



**WHAT CURRENT  
STRUCTURES OPERATE IN  
NEW ZEALAND LARGE SCALE  
SHEEP & BEEF FARMING.**

**“IS IT THE WAY OF THE FUTURE?”**

**PETER TOD**

**PIC – KELLOGG RURAL LEADERSHIP PROGRAMME 2005**



# CONTENTS.

INTRODUCTION.	Page 3
INTERVIEW QUESTIONS.	Page 4
CASE STUDIES.	Page 5
INTERVIEW FINDINGS.	Pages 6
CONCLUSIONS.	Page 29
SUMMARY.	Page 30
ACKNOWLEDGEMENTS.	Page 32
REFERENCES.	Page 33



# INTRODUCTION

Historically, New Zealand farms have predominately been in family ownership, over time ownership of the land passed from one generation to the next. Over the previous five years, rapidly escalating land prices have made it very difficult for farming families to achieve this.

However, there have been some farming operations that through good business planning, foresight and robust farming systems, been able to achieve scale at the expense of smaller holdings.

So I posed the question,

“IS IT THE WAY OF THE FUTURE?”

To answer the question I undertook interviews with five North Island based farming operations ranging in size from 18000su and 1325Ha to 185000su and 45000Ha.

The aim of the interviews was to get a feeling for the success of these operations, what if any concerns existed, and “is it the way of the future”?

# INTERVIEW QUESTIONS

FOR P.I.C. - KELLOGGS 2005 PROJECT  
UNDERTAKEN BY P.E.TOD OVER FIVE NORTH  
ISLAND BASED FARMING OPERATIONS.

- 1) What is the Ownership structure of your business?
- 2) Please outline your Governance structure?
- 3) What is your Management structure?
- 4) What are the Reporting links between the above three?
- 5) What makes it so Successful, and what if anything would you change?

Notes to Questions.

A flow diagram may be an easy way to show these structures and assist with my understanding of your operation.

# CASE STUDIES

HORIZON FARMING LTD.

CENTRAL HAWKE'S BAY.

SMEDLEY STATION.

CENTRAL HAWKE'S BAY.

BROWNRIGG AGRICULTURE.

HASTINGS/HAKWE'S BAY.

TE POUAKANI FARMS.

WELLINGTON/MANGAKINO.

RIMANUI FARMS LTD.

AUCKLAND/NEW ZEALAND.

# CASE STUDY 1

## HORIZON FARMING LTD

### **What is the Ownership structure of Horizon Farming Ltd?**

HFL was established in 2003, after three Hawke's Bay farmers and their family trusts expressed their collective objective of;

“individual shareholders being able to gain economies of scale that would otherwise not be achieved within their own farming businesses.”

This has now evolved to include one further shareholder. They started with 20,000su and 2015Ha and by Nov 2005 have 52,000su and 3700Ha.

As shown in the following diagram, the four shareholders have leased their land and sold their operational assets to HFL and also have a mirrored shareholding in Horizon Land Ltd, a company utilised for further expansion of the business.

The two separate companies are considered business investments by the respective family trusts involved.

Horizon Land Ltd has so far purchased a further five properties to be farmed by HFL. This indicates a very early achievement of their objective of gaining economies of scale that were not achievable under individual ownership.

# OWNERSHIP of HFL

Shareholders equal in two companies

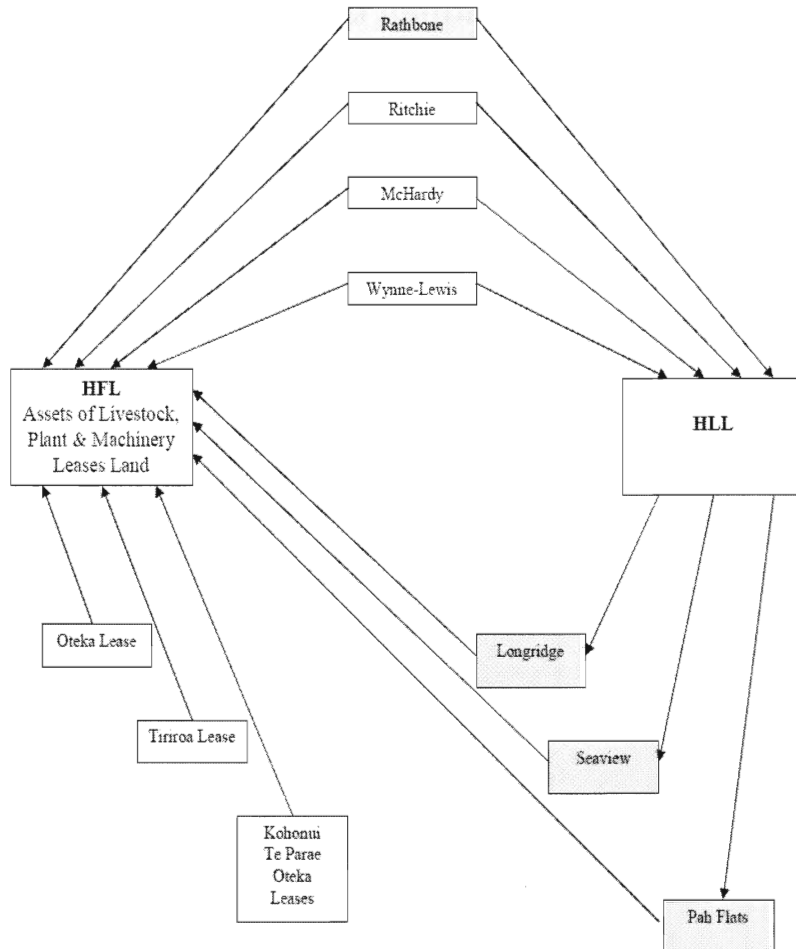


Fig. 1

## Outline the Governance structure of Horizon Farming Ltd?

HFL has adopted a corporate structure for its governance. The four shareholders are directors on the board as well as two independent directors. The chairman is always to be an independent director.

Other professionals, ie; Accountants, Bankers etc. are brought into Board meetings in an advisory capacity as and when required.

