

# **So You Want To Be A Successful Sharemilker**

## **Advice you haven't been told before**

If you are wanting a PC report on how well you are doing and how you are the backbone of dairy farming and owed a debt by the country, stop reading and pass this onto someone who really wants to succeed. Too many people see contract milking and sharemilking as a rite of passage and do not consider the implications of what is really needed to make it.

Whether you want to go contract milking, lower order sharemilking or 50/50, being your own boss is the next best thing since the ¼ acre section.

Feel good articles about families who have done the hard yards and now own their own farms give plenty of motivation to follow in their footprints. As always though there is another story between the lines and you would do well to remember that there are as many hard times as there are good times. Just make sure the good times outnumber the hard.

There are plenty of people out there to give advice but how do you know if the advice you are receiving is good advice? If you are encouraged to set and meet goals and targets and are receiving plenty of support then you are on the right track, if not then I will give you some key thoughts and tips that will help you decide who to listen to and who to trust which will make you more successful than you ever thought.

At the end of the day only you can decide what is right or wrong for you and your family. The strength of successful sharemilkers is that they are determined people. They do not give away their control over their destiny by accepting poor advice or by making poor decisions.

If you want to be successful then be damned sure that you do not want someone coming each month to tell you how you should have done something. You should want to be a month ahead of the game not a month behind.

Although slanted toward 50/50 sharemilkers, this report applies to anyone entering a contract including equity managers and farm owners.

## Getting Started

Don't even consider getting yourself into a contract without firstly having a clear vision or idea of where you want to go. This goes without saying because why else would you want to commit to a contract where someone else pulls the major strings, owns the house you live in and the land on which you work. The people you build around you in your team must also align with your vision and values.

Set targets, goals and measures of success that will help you keep focused and motivated. Make the targets specific so you have to work harder to hit them. An Olympian archer does not practice by hitting a 200 litre drum so why wouldn't you set specific targets that make you focus and encourages you to seek answers from the best people.

Don't be afraid to share your goals with your team and peers. You will very quickly know which group of people you continue to share ideas with by identifying all the naysayers.

Have a set of values that you believe in. This applies not only to you but to your staff, your rural professionals, and the people you deal with in your business. If you don't give a stuff about things well neither will they and they will no longer be an investment in your business and instead be a cost. Because they are a cost you will look to cut them from your business which will give some short term relief but that is about all.

Answer these questions

1. Where do I want to be in 1, 5 or 10 years' time?
2. How does this contract fit in with my plans?
3. What am I really good at and where do I need to up skill?
4. What am I willing to do to make the contract work for my family and future?



## **Build A Team Around You To Help You Succeed**

Don't be naïve in thinking that the road will always be smooth and you will forever be rolling forward without a care to concern you. You will come up against environmental extremes, animal welfare, stress, compliance obligations and a farmer who is experiencing the same as you but sees everything with a different pair of glasses.

You will need a good team of people around you that will give you the support you need when you need it. Veterinarians, Financial lenders and advisors, accountants, mentor or coach to keep you on track and a nutritional consultant can all provide information and assistance at the right time. When you use them is equally as important. Always use them ahead of time rather than putting out fires when production has dropped, mating is going poorly or you are in financial trouble.

Accept advice from people you trust. Question advice you are getting if you suspect it is not right for you. It may just be a difference of opinion but if you have doubts get a second opinion. If the bank says lending is too tight then listen intently to the reasons why. Don't ignore the fact that they hold the biggest string of them all and can call in your debt with a phone call.

Share your vision and plan with your team. Your vet will add value to your business if they know where you are heading and what you are trying to achieve.

### 5 People you will need in your team

1. Lender. You will need to have 40% deposit before you can enter financial agreement with a bank as a sharemilker. That means that they are a significant partner in your business so talk regularly and monitor your progress.
2. Accountant/financial advisor. Get benchmarks from other clients to help motivate you to be financially smart about your business.
3. Mentor/Coach/Advisor. If you want to stay ahead in the game be selective about who suits your style and who can take you where you want to go.
4. Nutritional Advisor. Your cows are your ticket to your future. A good idea is to feed them. You don't have to be a high input farmer to use a nutritional consultant.
5. Vet. Goes without saying, how you use your vet is up to you but I recommend proactive use is much more profitable than covering up mistakes.



