a very broad topic to deal with when it comes to agriculture. There would be numerous issues found in a broader survey sample and more in depth analysis.

It would appear that NZ labour pool is not large enough to satisfy the demand for staff at all levels, with even relatively unskilled labour being hard to find. This leaves a number of farms under resourced at any one point in the year.

This creates pressure on existing operations and stress levels on not just management but at day to day operations level as well. While most indicated that productivity had not been affected to date, all groups indicated that they could see the impact that the current environment could have both in the future on existing operations, as well as a constraint to growth in the future.

Foreign labour is becoming more widespread within NZ, both north and south, to fill vacancies that are left open by the small NZ pool of staff. Employing people from off shore was very dependant upon having people trained in NZ farming systems to manage and train them, to make this beneficial and sustainable.

All groups were taking an active role in training their managers in HR to deal with on farm working relationships. This was seen as key to having a high performing team and work place.

Management needs to be effective in order to balance the needs of the operation with the people employed, and to help those people to grow within the organisation and industry, and not lose to other farms or industries.

A good brand for each company was seen as an important part of making them an employer of choice to future entrants to the industry.

The industry needed to continue to promote itself as a great one to be involved with and that involved improving the image and building a 'brand' as well. Given NZ's small population base, there will only ever be so many people available for farming, so it is important to make it a desirable industry.

Technology can provide some enhancements to on farm performance, however the human element relies on the operation being well set up, user friendly both in time spent on job and functionality of infrastructure to enable an efficient and enjoyable workplace.

# Recommendations

- Provide managers in all levels of the business adequate resources and training to enable them to run high performing teams and make the most of the staff available to them
- Try to engage staff and show them an internal career path so companies can promote from within.
- Be prepared to employ staff from cultures different to our own. Be prepared to make allowances for their different cultural needs from those values traditionally held within NZ.
- Building a brand for a business is important for it to be recognised as a great place to work and grow. So invest time and money into differentiating a company from others.
- All farmers need to commit to building a brand for agriculture by encouraging development of new initiatives to promote farming i.e. promoting agriculture directly into schools such as mentioned in Barbara Kurigers report from 2001 and the window to dairy campaign, and embracing or refining existing ones i.e. dairy insight campaigns. This may have to continue to be indirectly funded by farmers.
- Development of an awareness campaign aimed at urban audiences as to the direct economic impact of farming on their way of life as well as the opportunities it can provide for this and future generations. This urban understanding is important in the long term for a country heavily reliant on agriculture for its future prosperity.

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[www.rubusgroup.co.nz](http://www.rubusgroup.co.nz)

(*Soon to be Spectrum Group*)

Landcorp

[www.landcorp.co.nz](http://www.landcorp.co.nz)

Farmright

[www.farmright.co.nz](http://www.farmright.co.nz)

Synlait

[www.synlait.co.nz](http://www.synlait.co.nz)

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### References

Kuriger, B (2001), *Perceptions of a career in the dairy industry*, P24, 'Getting Information to Students', Unpublished report prepared for the Kellogg Rural Leadership Course, Lincoln University, Canterbury, NZ.