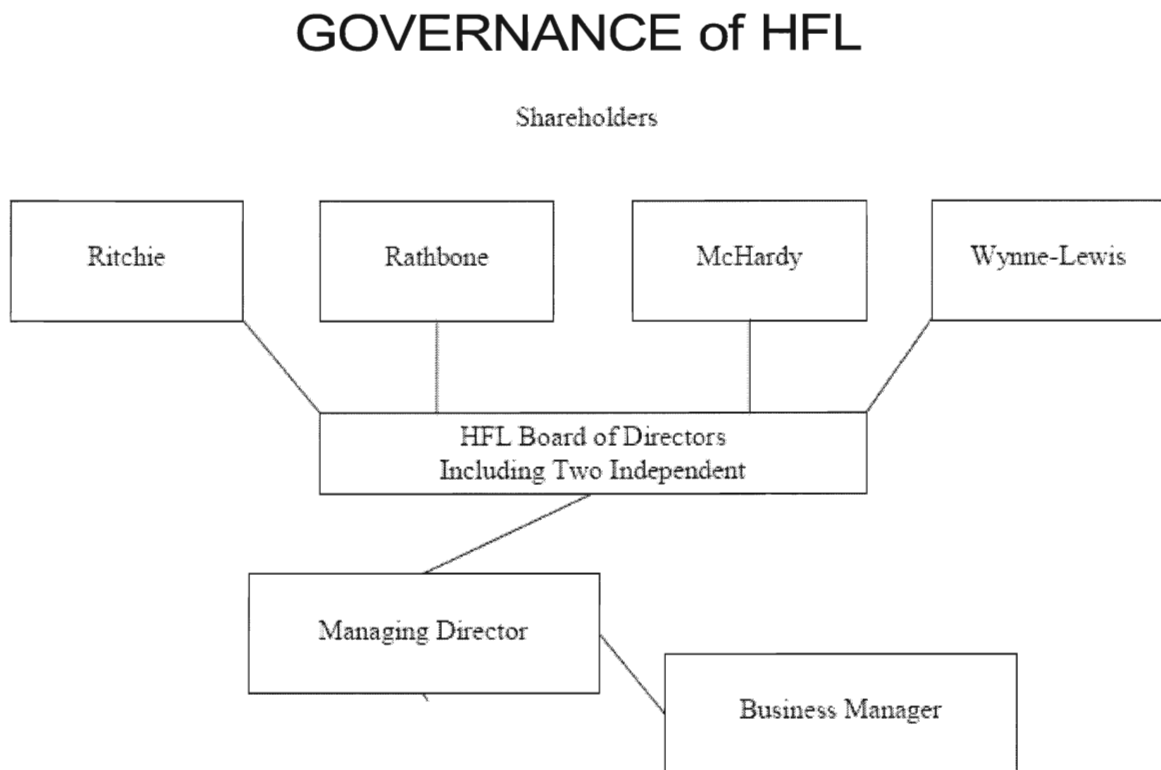


Fig 2.

## What is your Management Structure?

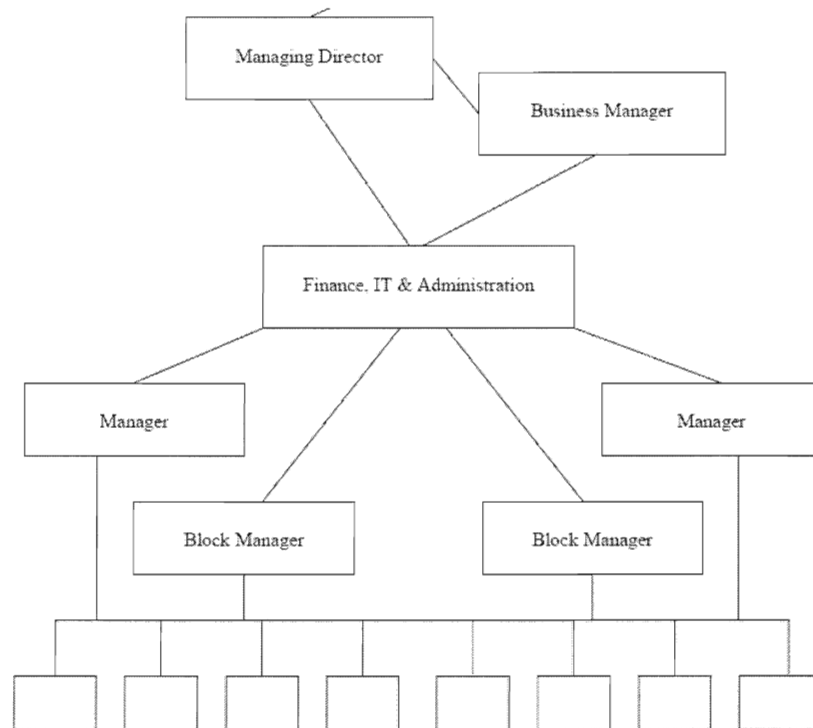
The whole business is driven by two-weekly Block Managers meetings. All information flows both up and down to and from the Managing Director.

Ownership and management are separated in this business which makes for the successful running on a day to day basis.

Fig. 3 shows the management flow for HFL which is very much as one would expect.

Scale is allowing staff to have some autonomy which will help people to specialise in the future, as the business matures.

## MANAGEMENT of HFL



Including: Shepherds, Fencers, Administration & Generals

Fig.3

## **What are the Reporting Links of the Business?**

Block Managers are required to fill in daily spreadsheets for sales/purchases etc and email to Head Office as well as recording all appropriate farm data.

Fortnightly Block managers meetings are used to confer about sales/purchases, pasture covers and planning in general.

Monthly staff meetings are held and are compulsory to attend. This is crucial to good planning and decision making for the business to function with a minimum of disruption.

Block Managers meet every two months, as their own focus group, to see progress within and between themselves.

The Board meet quarterly to fulfil the role of corporate governance as in any business of this size.

## **What makes it so Successful and what if anything would you change?**

The structure adopted for this business is successful, as it clearly defines the separation of the ownership of land from the management of the farms.

The business is successful to date, but it, like all of agriculture is exposed to climatic risk as well as bio-security issues. Scale is allowing it to reduce its exposure to the climate but it has less control over bio-security.

They have a desire for evolution to slow down, so that their farming systems can be proven to be robust enough.

# CASE STUDY 2

## SMEDLEY STATION

### **What is the Ownership structure of Smedley Station?**

Smedley Station was bequeathed to the crown after the death of its owner, Josiah Howard in 1919. Formed under the Howard Estate Act, it was established for the purposes of Agricultural Training and received its first intake of five cadets in 1931.

It currently farms 2793Ha and some 30,000su in the foothills of Central Hawke's Bay. The current manager, Terry Walters, is the Hawke's Bay Farmer of the Year for 2005. Smedley Station now has an annual intake of ten cadets per year for two years.

Smedley Station is in effect owned by the N.Z. Government and reports to the Minister of Agriculture. Any land sales/purchases at Smedley Station, needs ministerial approval.