## Signing An Agreement

Whatever you do and whatever advice you may receive always remember this- **The answer lies in the contract.** What you agree to is what you are expected to do. Do not be so enthusiastic when negotiating a contract that you do so without giving it plenty of thought and getting some advice around your monetary entitlements, and your obligations under the terms of the contract.

Be sure that the farm owner and you agree under which system the farm will run so both parties are under no illusions about what is expected. There are plenty of pitfalls in contracts and too often the emotion of it all takes over and clauses are missed or forgotten and assumptions are made.

People forget what they said at the contract negotiations. Promises are forgotten and verbal agreements are no longer remembered. Ink is hard to rub out. If it is not recorded in writing and signed it is harder to argue at a later date. This is another reason why witnesses at the contract negotiations are helpful.

Agree to the items of machinery you will need to successfully fulfil your obligations. Do not agree to a heap of expensive equipment if using a contractor will be more efficient and cost effective.

You are entering a contractual partnership which in some cases is longer than a lot of marriages so communication is important. No one party is more important than the other. There will be times when someone has a bad day and verbally upsets the other party so how you handle that will have an effect on the working relationship. Let's face it farming is a tough business so now and again people will say the wrong thing at the wrong time.

When you begin your contract everyone is wearing rose tinted glasses. Your first task to ensure your contract starts well is to go around the farm and inspect the pasture cover, supplements, fencing and infrastructure and ensure everything is exactly as it is set out in the contract. Get an independent person to witness things you are not happy with and take plenty of photos. Take plenty of photos of the house and surrounds as well. Although you may be all buddies now things can change during the course of a contract.

At the end of the day the owner or owner's agent cannot direct you to do anything that will be detrimental to your animals and you as a sharemilker cannot do anything that is detrimental to the farmer's asset.

Do not get emotional and want to keep the peace by not bringing the owners attention to anything that is not in order. It may just have been overlooked but either way you have a time limit to claim on anything at the commencement of the contract. If you don't bring it up you cannot use it as an excuse later on in a dispute.



## **Timing Is Everything.**

When you get into sharemilking and when you get out will make a monumental impact on what equity you will end up with. If getting out in a drought year is expensive, getting in following a drought could be timely.

If you want to rush out and purchase the best stock in the land for \$2,500 be damn sure the farm you are going to and the contract you have signed allows you to feed your expensive asset more than 6 tonne of drymatter per cow per year so you get a return on your investment. If it doesn't then don't pay such high money.

If you are signing a herd up then be careful of what terms you are agreeing to. This goes both ways. You want the best possible deal when buying a herd. If you are selling a herd and have signed a condition score of BCS 5.0 at May 31<sup>st</sup> be prepared to buy a lot of supplement to get the condition on the herd especially if you have a farmer that digs his toes in and wants you to milk longer than you think you should.

When selling out at the other end, be very aware that the pick of the herd you sell will not contain  $\frac{3}{4}$  cows, unsound cows due to health, physical ailments, high SCC and cows over 9 years of age. If you are a good operator this will not bother you, If you are average at managing your herd profile then your average cow price for what you get will be a lot lower than you think. A \$2,500.00 herd can easily be worth \$1300.00 average three years later. That is a \$360,000 loss in three years for an average size herd.

So when you purchase your first herd you need to have a good plan in place and do not let stock agents sell you something you simply do not want. No is a good word to use.

5 ideas that will work for you:

1. Purchase top BW and PW heifers but make sure they are in calf to a jersey bull so they have a trouble free calving.
2. Purchase cows that are due to calve in the first 6 weeks. These will have AB calves so you get more bang for your buck. You can buy some excellent early calving cows with low BW figures that will give high production.
3. Get out among herds, clearing sales and tough areas which may present a bargain. Purchase cows that have great confirmation. These are the workers you will need to have if you wish to be successful.
4. Have a budget and buy below it. Never go over your budget for anyone.
5. When you have done the deal inspect your stock monthly or more regularly if you need to. Get evidence of Facial Eczema control, dry off dates and dry cow therapy and body condition updates.