### **Outline the Governance structure of Smedley Station?**

Smedley is administered by the Public Trust, and in the first instance reports to their rural administrator based in Hamilton, currently John Derry. He in turn reports to his CEO who is Wellington based. The Public Trust CEO, is directly responsible to the Minister of Agriculture.

There is the Howard Estate Advisory Board which meets every 6 weeks. This board approves policy changes, receives in-depth updates on farm activities and on the progress of cadets on the station. Other professionals are used at board level on policy change submissions.

The Board is made up of six appointed directors from various sectors of the community. These include-Federated Farmers, Eastern District A&P Associations, School Trustees Association, Rural Local Bodies & Chambers of Commerce, Urban Local Bodies & Chambers of Commerce and the Smedley Ex Cadets Association Inc. See Fig 4.

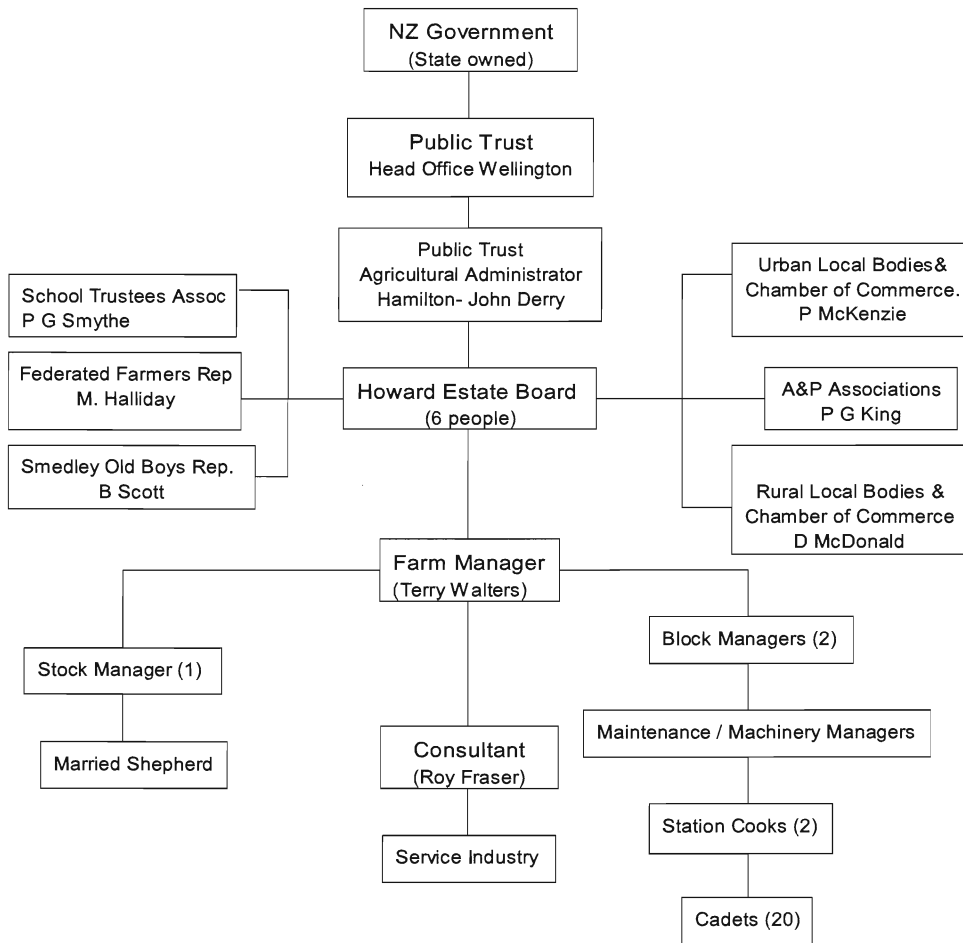


Fig 4.

## What is the Management structure of Smedley Station?

Terry Walters is employed to manage the farming operation as well as the training programmes for the twenty cadets. Administration is undertaken by the Public Trust.

The station stock manager and two block managers report directly to Terry on a daily basis, and are in constant contact via radio telephones.

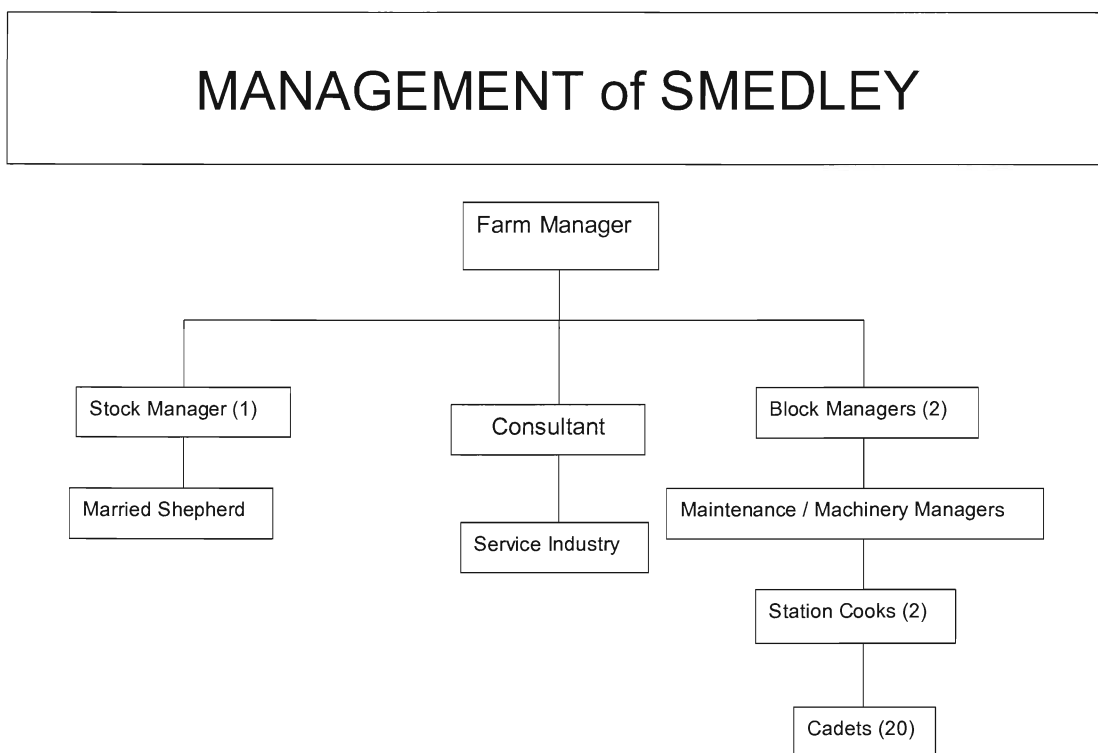


Fig. 5

## **What are the Reporting links of the business?**

Reporting is self explanatory as outlined in Fig.4. It happens both up and down the business. The manager answers to the Public Trustee.

The manager issues daily work schedules at 6am for the twenty cadets. Station staff meet for thirty minutes before work each morning, to ensure everyone understands what is happening, and can have any final input to the day.

Cadets are expected to keep diaries and wall planners. Radio telephones are used extensively, so the daily routines run smoothly, and because of the topography of the station are required for safety reasons.

Staff meet every two months, for up to three hours, for strategic planning of events, and policy proposals on the station. A farm consultant is used to prepare these proposals and submit them to the board for approval or otherwise.

## **What makes it so Successful, and what if anything would you change?**

Smedley Station is a Hawke's Bay icon. Its success is shown by the large number of applicants (up to 80 some years) who apply annually for the ten positions available.

"It's the history of the station that makes it successful". The current structures allow it to function successfully and the people involved are just so passionate about being there.

"Staff changes aid this success as they bring new ideas and technology. Agriculture is a people business and one needs to utilise people's skills to strengthen the business".

# CASE STUDY 3

## BROWNRIGG AGRICULTURE

### **What is the Ownership structure of Brownrigg Agriculture?**

Brownrigg Agriculture is the operating business for the shareholders, David and Jonathan Brownrigg.

Formed some 16 years ago, from a small family farming business, in the Poukawa Valley in Hawke's Bay, it has since grown to approximately 75,000su farmed over 9800Ha, of which 5000Ha are effective, and involves 48 different properties, employing upwards of 180 people at the height of the season.

Brownrigg Agriculture encompasses both sheep and beef, as well as extensive cropping operations spread throughout the North Island, but predominately on the East Coast.

It has a mix of both lease and freehold lands, with an emphasis on the former. Brownrigg Agriculture places a strong emphasis on the distinction between land ownership versus operational farming.

Its agricultural base is at Poukawa, south of Hastings, with the Corporate office in Hastings.

## Outline the Governance structure of Brownrigg Agriculture?

Brownrigg Agriculture has a formal board structure which meets monthly. This is made up of a small team of key advisors who “live the business”. These two advisors have been long time associates of the family and its businesses, and have a deep understanding of it and share the passion for its success.

These key advisors are supported by both an internal and external management team which provide the information for ongoing decision making. The business is governed from town, whereas the farms are run from the field.

### B. A. GOVERNANCE

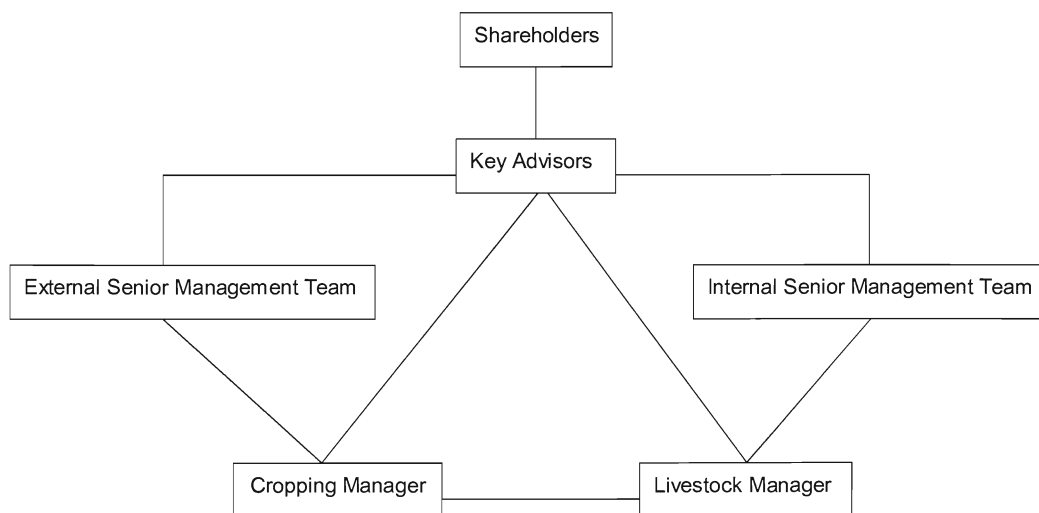


Fig. 6

## What is the Management structure of Brownrigg Agriculture?

Brownrigg Agriculture is a livestock business essentially, and the cropping operation fits around livestock.

There is a flat approach to management at this stage, with many managers undertaking “special projects” within the business. Jonathan and David sit at many levels within the business which helps to enhance the “family farm culture” that they are so passionate about. They realise as the business grows this is becoming more difficult.

The External Senior Management Team is in place to look at new ventures whereas the Internal Team are responsible for current farming administration and functioning. The Internal Team is made up of the Livestock Co-ordinator, Human Resources, Internal Accountant, Commercial Manager and the Office Manager.

Brownrigg Agriculture is in the business of growing grass and tools such as the use of an agronomist, farmax, stockpol etc are critical to good management. Because of the scale of the operation they have given some managers responsibility for special projects. Below these sit further farm managers and staff.