## **Financial Intelligence = Success**

Congratulations you are now a sharemilker and are ready to take the world on. You obviously have plenty of good management skills or you wouldn't be in the position you are but sharemilking is a different kettle of fish to managing or lower order contracts.

You are now in charge of your finances so make sure your pockets are deep and your arms are short. Your first milk payment isn't due to August or September and there are a lot of expenses to come out before then. Sharemilkers in the past used beer crates for seats and second hand furniture so don't get the urge to shoot out and buy the latest Italian leather lounge suite. Be frugal and you will be successful.

With the new Fonterra payment structures make sure you have negotiated an agreement that is equal to 50 per cent of the total milk payments including dividend payments. If you do not do this you are no longer 50/50 sharemilking and your milk payments will be substantially lower than you expect. In a case such as this you will have to work much harder if you wish to succeed.

Avoid going out and purchasing the shiniest bike and latest calf rearing gear. The National fieldays are well situated on the calendar and offer plenty of opportunity to use some of that overdraft facility that the bank so kindly gave you. If you are really on to it you would have already saved thousands of dollars and purchased all of your gear off Trade me or at clearing sales.

The word soon gets around the grapevine of a new sharemilker in the area so a plethora of salesmen will enter your driveway with the hope of selling their wares. Stop them before they can get out of their car or again you and the money you do not yet have will part company. Be thankful of any Scottish blood you may have and tighten your grip on your wallet before it is wrenched from your grasp.

Check out deferred payment terms with suppliers. Buying bulk drums of product may not necessarily be cheaper if you are forking out big bucks for a year's supply of product at the start of the season. Think of your overdraft interest rate and work a deal with your suppliers.

5 things you will need to remember:

1. Know your financial position at all times. Do your own Cashflow budget.
2. Budget for extremes such as droughts. They are a fact of life
3. Don't buy anything that you don't need or can do without
4. Spend frugally, shop around and negotiate deferred payments.
5. Be proactive and use preventative measures that will not only save money but will also bring in more productivity.



## Making It All Happen

This is the bones of the operation. Get this right and you are well on your way to reaching your goals.

### Pasture = profit

Old but true. God really must have been thinking with a clear head with this one. Here is a sustainable resource that feeds an animal that multiplies and gives a food product the world needs. Thank goodness Donald Trump hasn't cottoned on to this.

Your job is to grow a crop called grass. Do everything you can to ensure your crop is fertilised and managed to optimise all potential growth. While you have moisture you have growth so grow and harvest as much as you can between the months of April and January.

Rotation planners, feed budgets, pasture monitoring are tools of great pasture management. If you are too lazy to do a regular pasture walk, then I wish you well in your hobby. Lifting pasture growth by monitoring and manipulated grazing rotations can give you extra production for nothing. That is good business in anyone's book.

Farming can be a very straight forward business, tough but straight forward. Maximise the amount of feed you grow inside your boundary and feed your stock so they can milk to potential. Some of the old farming methods of high stocking rates of lower body condition cows using every blade of grass are no longer acceptable in the public eye but there are still plenty of lessons to be learnt from these systems.

Now PKE has a place on most farms. Decide how you will use it and don't fall into lazy methods and use PKE without knowing what you are growing inside your boundary.

The day you will not stand cows off and let them pug your paddocks because you are too tired to take them off is the day you begin to lose money. It is bad for business short term and definitely bad for business in the long term. You certainly will not improve your relationship with the farm owner.

If you get your spring right you are on the road to a profitable season. Choke the spring by speeding your rotations up too fast and it will catch you out around mating time. You will damage your profit this season and also next and subsequent seasons by having underfed your herd over mating. Who can you point the finger at - no one but yourself.

## **Building Your Investment**

Many farmers have worked hard, spent little and expanded their businesses through the sharemilking system to own their own farms. This has been the foundation of Dairy farming and one reason why New Zealand has led the way in the world. However the Government in their inept wisdom have closed many of the tax breaks that help hard working sharemilkers build into a position of financial strength.

The livestock tax scheme has changed so you can no longer move stock between schemes to offset tax and you can no longer buy a rental property and offset tax. Thanks for the challenge.