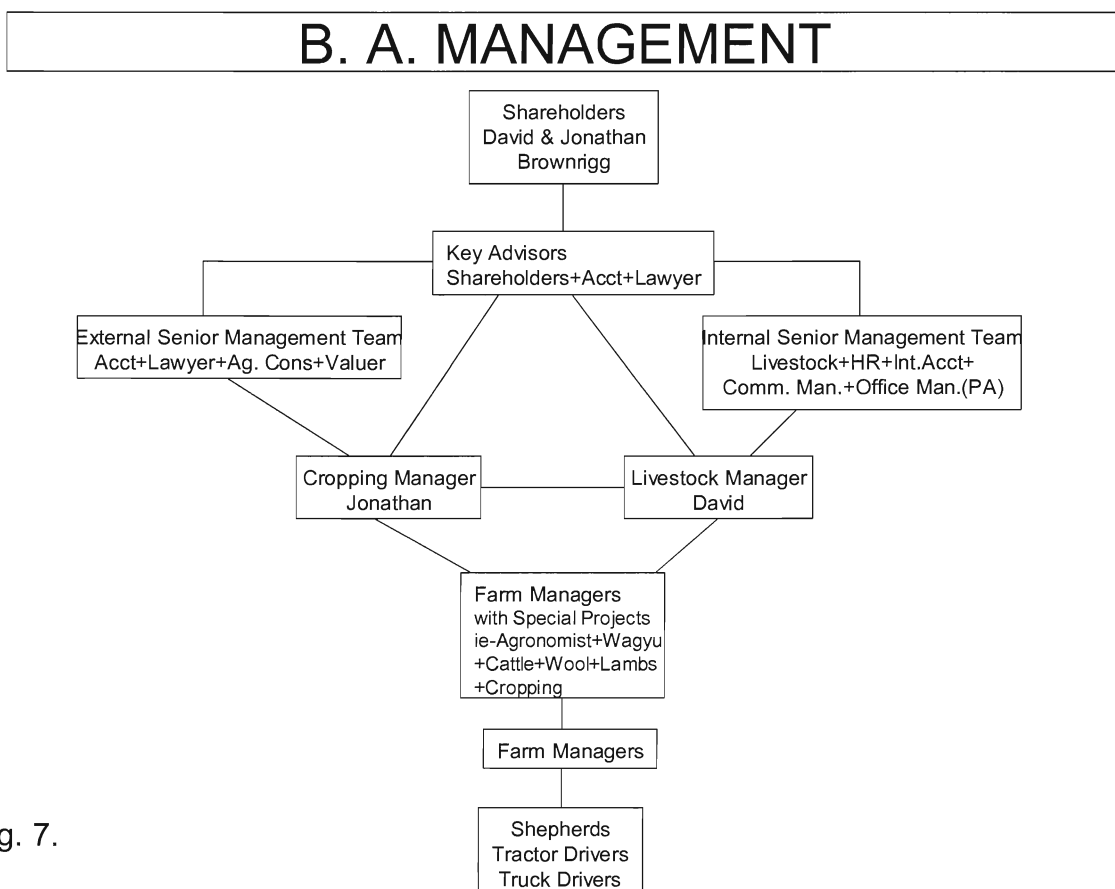


Fig. 7.

## **What are the Reporting links of the business?**

Currently all reporting is to David and Jonathan via the normal links in the above diagram. Because of the nature and scale of this business there is a growing need to appoint an operations manager. This would go some way towards allowing the shareholders to work on the business rather than in it.

Staff tele-conferencing is done on a weekly basis among all the managers, so that decisions can be made for the following week regarding operations. This helps to create an inclusive culture in the team, and have them all “living” the business.

Monthly staff meetings are held to update everyone on forecasts / livestock movements / feedlot activities etc and usually take half a day.

Board meetings are formal and occur monthly.

Human Resources have a huge part to play with such a large organisation. Effort is put into good systems, and the promotion of people internally, by giving them project work to build their confidence and grow in themselves. A large emphasis is placed on the “family culture and living the business”.

## **What makes it so Successful and what if anything would you change?**

The company has a philosophy of always trying to do better.

There is a desire for people to take on more responsibility so that they can take some ownership as well.

Profit is measured over five years and so to attain continuous improvement, one sometimes has to go back to go forward.

Trusting people is absolutely paramount, and striving to keep the success of a “family” business in a large company is critical.

History favours optimists, therefore don't always follow the crowd, learn from your mistakes, and have a go.

# CASE STUDY 4

## TE POUAKANI FARMS

### **What is the Ownership structure of Te Pouakani Farms?**

Te Pouakani Farms are the agricultural investment of the Wairarapa Moana Incorporation, located at Mangakino in the Central Plateau.

In 1948 Maori Affairs commenced a development scheme and after 35 years the land was handed back to the owners in 1983. While development work had been done, the land was handed back in a poor state with low productivity.

The farm was operated as a 438 Trust pursuant to Te Ture Whenua Maori Land Act, and referred to as “Pouakani 2 Trust” with the Township lands and Forestry lands held by an Incorporation pursuant to Te Ture Whenua Land Act and referred to as “Mangakino Township Incorporation”.

In June 2001 the assets of both organisations were combined and are now operated as the renamed “Wairarapa Moana Inc”.

The Incorporation has approximately 2783 owners and is responsible for the commercial assets of these owners. Family trusts are being utilised to form ownership clusters, so as to minimise the administrative duties of the Incorporations affairs.

Te Pouakani consists of a 1325Ha sheep and beef unit, 2870Ha of dairying and 5000Ha of Forestry. This land was given as compensation from the crown for the confiscation of Lake Wairarapa, their ancestral lands.

## Outline the Governance structure of Te Pouakani?

The Wairarapa Moana Incorporation has five elected committee of management members, and one co-opted. Members retire by rotation every three years and can make themselves available for re-election.

Kingi Smiler is the Chairman of Wairarapa Moana Inc. and is also the appointed Executive Director of Te Pouakani Farms. Jim Cotman is the appointed Farm Director. The farm team sits below these two. The Farm Director reports directly to the Executive Director about the Sheep and Beef Unit.

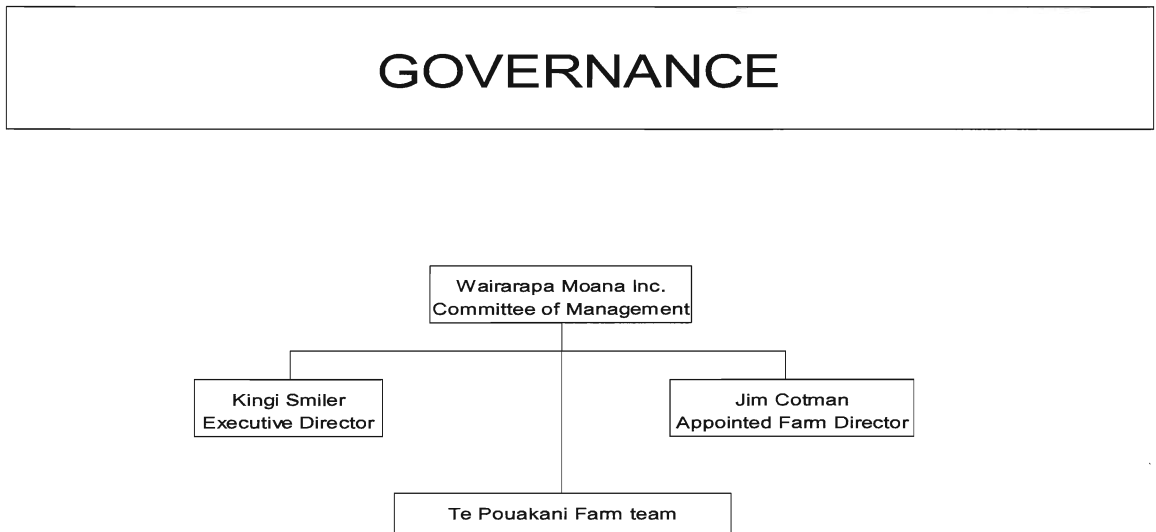


Fig. 8.

## What is the Management structure of Te Pouakani?

The farm team make up the management. They have a policy of employing the best people and this team has driven the dramatic production increases on this property.

The review of the business in 2000 allowed the unique situation of starting a farming enterprise from scratch. Under the guidance of the Chairman and his strong business skills, they set about to tender the property out for a business plan to move it forward to the next level. With the committee's lack of understanding of farming and farm reporting systems at the time, this was opportune for the implementation of the Farmax programme that had just been developed by Agfirst consultant Phil Tither of Hastings. The Executive Director set the scene for a strong management team to be established, and has culminated in Te Pouakani being named the "NZ Maori Farmer of the Year" in 2005. This team of professionals have developed a real passion for Te Pouakani, and will continue to have high expectations for its future.

Below the executive managers sit your normal structure of farm staff, but this is kept to a minimum. Te Pouakani utilises the skills of specialist contractors whenever possible.

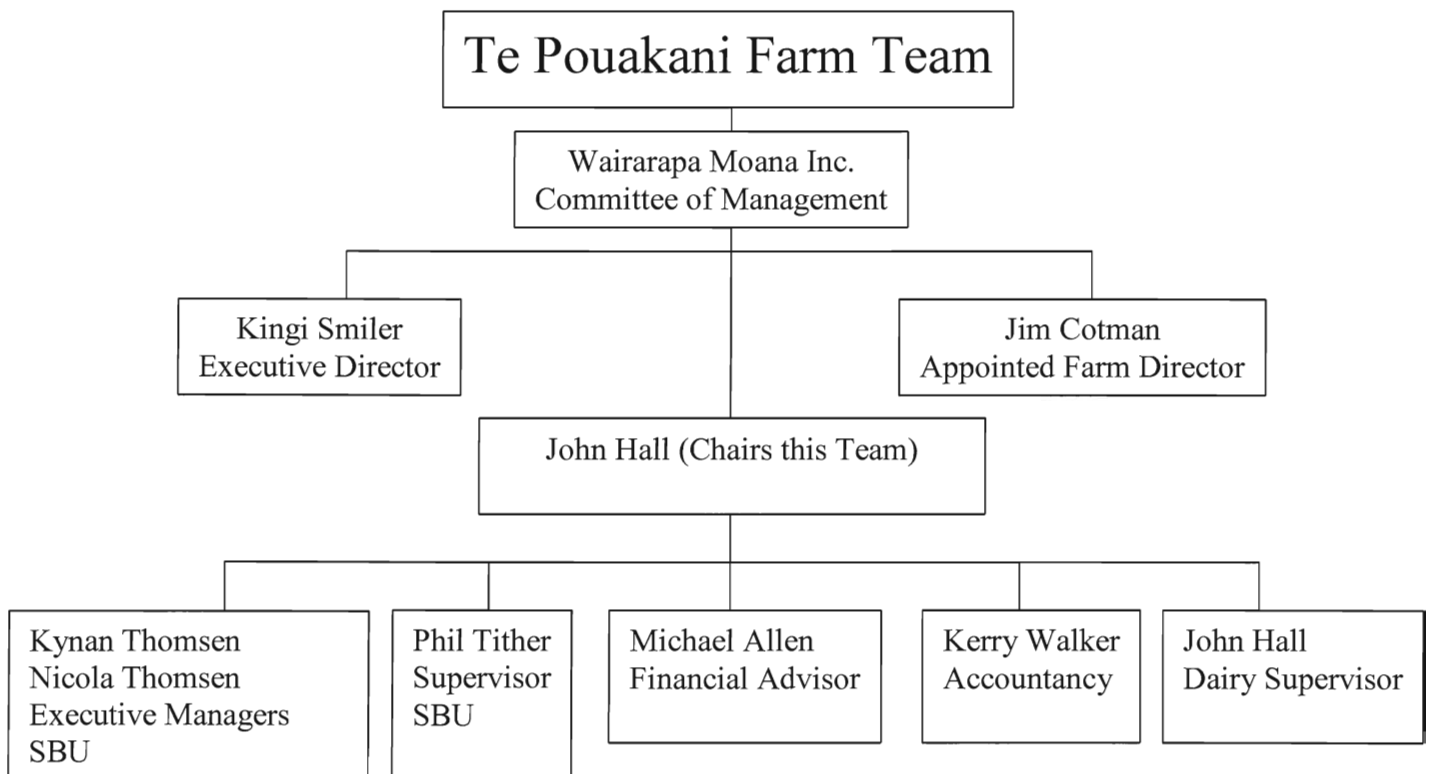


Fig. 9.

## **What are the Reporting links of the business?**

The Farm Director reports to the Executive Director on all matters pertaining to the Sheep & Beef unit, and he is also responsible for reporting to the Committee of Management. The Farm Director, it must be remembered, is also responsible for other farming operations within Wairarapa Moana Incorporation.

The reporting to the committee is quarterly, or as required and is based around three key stages of the year, being –

- 1) forecasting and budgeting,
- 2) production and
- 3) sales.

Farmax is used extensively within the operation for modelling purposes.

The Executive Director will sometimes be involved in the Farm Team meetings, to bring his extensive business knowledge to the decision making process.

The Executive Managers bring all farm information forward to the management team as expected.

## **What makes it so Successful and what if anything would you change?**

The business has clearly been driven by the passion and skills of the Executive Director.

Detailed planning and the employment of the best people for the job have helped Te Pouakani move to a high level within agriculture. The cultural acceptance, that the best people would give the best long term return to the shareholders, was a huge step forward for this business.

Keeping abreast of changes and improving performance incrementally will help Te Pouakani to continue to succeed. Under Te Pouakani's 2005 Strategic Plan they listed the six following key values, which is why it will be successful.

### Co-operation and Teamwork

To work as a team to maximise the potential benefits to develop best long term options for the overall business while ensuring that the separate operations perform to maximum potential.

### Open Communication Channels

To recognise the importance of communication at all levels of the Incorporation. Open communication between the Management Team, COM and Shareholders is seen as a priority. The management team will provide for this need by providing timely, relevant information.

### Quality Driven

To benchmark the farming operations performance at all levels, against the best that we can find. Quality assurance systems will be developed to drive this.

### People Orientation

To treat with respect the needs of shareholders, share-milkers, and employees. An aim is for the Incorporation to be seen as a top class employer attracting top class employees.

### Sustainability

To nurture the long term needs of the land, building its resource base for following generation's benefit, while recognising the needs to create a profitable business for the benefit of the present generation.