The bank has security over your stock therefore building a better quality herd should be your primary focus. Not everyone has problems with high MT rates so make sure you don't either. Do a minimum of 6 weeks AB and be proficient at observing cows in heat. There are plenty of tricks to help at mating time so get your team together and work out solutions in June NOT OCTOBER when the wheels have fallen off.

Rear every recorded heifer calf you can. Sell the bottom percentage out so already you will have improved your herd. Keep calves out of older cows as these have the best longevity traits. Above all else take care at calving. Every dead heifer replacement is a lost opportunity.

If you have had a run of poor matings then purchase recorded Jersey bulls and put over your heifers. Instant herd rebuild in 2-3 years. Extra heifer calves can be sold for a bit of extra cash.

There are still many ways for a progressive sharemilker to get ahead. You will have to work harder to find the good opportunities but that is a challenge in front of every business in today's world. Get together and form investment partnerships and lease farms or get lease blocks but be very strict on criteria and a plan to cover management to your values and standards.

## At Termination

Three years is never enough time to make enough money when sharemilking. The first season is getting set up, the second season is great and the third is cut short as you prepare to move again. There are costs involved with shifting stock so if you can negotiate a longer term then it will benefit both you and the farmer.

When you have come to the end of your contract, whether by design or other reasons, you will have to meet certain terms of the contract. This is where a great deal of problems can begin because you will want to dry cows off proactively to gain condition for your next position or if you are selling your herd. The farm owner on the other hand, understandably, will want to maximise production for the season.

Unfortunately some farm owners forget that they are obligated to ensure your animals leave the farm in the same condition in which they arrived. This should always be a minimum individual BCS of 4.5. The only assets you may have are your animals so it is in your best interest to protect your investment and future returns. The way to do this is to get an independent person in some months before the end of the contract to plan an exit strategy for you and the farm owner.

In February sit down together and get an agreement as to how you will manage the rest of the season. Decide on the trigger levels for OADS milking, drying off groups of cows. Also estimate the effects to production and/or costs of production if you purchase more supplement feed.

In a perfect world everyone would leave farms better set up than when they arrived that way each sharemilker can have a healthy start to a new contract. In reality though this rarely happens, partly because it's each man for himself and partly because seasons simply do not allow it.

As with any contract you do not want proceedings to continue after the expiration date. When you leave the farm you want to be assured your deferred milk payments are heading in your direction and not someone else's pocket.

It all comes down to having a clear positive objective in mind and working towards that. You cannot change the way other people think but you can take incremental steps well before the contract ends to ensure your asset is protected.

1. Be proactive in planning your contract exit
2. Agree to trigger levels and an exit strategy especially in a drought situation
3. Get sign off that everything is as it should be at the termination date.

## In The Event Of A Dispute

Unfortunately disagreements do happen and these can evolve into disputes. It is all well and good to say the provisions of the sharemilking agreement protect you as a sharemilker but this is not always so. A Fonterra supplier can at any time stop your milk payments and direct your money to anywhere he wishes. This is ethically, legally and morally wrong but that is a fact.

50/50 sharemilkers are not covered under the sharemilking act, yet, and under company rules, Fonterra act as the suppliers agent so therefore must act as directed. This said you must never breach a contract in anyway and give opportunity for a supplier to stop payment. This will not always prevent it happening as there are rogues and fraudsters in every business but at least you will have a good case at dispute resolution stage.

If the owner decides that you are in breach of the sharemilking agreement in some way then he must notify you in writing of the alleged breach and give you 10 days to rectify. What you do here is entirely up to you but remember the sentence '**the answer lies in the contract**'. This simply means if you suspect something is not right get your contract out of the draw and read it.

If you are notified of a breach get some damn good advice from someone who knows about farming and contracts. There are too many cases where sharemilkers have not been represented correctly or disputes have been drawn out unnecessarily.

Legal representation is expensive so do most of the work yourself. No-one knows your business like you so trust yourself and do some of you own detective work before you hand the case over.

You may feel stressed and victimised as the dispute unfolds. It is natural to feel this way but do not let it control your resolve to get a positive result. NOTE I said positive result and not a win. You must have a very good think about whether sticking it to someone is more important than walking away and remaining sane. What will it cost you financially, emotionally and in valuable time that you do not have? There in-lies the very reason why some unethical suppliers stop milk payments. They know you will consider these important facts and back themselves to keep the money.