### Seek Success

To continually look to the future to seek profitable business opportunities. These are to be regularly reported and reviewed.

# CASE STUDY 5

## RIMANUI FARMS LTD

### **What is the Ownership structure of Rimanui Farms?**

Rimanui Farms Limited (Rimanui) is a privately owned farming company. The major shareholder is Peter Spencer and associated family interests.

Rimanui was established in the late 1980's. The objectives of the company are:

- 1) Manage the farm business to maximise sustainable returns after meeting all costs including land rental.
- 2) Support the aspirations of staff and enhance their capabilities.
- 3) Enhance the value of farms through maintaining assets at a high standard, undertaking prudent capital improvement, and increasing productive capacity.
- 4) Enhance the value of the Rimanui livestock resource.
- 5) Develop a forestry resource that will complement rather than compete with the farming business.

“Rima” means five and “nui” means large. Rimanui operate seven farms at five sites in New Zealand, four in the North Island, and one in the South Island. The company farms approximately 185,000 stock units.

## **Outline the Governance structure of Rimanui Farms?**

Rimanui Farms Ltd Board Functions as specified in their documentation are:

- 1) The Board will establish Company objectives and dividend expectations with the shareholder.
- 2) The Board will devise operational strategies consistent with these objectives.
- 3) The Board will approve farm plans consistent with Company strategy, delegate implementation to the Operations Manager/Farm Manager, and receive whatever reports are necessary to monitor progress. This will include;
  - Monthly Reports
  - Budget Reviews
  - Strategic Reviews
- 4) The Managing Director will be sufficiently informed of on-farm operations to enable him to intervene as necessary should the need arise.

The governance of this business is very formal, the Managing Director sits on the Rimanui Board and reports directly to the shareholder and his advisors.

The Managing Director relies heavily on the information provided by the Operations Manager, as although he is not as hands-on as the Operations Manager he needs to be fully informed to remain abreast of developments. Fig. 10 shows both governance and management structures for Rimanui and the people currently involved.

## **What is the Management structure of Rimaniui Farms?**

Each farming site had a manager/supervisor team historically, but this has now evolved to one supervisor for the South Island, and an Operations Manager working with the five North Island farming site managers. The Operations Manager visits all properties monthly.

The manager/supervisor team are charged with developing and implementing business plans for their farms. Each property is a stand alone unit as distances are generally too great to be trucking stock between. Once plans have Board approval it is up to the Operations Manager/Farm Manager to make it work.

There is a management group of the Managing Director, Operations Manager, and the South Island Supervisor that review the management plans for each farm. They scrutinise budgets/capital requests etc and check their robustness before they are formally put to the Board. The Management Group meet three to four times a year and visit the farms on rotation.

“The Managing Director must ensure that the company’s strategy and operating procedures are in place and that the performance of the company at all levels is appropriate. He will utilise the Management Group where appropriate to assist with duties but he remains accountable to the Board for his performance. He will visit each farm about twice a year to coincide with major events.”

The Operations Manager/Farm Manager teams are responsible through the Managing Director to the Board for each farming business unit under their supervision/ management. Their role is specified in the company procedure manual as follows:

- 1) “Develop and recommend business plans, policies and objectives of the farm for consideration by the Board;
- 2) Submit reports, financial statements and budgets of the farm, to the Board and report to, and consult with the Managing Director for consolidation of financial statements and budgets of the company;
- 3) Implement all approved plans, policies and programmes, of the farm;
- 4) Oversee the effective operation and administration of the farm;

- 5) Oversee the financial management of the farm including financial planning, cash flow and management reporting, and report to, and consult with the Managing Director for consolidation of these matters as they effect the company;
- 6) Ensure appropriate human resource strategies are in place to meet the company's and the farm's objectives and legal compliance obligations;
- 7) Maintain awareness of climatic, technological, business, economic and market trends that may effect the operation of the farm;
- 8) Ensure compliance by the farm with statutory and regulatory requirements.
- 9) Ensure stock audits are completed annually.”

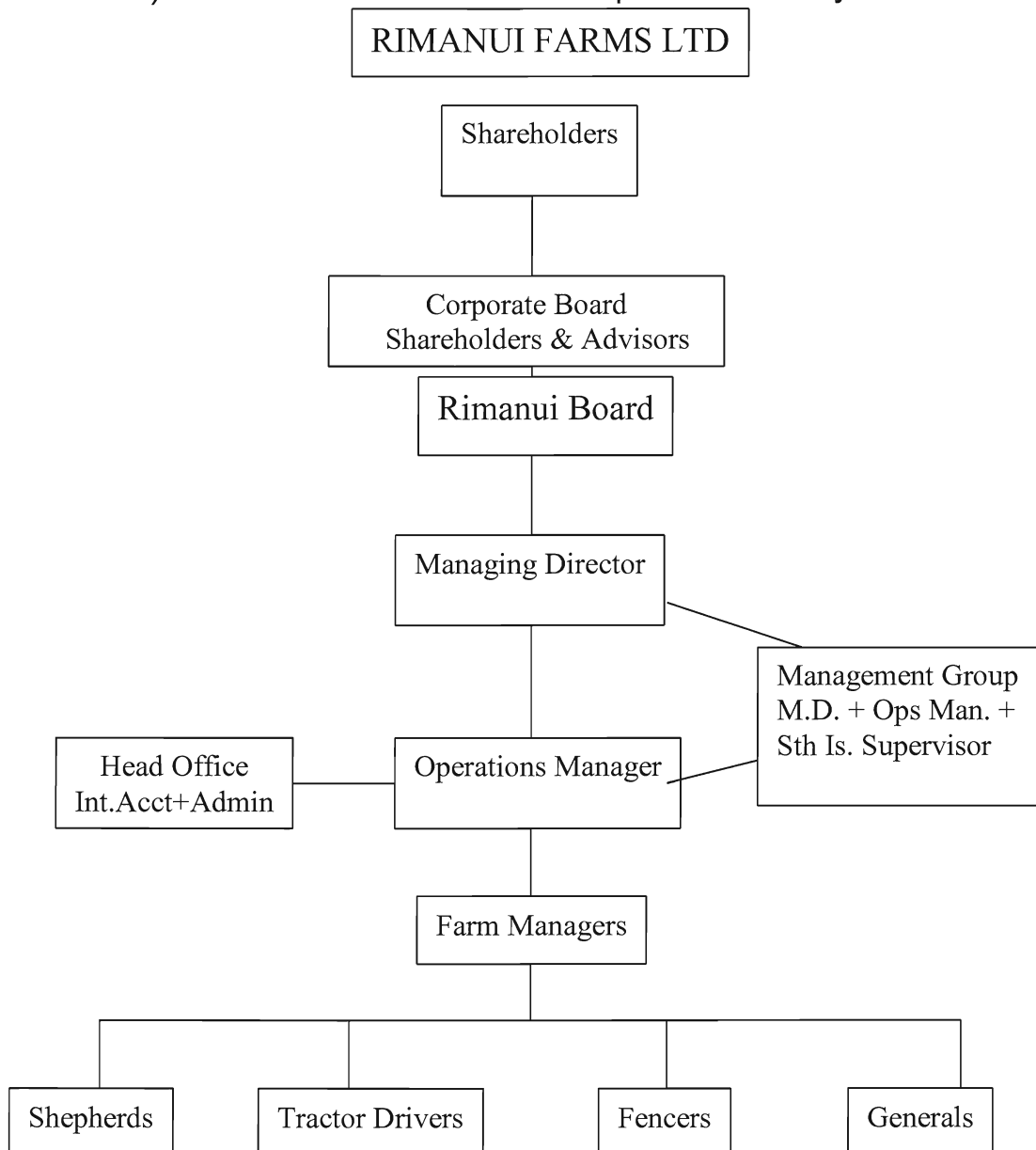


Fig. 10.

## **What are the Reporting links of the business?**

The Rimanui Board meets three to four times a year to coincide with budget and revised forecasts. The Rimanui Board reports to the shareholders board, in addition the managing director provides a monthly report to the owners board to provide a snapshot of what has been happening on the farms and any unexpected variations.

The information flows in this business are paramount to the success of such a large farming operation. With a formal board structure reporting flows upwards from the bottom, and then back down to the managers, so they can benchmark themselves against industry best practice in their region.

Data collection takes place on the farms and all administration is centralised to head office in Auckland. Monthly fact sheets are the basis of the initial reporting links in this business.

## **What makes it so successful and what if anything would you change?**

Its very formal structure brings strong governance to this business, and hence its success. A deep understanding of the business, by all participants, will bring further gains to the shareholders in the future.

The use of professionals in their field has undoubtedly been critical to the ongoing success and will continue to be, well into the future. Employing good staff who are passionate about the farms, has been ongoing, and helps to make it what it is today.

Planning and forecasting by management must also be recognised as a feature of this business.

# CONCLUSIONS

As I see it, Large Scale Sheep & Beef Farming in NZ is about good governance, built around formal business structures, employing the best people available for the job.

The governance of these properties is no different to any other commercial business. The expectations of the owners can only be profit driven to the point of a return on their investment, or why do it. Most large scale farms are operated by management teams, these teams require good governance to reassure themselves and the owners of the business, that the company's stated objectives are being met. In all five Case Studies, there was to varying degrees, ownership representation at board level or very direct reporting links to the owners.

With good governance comes formal business structures. You have Boards of Directors, supported by strong information flows from within the business, enabling them to make informed decisions on a monthly basis. These formal business structures occur right down through management and make for some very strict reporting links that all aid to the success of the businesses.

Employing the "best" people for the job was certainly a huge part of all five businesses interviewed. The owners surrounded themselves at all levels with the "best" people they could find. Employing the "best" people was seen right down the business, and it was recognised it was the people at the bottom who actually made it all happen. Trusting people was critical to allowing the business to get on and function from a distance.

# SUMMARY

## “IS IT THE WAY OF THE FUTURE?”

**YES.**

Globally, scale is how the world is moving, and agriculture in NZ will be no different.

There is a growing reluctance by the next generation, to take the risks associated with poor cash returns relative to asset worth. Current high land values prohibit new entrants from investing in agriculture. Established land owners can measure their returns over their original investment plus any current purchases which will give a more positive return.

The separation of land ownership from farm management removes many conflicts, and allows the objectives of both to be met. Under smaller scale farming these conflicting objectives can become severely clouded and compromise the efficiency and profitability of the farming operation.

Poor productivity on a smaller farm can make them more vulnerable to takeover by those who are farming at a higher level. Productivity can sometimes be restrained by the lack of working capital. A larger operation can leverage better rates and more favourable terms and conditions in many facets of the business to increase its competitive advantage. Productivity is a reflection of the owner's expectations and with large scale farmers these are well defined and less able to be manipulated.

The employment of staff is a huge issue within the rural sector. It is those with scale, who have an advantage in coping with the bureaucratic processes now involved with staff, and can provide the levels of professional development that are necessary. Scale allows the implementation of new technology, which small farmers can't justify over a lower number of stock units. Larger farms can purchase and utilise labour saving equipment which is an attraction to staff in this physically demanding industry.

Climatic risk is lessened with large scale and multi site farming. Although they can't avoid the impact on specific properties, their balance sheets are more able to sustain it. Droughts, floods and

storms can be physically and emotionally devastating and financially crippling for a smaller farmer.

**NO.**

It won't be the way of the future for some, because there are some highly motivated farmers who run high performance farming systems on a smaller scale. This allows them to make a good income and meet their own personal expectations.

Staff will continue to be an issue for large scale farmers. They must be wary of turning farms into factories, and hence the strong passion by some to get staff to take some ownership of what they are doing. Many shepherds enjoy the variety of tasks involved in farming and on some larger scale operations variety is no longer practicable, and the frequency and monotony of some tasks can be a deterrent to staff.

Personal satisfaction and job enjoyment for some staff, comes with more accountability and "hands on" involvement in all the daily events of the farming year.

**As I see it, weighing up the arguments –**

**LARGE SCALE FARMING IS A WAY OF THE FUTURE.**

It will occur gradually over time, but must only happen in a sustainable manner. But for some, smaller farming operations will continue to be an option.

# ACKNOWLEDGEMENTS

My thanks go to the following people and their staff, who were so willing to provide information about their businesses.

Bill Ritchie – Managing Director of Horizon Farming Ltd.

Terry Walters – Manager of Smedley Station.

David Brownrigg – Joint Managing Director of Brownrigg  
Agriculture.

Kingi Smiler – Chairman of Wairarapa Moana Incorporation  
Executive Director of Te Pouakani Farms.

Lester Wright – Operations Manager of Rimaniui Farms Ltd.

# REFERENCES

ASB Conference Proceedings 2004

2005 PPCS/Richmond Hawke's Bay Farmer of the Year Field-day Handout- Prepared by Hawke's Bay A&P Society

2005 Regional Field Days Handout for the Maori Farmer of the Year - Prepared by Meat & Wool N.Z.

Rimanui Farms - Procedures Manual