1. Stick to the contract. Two wrongs don't make a right and you do not want to give any excuse for your contract to be terminated.
2. If you have been notified of a breach get some advice from someone with farming knowledge who knows about sharemilking contracts.
3. Be prepared for an emotional rollercoaster if you are in a dispute so get plenty of positive support.

## Love And Laughter

If you have read this far without thinking it is all too much and you will give farming away, good on you because it shows you are willing to work for something you really want to succeed in.

With all the stresses and strains of farming there is always time to enjoy life because there is nothing like living in the country being your own boss in an industry you love.

A mistake you can make is thinking you are bullet proof and don't need any time off. This usually comes from being under the pump financially as your overdraft is maxed out during the busiest time of the season and your mortgage drives you to keep out there in whatever weather conditions.

If you want to be a hero that's fine but remember there is plenty of opportunity to play golf, go fishing or play other sports when you are farming so get off your butt and make it happen. A year is only 365 days long and you have limited time so make the most of it.

Always book in time over summer to go away with the family. It is not for you it is for them and those memories will stick with them for ever. The odd trip to the Gold coast when the cows are dry will make you the pick of the dads come school time.

A rewarding aspect of being your own boss is that you can grow up with your kids. There is no excuse for not attending social gatherings, school days, calf clubs, and that odd trip to the museum.

If you are one of the many people who sit on their ass and play the working too hard tune consider yourself told off. Busy people always seem to be in charge of clubs, coach sport, fundraise and generally make life easy for you slackers. These same people have impeccable farms from years of hard graft and yet still make time to help others.

I always encourage farmers to go to farm discussion groups. There is plenty of banter, encouragement and small talk at these groups. Make it your mission to find one good idea from every group you go to and put in place in your business to become more successful. If you don't have a local discussion group then form one yourself. You don't need DairyNZ to hold your hand although they do organise a good lunch and a few drinks at each group.

Remember to laugh a lot and love a lot when you have the opportunity. Mix with friends outside farming because the last thing they want to hear is you moaning about the weather. Find positive friends to lift you up. Avoid the temptation to mix with downers because you feel better by hearing their hard luck stories. Eventually you will become one of them so it is better to become someone better than someone worse.



## The Answer Lies With You

I have left this section last because after all you have read it is easy to get analysis paralysis and not do anything at all. It is like going to a rah rah meeting of someone who has a 7 step plan about how you can turn a dollar into a million overnight. You leave the seminar pumped up like a bull in September but as the days pass your enthusiasm dwindles and it becomes another setback in your journey to make it big. The bull at least has something positive to look forward to.

The answer lies with you. Everyone has the opportunity to make mistakes and enjoy the fruits of success after learning from them. Make it your goal to try new things and learn a lot.

There is a huge degree of self-fulfilling prophecy in farming. By this I mean if you think it will go wrong you will probably be correct, equally if you think things will go right then you will be correct there also, why because your thought patterns will follow the particular path that you subconsciously subscribe to. Don't believe me – ever ridden a bike and failed to avoid the rock you saw in front of you.

If you are target focused you will be more proficient at overcoming unexpected threats to your business. If we follow the path an Archer must take to win a world championship it is filled with small victories under a range of difficulties and challenges. Mentally they must take everything in their stride, judge each element that will affect the flight of the arrow and adjust to suit. At the very end all they can do is ensure their shot is right on target, they cannot change the way their opponent shoots, they can only make it harder to beat their score.

The same applies in farming. Every season has challenges and obstacles to overcome so your mental state is important. Set targets along the way so as the season progresses you are having incremental wins. Judging your season on your milk production will not make you successful.

[TargetFocus](#) is dedicated to helping people succeed in the agricultural industry. There are many ways to succeed and everyone is different so knowing how to plan ahead set targets and goals is important and [TargetFocus](#) offers support to people who want to do this.

Make a change now and get on the way to achieving those childhood dreams. Don't forget to make use of the free one hour coaching session by clicking the free consult button

Best Wishes  
Ian Handcock

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